

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated February 25, 2021 is provided to enable readers to assess the results of operations, liquidity, and capital resources of AltaGas Ltd. ("AltaGas", the "Company" or the "Corporation") as at and for the year ended December 31, 2020. This MD&A should be read in conjunction with the accompanying audited Consolidated Financial Statements and notes thereto of AltaGas as at and for the year ended December 31, 2020.

The Consolidated Financial Statements and comparative information have been prepared in accordance with United States (U.S.) generally accepted accounting principles (U.S. GAAP) and in Canadian dollars, unless otherwise indicated. Throughout this MD&A, references to GAAP refer to U.S. GAAP and dollars refer to Canadian dollars, unless otherwise indicated.

Abbreviations, acronyms and capitalized terms used in this MD&A without express definition shall have the same meanings given to those terms in the MD&A as at and for the year ended December 31, 2020 or the Annual Information Form for the year ended December 31, 2020.

This MD&A contains forward-looking information (forward-looking statements). Words such as "may", "can", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "aim", "seek", "propose", "contemplate", "estimate", "focus", "strive", "forecast", "expect", "project", "target", "potential", "objective", "continue", "outlook", "vision", "opportunity" and similar expressions suggesting future events or future performance, as they relate to the Corporation or any affiliate of the Corporation, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. Specifically, such forward-looking statements included in this document include, but are not limited to, statements with respect to the following: potential post-acquisition contingent payments with regard to the Petrogas acquisition; upcoming director retirement; AltaGas' core strategy, including with regard to plans for dividend payments; 2021 strategic priorities; expectation of 2021 annual consolidated normalized EBITDA of approximately \$1.4 to \$1.5 billion; anticipated 2021 normalized earnings per share of approximately \$1.45 to \$1.55 per share; assumed effective tax rate of approximately 23 percent in 2021; expectation that the Utilities segment will contribute approximately 60 percent of normalized EBITDA for 2021; expected growth drivers of normalized EBITDA in the Utilities segment; drivers of expected growth in the Midstream segment; expected lower normalized EBITDA from the Corporate/Other segment in 2021; estimated NGLs exposed to frac spreads prior to hedging activities; plans to manage frac exposed NGL volumes; expected net capital expenditures of approximately \$910 million in 2021; anticipated segment allocation of capital expenditures; expectation for 2021 committed capital program to be funded through internally-generated cash flow and normal course borrowings on existing committed credit facilities; the estimated cost, status and expected in-service dates for growth capital projects in the Midstream and Utilities businesses; expected filing, procedure and decision dates for rate cases in the Utilities business; expected impact of the COVID-19 pandemic on AltaGas' business, operations and results in 2021; future changes in accounting policies and adoption of new accounting standards; and AltaGas' long term strategy. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events and achievements to differ materially from those expressed or implied by such statements. Such statements reflect AltaGas' current expectations, estimates, and projections based on certain material factors and assumptions at the time the statement was made. Material assumptions include: assumptions regarding asset sales anticipated to close in 2021, effective tax rate of approximately 23 percent, U.S./Canadian dollar exchange rates; expected impact of the COVID-19 pandemic; propane price differentials; degree day variance from normal; pension discount rate; financing initiatives; the performance of the businesses underlying each sector; impacts of the hedging program; commodity prices; weather; frac spread; access to capital; timing and receipt of regulatory approvals; timing of regulatory approvals related to Utilities projects; seasonality; planned and unplanned plant outages; timing of in-service dates of new projects and acquisition and divestiture activities; taxes; operational expenses; returns on investments; dividend levels; and transaction costs.

AltaGas' forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation: risk related to COVID -19; health and safety risks; risks related to the integration of Petrogas; operating risks; regulatory risks; cyber security, information, and control systems; litigation risk;

climate-related risks, including carbon pricing; changes in law; political uncertainty and civil unrest; infrastructure risks; service interruptions; decommissioning, abandonment and reclamation costs; reputation risk; weather data; Indigenous land and rights claims; crown duty to consult with Indigenous peoples; capital market and liquidity risks; general economic conditions; internal credit risk; foreign exchange risk; debt financing, refinancing, and debt service risk; interest rates; technical systems and processes incidents; dependence on certain partners; growth strategy risk; construction and development; transportation of petroleum products; impact of competition in AltaGas' businesses; counterparty credit risk; market risk; composition risk; collateral; rep agreements; delays in U.S. Federal Government budget appropriations; market value of common shares and other securities; variability of dividends; potential sales of additional shares; volume throughput; natural gas supply risk; risk management costs and limitations; underinsured and uninsured losses; commitments associated with regulatory approvals for the acquisition of WGL; securities class action suits and derivative suits; electricity and resource adequacy prices; cost of providing retirement plan benefits; labor relations; key personnel; failure of service providers; compliance with Section 404(a) of Sarbanes-Oxley Act; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2020 (AIF) and set out in AltaGas' other continuous disclosure documents.

Many factors could cause AltaGas' or any particular business segment's actual results, performance or achievements to vary from those described in this MD&A, including, without limitation, those listed above and the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated, forecasted, expected, projected or targeted and such forward-looking statements included in this MD&A, should not be unduly relied upon. The impact of any one assumption, risk, uncertainty, or other factor on a particular forward-looking statement cannot be determined with certainty because they are interdependent and AltaGas' future decisions and actions will depend on management's assessment of all information at the relevant time. Such statements speak only as of the date of this MD&A. AltaGas does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements.

Financial outlook information contained in this MD&A about prospective financial performance, financial position, or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on AltaGas Management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Additional information relating to AltaGas, including its quarterly and annual MD&A and Consolidated Financial Statements, Annual Information Form, and press releases are available through AltaGas' website at www.altagas.ca or through SEDAR at www.sedar.com.

AltaGas Business Overview and Organization

AltaGas is a leading North American energy infrastructure company that connects natural gas and natural gas liquids (NGLs) to domestic and global markets. The Company operates a diversified, low-risk, high-growth Utilities and Midstream business that is focused on delivering resilient and durable value for its stakeholders.

Within the Company's Utilities segment, AltaGas owns and operates rate regulated Utilities assets that provide natural gas to 1.7 million end-users across five U.S. jurisdictions (Virginia, Maryland, Michigan, the District of Columbia, and Alaska). The principal focus of the segment is to provide its customers with safe, reliable and affordable energy to heat and power their homes and places of work in order to carry out everyday life. The segment provides AltaGas with stable earnings and cash flow with approximately 70 percent of the Company's Utilities customers being residential and the balance being commercial and industrial users.

Within AltaGas' Midstream segment, the Company owns and operates a number of large energy infrastructure assets that are principally focused on: 1) gathering, processing, and fractionating raw natural gas production into pipeline quality natural gas and NGLs; and 2) connecting natural gas and NGLs to domestic and global downstream markets. This includes AltaGas operating two large LPG export terminals on the North American west coast that ship propane and butane to key Asian markets.

The businesses of AltaGas are operated by the Company and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., WGL Holdings, Inc. (WGL), Wrangler 1 LLC, Wrangler SPE LLC, Washington Gas Resources Corporation, WGL Energy Services, Inc. (WGL Energy Services), and SEMCO Holding Corporation; in regard to the Utilities business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO); in regard to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, Ridley Island LPG Export Limited Partnership, and WGL Midstream Inc. (WGL Midstream); and, in regard to remaining assets in the Corporate/Other segment, AltaGas Power Holdings (U.S.) Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas), its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR) and its 65 percent interest in an Alaska regulated gas storage utility under the name Cook Inlet Natural Gas Storage Alaska LLC (CINGSA). Petrogas Energy Corporation (Petrogas) was also added as a subsidiary of AltaGas upon the close of the acquisition on December 15, 2020.

Acquisition of Petrogas

On December 15, 2020, following the receipt of all required approvals, AltaGas acquired an additional 37 percent of Petrogas Energy Corp. (the Petrogas Acquisition) for total cash consideration upon close of approximately \$715 million. Additional post-acquisition contingent payments of up to \$16 million may be paid no later than 2022 based on certain criteria, including earnings targets being met. AltaGas funded the transaction through draws on its existing credit facilities. As a result of the transaction, AltaGas' ownership in Petrogas has increased to approximately 74 percent with Idemitsu Kosan Co., Ltd. (Idemitsu) owning the remaining approximately 26 percent. Subsequent to the transaction, AltaGas controls Petrogas and as such, Petrogas results have been consolidated for the period subsequent to close.

Petrogas Energy Corp. is a midstream and logistics company in North America with operations dating back to 1986. Petrogas operates a large scale fully integrated natural gas liquids (NGLs) and crude oil platform that provides sourcing, storage, marketing, and transportation services for NGLs and LPGs to customers throughout Canada, the U.S. and Asia, and crude oil throughout Canada and the U.S.

Petrogas' business was principally underpinned by four primary business lines:

- **LPG Exports and Distribution:** Comprised of the Ferndale LPG export facility and engages in the purchase, sale, and distribution of NGLs and LPGs throughout North America and Asia.
- **Domestic Terminals:** Operates various North American storage terminals that support the LPG exports and distribution activities. This business line also enters into long-term take-or-pay contracts for management, logistics, and optimization services.
- **Trucking and Liquids Handling:** Provides internal and third-party trucking services in Western Canada and the Pacific Northwest. Includes hauling LPGs, crude, drilling fluids, and produced water.
- **Wellsite Fluids and Fuels:** Operates two production facilities focused on the development and production of proprietary drilling fluids, jet fuel, furnace fuel and heating oil.

The LPG Exports and Distribution and Domestic Terminals business lines are Petrogas' most significant assets and historically, have represented the vast majority of Petrogas' trailing normalized EBITDA.

The Ferndale terminal is an LPG export facility located on the U.S. west coast near Ferndale, Washington, which is approximately 100 miles north of Seattle. Shipping times to Asia average approximately 11 days using Very Large Gas Carriers (VLGCs) from the facility and, as such, this origin has a similar structural shipping advantage as AltaGas' Ridley Island Propane Export Terminal (RIPET) facility compared to various LPG export terminals located on the U.S. Gulf Coast. Ferndale has refrigerated storage capacity, and is pipeline connected to local refineries. Similar to AltaGas' RIPET export facility, LPG export volumes being shipped from Ferndale are delivered into various Asian markets and provide a cleaner, lower-carbon feedstock option for these key importing regions.

Petrogas' Fort Saskatchewan rail loading and truck facility, together with other storage facilities in Canada and the U.S., expands AltaGas' NGL supply sourcing area and enhances the Company's NGL storage and logistics capabilities. With the close of the acquisition, AltaGas now has access to a fleet of approximately 3,000 additional rail cars, five incremental rail and pipeline connected terminals, and approximately 6.3 million barrels of additional above ground and cavern storage. Fort Saskatchewan is pipeline connected to fractionation facilities and to multi-product storage facilities in Canada. Petrogas' Canadian storage facilities, which are located in Fort Saskatchewan, Alberta, Sarnia, Ontario, and Strathcona, Alberta, have a combined capacity of approximately 4.8 million barrels of on-site storage handling for oil, propane, butane, and ethylene and are pipeline connected to refiners. Petrogas' largest U.S. storage and terminal facility, located in Indiana, has two underground storage caverns for propane and butane. This facility is situated near several refineries, tank farms, pipeline connections to area refiners and chemical facilities, and has inbound and outbound truck and rail capabilities.

2020 Highlights

(Normalized EBITDA, normalized funds from operations, normalized net income, net debt, and net debt to total capitalization ratio are non-GAAP financial measures. Please see Non-GAAP Financial Measures section of this MD&A.)

Growth and Operational Highlights

- On December 15, 2020, AltaGas closed the Petrogas Acquisition for total cash consideration of approximately \$715 million and additional post-acquisition contingent payments of up to \$16 million. AltaGas' ownership in Petrogas is now approximately 74 percent with Idemitsu Kosan Co., Ltd. indirectly owning the remaining approximately 26 percent;
- On August 21, 2020, the Canada Energy Regulator (CER) granted AltaGas an additional 25 year license to export up to 46,000 Bbls/d of propane to North American and global markets from RIPET, bringing the aggregate propane export capacity under 25 year export licenses to 92,000 Bbls/d. In December 2020, the Minister of Natural Resources approved the additional license;
- On February 14, 2020, WGL Midstream executed an Asset Management Agreement (AMA) with Consolidated Edison Company of New York, Inc. (ConEd) that gives ConEd the rights to use WGL Midstream's 50,000 Dth per day of transportation capacity on the MarketLink Expansion Project for the period from April 1, 2020 through April 1, 2035; and
- On January 16, 2020, AltaGas received approval from the California Public Utilities Commission for the recontracting of the Blythe facility to Southern California Edison (SCE). Under the tolling agreement, SCE has exclusive rights to all capacity, energy, ancillary services, and resource adequacy benefits from August 1, 2020 to December 31, 2023.

Asset Sales Completed

- On March 31, 2020, the Public Sector Pension Investment Board and the Alberta Teachers' Retirement Fund Board acquired all the issued and outstanding common shares of AltaGas Canada Inc. (ACI) for \$33.50 per share. AltaGas owned 11,025,000 (approximately 37 percent) of ACI's common shares and received cash proceeds of approximately

\$369 million upon close. A pre-tax gain on disposition of approximately \$206 million was recorded in the first quarter of 2020; and

- In the third quarter of 2020, AltaGas closed the dispositions of AltaGas Pomona Energy Storage Inc. (Pomona) and land related to a battery storage facility, as well as AltaGas Ripon Energy Inc. (Ripon), a small natural gas power facility, both located in California. Aggregate gross proceeds for these dispositions, before working capital and other adjustments, were approximately \$67 million, resulting in a pre-tax gain of \$8 million.

Regulatory Developments

- On December 11, 2020, the PSC of DC approved a three-year US\$150 million PROJECT*pipes* 2 plan for Washington Gas for the period from 2021 to 2023, and the associated surcharge recovery;
- On August 28, 2020, Washington Gas filed a rate case in Maryland requesting US\$28 million increase in base rates, including US\$6 million currently collected through the Strategic Infrastructure Development Enhancement Plan (STRIDE) surcharges for system upgrades. Evidentiary hearings took place between January 7 and January 11, 2021. The Commission is expected to issue a final decision around the end of March 2021;
- In April 2020, the Alaskan legislature passed legislation and the regulatory commissions of the District of Columbia, Maryland, Virginia, and Michigan issued orders allowing utilities to establish regulatory assets to record incremental COVID-19 related costs that will be evaluated for recovery in future proceedings; and
- On January 13, 2020, Washington Gas filed a rate case in the District of Columbia requesting a US\$35 million increase in base rates, including US\$9 million of annual PROJECT*pipes* surcharges currently paid by customers for accelerated pipeline replacement. Washington Gas has also requested approval for a Revenue Normalization Adjustment mechanism to reduce customer bill fluctuations due to weather-related usage variations, similar to existing mechanisms in both Maryland and Virginia. On December 8, 2020, Washington Gas filed, for PSC of DC approval, a settlement agreement to resolve all issues in the case. Evidentiary hearings were suspended, and the PSC of DC held a public interest hearing on January 27, 2021 to address the settlement agreement. On February 24, 2021, the PSC of DC approved the US\$20 million base rate case recommended in the settlement agreement. The new rates will become effective on April 1, 2021.

Other Highlights

- AltaGas continues to closely monitor developments related to COVID-19, including the existing and potential impact on global and local economies in the jurisdictions where it operates. The executive team and cross-functional response teams that were established in late January continue to meet regularly to align response strategy and efforts within all areas of the Corporation. AltaGas' approach has been, and will continue to be, risk-based and guided by its core values. The health and safety of AltaGas' employees, customers, contractors, and the communities in which it operates is the top priority and is integrated into each aspect of AltaGas' response efforts;
- On April 1, 2020, AltaGas announced it would donate \$1 million to help community partners in its operating regions respond to the COVID-19 pandemic. The assistance funds, provided by AltaGas, were distributed to partner organizations on the front lines supporting local communities and providing critical support to our health care workers addressing the health crisis;
- In the first quarter of 2020, AltaGas revised its reportable segments to align with the structure of its business following asset sales completed as part of its 2019 asset monetization program. As a result of these changes, AltaGas has refocused on its core Utilities and Midstream segments. Consistent with Management's strategic view of the business and the basis on which it assesses performance and allocates resources, beginning in 2020, AltaGas has two operating segments: Utilities, which now includes the WGL retail marketing business, and Midstream. These operating segments have not been aggregated in the determination of AltaGas' reportable segments. All other assets are included in the Corporate/Other segment. Prior period segment information has been restated to conform to the current reporting segment presentation;

- On January 9, 2020, AltaGas announced the appointment of two new independent Directors, Linda Sullivan and Nancy Tower, to its Board of Directors. In addition, AltaGas announced the retirement of Daryl Gilbert from the Board of Directors, which was effective following the conclusion of AltaGas' annual meeting of shareholders in May 2020;
- In the third quarter of 2020, Painted Pony Energy Ltd. (Painted Pony), one of AltaGas' significant counterparties in the Northeast British Columbia (NEBC) region, announced that it had entered into an agreement to be acquired by Canadian Natural Resources Limited. The shareholders of Painted Pony approved the plan of arrangement on October 1, 2020, and the transaction was completed on October 6, 2020. In addition, in the third quarter of 2020, ConocoPhillips acquired oil and gas assets in the Inga/Fireweed/Stoddard division in the Montney area from another of AltaGas' counterparties, Kelt Exploration Ltd. All operating agreements of AltaGas remain in effect. These transactions resulted in a significant increase in the credit worthiness of AltaGas' counterparties in the NEBC region;
- On April 21, 2020, SEMCO completed the private placement of US\$450 million of first mortgage bonds, in two tranches of US\$225 million each. One of the tranches has a term of ten years with a coupon rate of 2.45 percent, and the other has a term of 30 years with a coupon rate of 3.15 percent. The proceeds were used to repay debt drawn on credit facilities and the US\$300 million notes that matured in April 2020;
- On June 10, 2020, AltaGas completed the issuance of \$500 million of senior unsecured medium term notes with a coupon rate of 2.157 percent, maturing on June 10, 2025. The proceeds were used to pay down existing indebtedness under AltaGas' credit facilities and for general corporate purposes. Because the coupon rate is lower than the borrowing rate of the repaid debt, AltaGas expects cost savings of approximately \$6 million per annum;
- On September 30, 2020, 35,180 of the outstanding 5,511,220 Cumulative Redeemable Five-Year Fixed Rate Reset Preferred Shares, Series A (Series A Preferred Shares) were converted into Cumulative Floating Rate Preferred Shares, Series B (Series B Preferred Shares), and 1,270,639 of the outstanding 2,488,780 Series B Preferred Shares were converted into Series A Preferred Shares. As a result of the conversions, AltaGas has 6,746,679 Series A Preferred Shares and 1,253,321 Series B Preferred Shares;
- On November 30, 2020, AltaGas completed the issuance of \$500 million of senior unsecured medium term notes with a coupon rate of 2.075 percent, maturing on May 30, 2028, and \$200 million of senior unsecured medium term notes with a coupon rate of 2.477 percent, maturing on November 30, 2030. The net proceeds were used to pay down existing indebtedness under AltaGas' credit facility, to fund the redemption of all of the issued and outstanding Cumulative Redeemable 5-Year Minimum Rate Reset Preferred Shares, Series I of AltaGas, and for general corporate purposes. As a result of the issuance, AltaGas expects annual average cash savings of approximately \$12 million per year;
- On December 10, 2020, Washington Gas completed the issuance of US\$100 million of medium term notes with a coupon rate of 3.65 percent due September 15, 2049; and
- On December 31, 2020, AltaGas redeemed all of its 8,000,000 issued and outstanding Cumulative Redeemable 5-Year Minimum Rate Reset Preferred Shares, Series I for a redemption price equal to \$25 per share.

Financial Highlights

- Normalized EBITDA was \$1,310 million compared to \$1,302 million in 2019;
- Cash from operations was \$773 million (\$2.77 per share) compared to \$616 million (2.22 per share) in 2019;
- Normalized funds from operations were \$1,003 million (\$3.59 per share) compared to \$895 million (\$3.23 per share) in 2019;
- Net income applicable to common shares was \$486 million (\$1.74 per share) compared to \$769 million (\$2.78 per share) in 2019;
- Normalized net income was \$396 million (\$1.42 per share) compared to \$347 million (\$1.25 per share) in 2019;
- Net debt was \$8.2 billion as at December 31, 2020, compared to \$7.2 billion at December 31, 2019; and
- Net debt-to-total capitalization ratio was 52 percent as at December 31, 2020, compared to 49 percent as at December 31, 2019.

Highlights Subsequent to Year End

- On February 2, 2021, AltaGas announced the appointment of a new Independent Director, Jon-Al Duplantier, to AltaGas' Board of Directors, effective immediately. AltaGas also announced the planned retirement of Allan Edgeworth from AltaGas' Board of Directors effective upon the conclusion of AltaGas' next Annual General Meeting, to be held in late April 2021.

AltaGas' Vision, Mission, and Focus

AltaGas' Vision is to be a leading North American infrastructure company that connects natural gas and natural gas liquids to domestic and global markets. The Company's Mission is to improve quality of life by safely and reliably connecting customers to affordable sources of energy for today and tomorrow. To advance these pursuits, AltaGas' team of approximately 3,000 people is guided by the Company's core values. These values form the foundations for how the Company treats each other, its customers, its Indigenous partners and other stakeholders, and serve as a blueprint for a sustainable future. AltaGas views access to reliable and affordable energy as fundamental in the pursuit of improved quality of life, reduced physical barriers, improved access to education, and to fuel economic expansion. As such, the Company is committed to its foundational principals of maintaining safe and reliable operations, delivering the critical energy its customers need, and honoring the social and moral contract that AltaGas has with the communities it serves.

Core Strategy

AltaGas' long-term strategy is to build a diversified low-risk, high-growth Utilities and Midstream business that is focused on delivering resilient and durable value for our stakeholders. This includes a focus on providing the Company's shareholders with regular returns of capital through dividend payments and the prospect for capital appreciation through steady and sustainable growth.

AltaGas' forward plan to regularly return capital is to deliver regular, sustainable, and annual dividend increases that compound in the years ahead and are supported by durable growth in earnings per share, declining leverage ratios, and reduced payout ratios. The Company's growth is expected to be generated by optimizing AltaGas' existing assets for appropriate returns and deploying new capital that is principally focused on organic expansion initiatives that are underpinned by meeting base return thresholds.

AltaGas believes that its current asset base is well-positioned to achieve this feat. This includes operating a large rate regulated Utilities platform that provides stable earnings and cash flow and that operates across a diversified geographic footing, heavily weighted to residential usage. The Utilities platform also provides steady growth opportunities focused on Accelerated Pipeline Replacement Programs (ARPs) that replace aging infrastructure, reduce methane emissions through leak remediation, and improve the safety and reliability of the delivery of affordable energy. This also includes operating a concentrated and modern Midstream platform that AltaGas views as being well-positioned for where the market is heading over the next three to five years. This includes a significant footprint in the Montney in NEBC and LPG exports with the only two west coast terminals in North America.

In 2021, AltaGas plans to focus on progressing its long-term strategy of building a diversified Utilities and Midstream business designed to provide resilient and durable value for its stakeholders that compounds over the long-term. Specific 2021 strategic priorities include to:

- Continue to deliver affordable natural gas and LPGs to domestic and global markets in a safe, reliable, and efficient manner;

- Advance AltaGas' operational excellence model to improve business processes and aggressively manage costs to improve the customer experience and returns;
- Build a world class Midstream and energy export business by maximizing the utilization of existing assets and integrating and optimizing the Petrogas business to advance AltaGas' distinctive energy export strategy; and
- Maintain a disciplined approach to capital allocation within a self-funding model that continues to de-lever the balance sheet and increase financial flexibility over time, with incremental de-leveraging opportunities being possible from potential non-core asset sales.

AltaGas' Board of Directors is actively engaged in AltaGas' strategy. The Corporation continually assesses the macro- and micro-economic trends impacting the businesses and seeks opportunities to generate and protect value for its stakeholders. The opportunities AltaGas pursues must meet strategic, operating, and financial criteria to ensure they align with the long-term strategy and provide ongoing organic growth potential, favorable risk profiles, and strong risk-adjusted returns.

2021 Outlook

In 2021, AltaGas expects to achieve annual consolidated normalized EBITDA of approximately \$1.4 to \$1.5 billion, and normalized earnings per share of approximately \$1.45 to \$1.55 per share assuming an effective tax rate of approximately 23 percent.

The Utilities segment is expected to contribute approximately 60 percent of normalized EBITDA, with growth driven primarily by revenue growth from previously settled rate cases, increased spend on accelerated capital programs, the impact of Washington Gas' District of Columbia rate case which has settled, the expected impact of Maryland's rate case which is expected to be completed in the near-term, ongoing operational cost optimization activities, and modest customer growth, partially offset by the one-time favorable impact from the pension accounting change in 2020. Expected growth in the Midstream segment, primarily driven by the integration and optimization of Petrogas operations, higher export volumes from RIPET, and increased volumes at NEBC facilities, is expected to be partially offset by lower commodity prices and the impacts of a blend and extend contract that was entered into in 2018 and takes effect in 2021. Midstream segment earnings are approximately 60 percent underpinned through take-or-pay, cost-of-service, and fee-for-service contracts at the Midstream facilities and tolling agreements at the export facilities. Normalized EBITDA from the Corporate/Other segment, which includes AltaGas' remaining power assets, is expected to be lower in 2021 mainly due to asset sales completed in 2020 and recoveries related to the Canada Emergency Wage Subsidy (CEWS) in 2020. Overall growth is expected to offset lost normalized EBITDA from a full year impact of asset sales completed in 2020 and the impact of expected 2021 asset sales.

The overall forecasted normalized EBITDA and earnings per share include assumptions around the U.S./Canadian dollar exchange rate. The impact of the COVID-19 pandemic on AltaGas business segments is expected to be less pronounced than in 2020. Within each segment, the performance of the underlying businesses has the potential to vary. Any variance from AltaGas' current assumptions could impact the forecasted normalized EBITDA and normalized earnings per share. Please refer to the *Risk Management* section of this MD&A for further discussions of the risks to AltaGas arising from the COVID-19 pandemic.

AltaGas estimates an average of approximately 9,000 Bbls/d of NGLs will be exposed to frac spreads prior to hedging activities. AltaGas plans to manage the 2021 frac exposed NGL volumes with an active hedging program and is currently approximately 97 percent hedged for 2021.

At RIPET and Ferndale, NGL price margins are protected through AltaGas' comprehensive hedging programs. For volumes not contracted under tolling arrangements at RIPET, approximately 67 percent are currently financially hedged at an FEI to Mont Belvieu spread of approximately US\$10/Bbl. At Ferndale, approximately 12 percent of exposed propane and butane volumes are currently hedged, at an FEI to Conway spread of approximately US\$14/Bbl for propane and an approximately US\$28/Bbl FEI spread to butane purchase price. Collectively, approximately 60 percent of AltaGas' propane export volumes

are hedged for 2021. AltaGas plans to manage the export facilities such that a growing portion of annual capacity will be underpinned by tolling arrangements, and expects to reach this objective over the next several years.

Sensitivity Analysis

AltaGas' financial performance is affected by factors such as changes in commodity prices, exchange rates, and weather. The following table illustrates the approximate effect of these key variables on AltaGas' expected normalized EBITDA for 2021:

Factor	Increase or decrease	Approximate impact on normalized annual EBITDA (\$ millions)
Degree day variance from normal - Utilities ⁽¹⁾	5 percent	10
Change in Canadian dollar per U.S. dollar exchange rate	0.05	35
Propane Far East Index to Mont Belvieu spread ⁽²⁾	US\$1/Bbl	19
Pension discount rate	1 percent	20

(1) Degree days – Utilities relate to SEMCO Gas, ENSTAR, and District of Columbia service areas. Degree days are a measure of coldness determined daily as the numbers of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are the average of degree days during the prior 15 years for SEMCO Gas, during the prior 10 years for ENSTAR, and during the prior 30 years for Washington Gas.

(2) The sensitivity is net of hedges currently in place. The impact on EBITDA due to changes in the spread will vary and is being managed through an active hedging program.

Growth Capital

Based on projects currently under review, development, or construction, AltaGas expects net capital expenditures of approximately \$910 million in 2021. The majority of capital expenditures are expected to focus on projects within the Utilities platform that are anticipated to deliver stable and transparent rate base growth and strong risk-adjusted returns. The Utilities segment is expected to account for approximately 80 to 85 percent of total capital expenditures, while the Midstream segment is expected to account for approximately 15 to 20 percent and the Corporate/Other segment is expected to account for any remainder. In 2021, AltaGas' capital expenditures for the Utilities segment will focus primarily on accelerated pipe replacement programs, customer growth, and system betterment. In the Midstream segment, capital expenditures are anticipated to primarily relate to the construction of the Nig Creek expansion, maintenance and administrative capital, optimization of existing assets, and new business development. Maintenance capital related to Midstream assets and remaining power assets in the Corporate/Other segment is expected to be approximately \$45 to \$55 million of the total capital expenditures in 2021. The Corporation continues to focus on capital efficient organic growth and disciplined capital allocation while improving balance sheet strength and flexibility.

AltaGas' 2021 committed capital program is expected to be funded through internally-generated cash flow and normal course borrowings on existing committed credit facilities.

Growth Capital Project Updates

The following table summarizes the status of AltaGas' significant growth projects:

Project	AltaGas' Ownership Interest	Estimated Cost ⁽¹⁾	Expenditures to Date ⁽²⁾	Status	Expected In-Service Date
Midstream Projects					
Nig Creek Expansion	50%	\$58 million	\$16 million	The Nig Creek facility is being expanded in two phases. Phase one will expand designed capacity by 55 Mmc/d gross (27.5 Mmc/d net) by adding inlet compression, sales compression, and other plant equipment. The second phase will increase capacity by an additional 25 Mmc/d gross (12.5 Mmc/d net) and will include a deep cut plant for additional liquids recoveries.	Phase I expected to be in-service early Q3 2021 and phase II in Q2 2022
Mountain Valley Pipeline (Mountain Valley)	10%	US\$352 million	US\$352 million	As of December 31, 2020, approximately 92 percent of the project is complete, which includes construction of all original interconnects and compressor stations. On November 9, 2020, the 4th US Circuit of Appeals granted a request from certain environmental groups and issued a stay pending litigation over the U.S. Army Corps of Engineers' verification of water crossings for the project, under a general permit known as Nationwide Permit 12. As a result, the targeted in-service date is now expected in the second half of 2021. Despite the delays, AltaGas' exposure is contractually capped to the original estimated contributions of approximately US\$352 million.	Q4 2021 due to ongoing legal and regulatory challenges
MVP Southgate Project	5%	US\$20 million	US\$4 million	Construction is expected to begin in the third quarter of 2021, despite the North Carolina Department of Environmental Quality's decision to deny MVP Southgate's request for state certification under the Clean Water Act Section 401. The decision is expected to be appealed. Expenditures to date relate to land surveys, land acquisition, and obtaining permits and regulatory approvals.	Q3 2022 due to ongoing legal and regulatory challenges

Project	AltaGas' Ownership Interest	Estimated Cost ⁽¹⁾	Expenditures to Date ⁽²⁾	Status	Expected In-Service Date
Utilities Projects					
Accelerated Utility Pipe Replacement Programs – District of Columbia	100%	Estimated US\$150 million over the three year period from January 2021 to December 2023, plus additional expenditures in subsequent periods.	\$nil ⁽³⁾	Washington Gas has submitted an application for the second phase of PROJECTpipes to the PSC of DC. In the interim, in March 2020, the PSC of DC approved an additional extension of the first phase of the plan for the six month period from April 1, 2020 to September 30, 2020 for an amount not to exceed approximately US\$13 million. On August 11, 2020, the PSC of DC suspended the procedural schedule and on September 10, 2020, the first phase of PROJECTpipes was extended for an additional three month period to December 30, 2020, or until a decision is rendered in this case, for an amount not to exceed approximately US\$6 million. After determining that there were no material issues of fact in dispute, the PSC of DC decided that there will be no evidentiary hearings and extended the PROJECTpipes surcharge to the end of December 2020. On December 11, 2020, the PSC of DC approved a 3-year, US\$150 million plan covering the period from January 1, 2021 to December 31, 2023. The PSC of DC also approved the continuation of the PROJECTpipes surcharge which is currently in place.	Individual assets are placed into service throughout the program.
Accelerated Utility Pipe Replacement Programs – Maryland	100%	Estimated US\$350 million over the five year period from January 2019 to December 2023, plus additional expenditures in subsequent periods.	US\$125 million ⁽³⁾	The second phase of the accelerated utility pipe replacement programs in Maryland (STRIDE 2.0) began in January 2019.	Individual assets are placed into service throughout the program.
Accelerated Utility Pipe Replacement Programs – Virginia	100%	Estimated US\$500 million over the five year period from January 2018 to December 2022, plus additional expenditures in subsequent periods.	US\$275 million ⁽³⁾	The second phase of the accelerated pipe replacement programs in Virginia (SAVE 2.0) began in January 2018.	Individual assets are placed into service throughout the program.
Accelerated Replacement Programs – Michigan	100%	Estimated US\$115 million over five year period from 2021 to 2026.	\$nil ⁽³⁾	A new Main Replacement Program (MRP) program was agreed to in SEMCO's recently settled rate case. The new five-year MRP program begins in 2021 with a total spend of approximately US\$60 million. In addition to the new MRP program, SEMCO was also granted a new Infrastructure Reliability Improvement Program (IRIP) which is also a five-year program with a total spend of approximately US\$55 million beginning in 2021.	Individual assets are placed into service throughout the program.

- (1) These amounts are estimates and are subject to change based on various factors. Where appropriate, the amounts reflect AltaGas' share of the various projects.
- (2) Expenditures to date reflect total cumulative expenditures incurred from inception of the projects to December 31, 2020. For WGL projects, this also includes any expenditures prior to the close of the WGL Acquisition on July 6, 2018.
- (3) The utility accelerated replacement programs are long-term projects with multiple phases for which expenditures are approved by the regulators and managed in multi-year increments. Expenditures to date only include amounts for the current programs described above, and exclude any expenditures made under prior increments of the programs. Actual regulatory filings may differ from reported amounts.

Utilities

Description of Assets

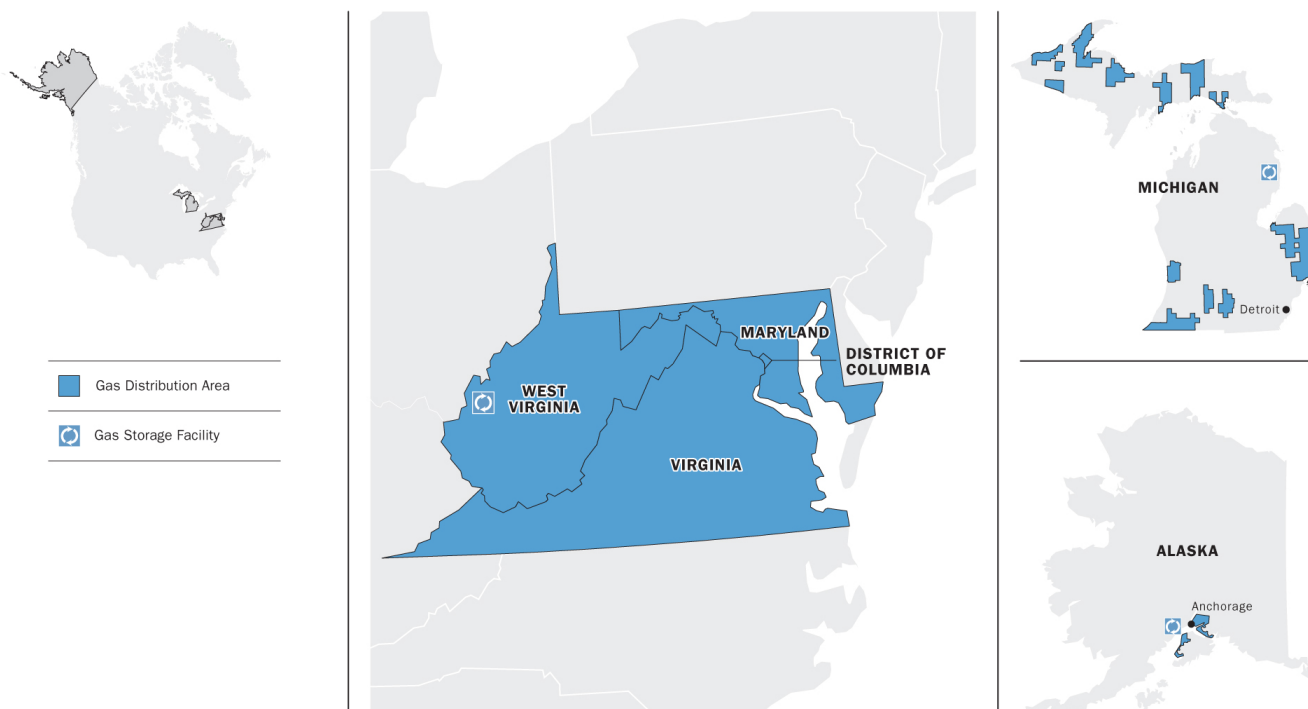
AltaGas owns and operates utility assets that store and deliver natural gas to end-users in Virginia, Maryland, Michigan, the District of Columbia, and Alaska, serving approximately 1.7 million customers and with a combined rate base of approximately US\$4.3 billion.

The utilities are underpinned by regulated returns and regulatory regimes that generally provide stable earnings and cash flows. The Utilities segment enhances the diversification of AltaGas' portfolio of energy infrastructure assets and strengthens the Corporation's business profile, thus allowing the Corporation to meet its objective of operating a diversified low-risk, high-growth energy infrastructure business that is focused on delivering resilient and durable value for its stakeholders with long-life assets.

The Utilities segment includes:

- Washington Gas in Virginia, Maryland, and the District of Columbia;
- Hampshire, providing regulated interstate natural gas storage to Washington Gas;
- SEMCO Gas in Michigan;
- ENSTAR in Alaska;
- A 65 percent interest in Cook Inlet Natural Gas Storage Alaska LLC (CINGSA) in Alaska; and
- WGL's Retail Marketing business, which sells power and natural gas directly to residential, commercial, and industrial customers in Maryland, Virginia, Delaware, Pennsylvania, Ohio, and the District of Columbia.

Utilities



All of AltaGas' regulated Utilities are allowed the opportunity to earn regulated returns. This return on rate base is composed of regulator-allowed financing costs and return on equity (ROE). If actual costs are different from those recoverable through approved rates, the utility bears the risk of this difference other than for certain costs that are subject to deferral treatment.

Earnings in the Utilities segment are seasonal, as revenues are primarily based on the demand for space heating in the winter months, mainly from November to March. Costs, on the other hand, are generally incurred more uniformly over the year. This typically results in stronger first and fourth quarters and weaker second and third quarters. In Michigan, Alaska, and the District of Columbia, earnings can be impacted by variations from normal weather resulting in delivered gas volumes being different than anticipated. Increases in the number of customers or changes in customer usage are other factors that might typically affect delivered volumes, and hence actual earned returns for the Utilities segment. In Virginia and Maryland, Washington Gas has billing mechanisms in place which are designed to eliminate or mitigate the effects of variance in customer usage caused by weather and other factors such as conservation.

Washington Gas

Washington Gas is a regulated public utility that has been engaged in the natural gas distribution business since 1848, and provides regulated gas distribution services to end users in Virginia, Maryland, and the District of Columbia. At the end of 2020, Washington Gas had approximately 1.2 million customers, of which approximately 81 percent were residential. The number of customers at Washington Gas increased approximately 1 percent in 2020. The rate base at December 31, 2020 was approximately US\$3.3 billion. At the end of 2020, the approved regulated ROE for Washington Gas in its various jurisdictions ranged from 9.2 - 9.7 percent based on an equity ratio ranging from 53.5 - 55.7 percent.

Washington Gas is regulated by the PSC of DC, the PSC of MD, and the SCC of VA, which approve its terms of service and the billing rates that it charges to customers. The rates charged to Utilities customers are designed to recover Washington Gas' operating expenses and natural gas commodity costs and to provide a return on its investment in the net assets used in its firm gas sales and delivery service.

Washington Gas has accelerated pipe replacement programs in place in each of its three jurisdictions. Washington Gas accelerates pipe replacement in order to reduce risk and further enhance the safety and reliability of the pipeline system. Each regulatory commission having jurisdiction over Washington Gas' retail rates has approved accelerated replacement programs with an associated surcharge mechanism to recover the cost, including a return, on those capital investments. In contrast to the traditional rate-making approach to capital investments, for the accelerated pipe replacement programs, Washington Gas is receiving recovery for these investments through the approved surcharges for each program and is authorized to invest in each of these programs over a three- to five-year period.

Washington Gas' customers are eligible to purchase their natural gas from unregulated third-party marketers through natural gas unbundling. As at December 31, 2020, approximately 15 percent of its customers have chosen to purchase gas from marketers. This does not negatively impact Washington Gas' net income as the Corporation does not earn a margin on the sale of natural gas to firm customers, but only from the delivery and distribution of the gas.

Washington Gas obtains natural gas supplies that originate from multiple regions throughout the United States. At December 31, 2020, it had service agreements with five pipeline companies that provided firm transportation and storage services with contract expiration dates ranging from 2021 to 2039. Washington Gas has also contracted with various interstate pipeline and storage companies to add to its storage and transportation capacity. Washington Gas, under its asset optimization program, makes use of storage and transportation capacity resources when those assets are not required to serve utility customers. The objective of this program is to derive a profit to be shared with its utility customers. These profits are earned by entering into commodity-related physical and financial contracts with third parties.

Hampshire

Hampshire owns underground natural gas storage facilities, including pipeline delivery facilities located in and around Hampshire County, West Virginia, and operates these facilities to serve Washington Gas. Hampshire is regulated by the FERC. Washington Gas purchases all of the storage services of Hampshire, and includes the cost of the services in the commodity cost of its regulated energy bills to customers. Hampshire operates under a "pass-through" cost-of-service based tariff approved by FERC.

SEMCO Gas

SEMCO owns and operates a regulated natural gas distribution utility in Michigan operating under the name SEMCO Gas and has an interest in a regulated natural gas storage facility in Michigan. At the end of 2020, SEMCO Gas had approximately 313,000 customers. Of these customers, approximately 92 percent are residential. In 2020, SEMCO Gas experienced customer growth of approximately 1 percent reflecting growth in the franchise areas and customer conversions with the favorable price of natural gas compared to other heating sources. The rate base at year end was approximately US\$719 million. In 2020, the approved regulated ROE for SEMCO Gas was 9.87 percent with an approved capital structure based on 45.86 percent equity.

SEMCO Gas is regulated by the MPSC. It operates under cost-of-service regulation and utilizes actual results from the most recently completed fiscal year along with known and measurable changes in its application for new rates.

SEMCO Gas has an Accelerated MRP surcharge to recover a stated amount of accelerated main replacement capital expenditures in excess of what is authorized in its current base rates. The MRP began in 2011, was expanded in 2013 and

renewed for an additional five years in 2015. A new MRP was approved as part of the 2019 rate case. For the years 2021 to 2025 the anticipated annual average capital spending is approximately US\$12 million. Any MRP revenue associated with unspent capital will be placed into a regulatory liability account to be addressed in the next general rate base case. Additionally, a new IRIP was approved in the 2019 rate case, pursuant to which SEMCO Gas will complete certain projects totaling US\$55 million to improve the reliability of infrastructure. Customers will be billed a surcharge beginning in 2021 for the IRIP.

ENSTAR and CINGSA

SEMCO owns and operates a regulated natural gas distribution utility in Alaska under the name ENSTAR. SEMCO, through a subsidiary, holds a 65 percent interest in CINGSA, a regulated natural gas storage utility in Alaska. At the end of 2020, ENSTAR had approximately 149,000 customers including residential, commercial, and transportation, and of these customers, approximately 91 percent are residential. In 2020, ENSTAR experienced customer growth of approximately 1 percent reflecting growth in the franchise areas and customer conversions with the favorable price of natural gas compared to other heating sources. The rate base at year end was approximately US\$256 million for ENSTAR and US\$66 million for CINGSA (SEMCO's 65 percent share).

ENSTAR and CINGSA are regulated by the Regulatory Commission of Alaska (RCA) and operate under cost-of-service regulation utilizing actual results from the most recently completed fiscal year along with known and measurable changes in their application for new rates.

Retail Energy Marketing

The U.S. retail gas marketing business sells natural gas directly to residential, commercial, and industrial customers in Maryland, Virginia, Delaware, Pennsylvania, and the District of Columbia.

The U.S. retail power marketing business sells power to end users in Maryland, Delaware, Pennsylvania, Ohio, and the District of Columbia. This area is served by the PJM Interconnection (PJM), a regional transmission organization that regulates and coordinates generation supply and the wholesale delivery of electricity in these states and jurisdictions.

Natural gas and electricity are purchased with the objective of earning a profit through competitively priced sales contracts with end users. Requirements to serve retail customers is closely matched with commitments for deliveries, and thus, a secured supply arrangement expiring in 2022 has been entered into with Shell Energy North America (US), L.P, which reduces credit requirements.

Capitalize on Opportunities

While providing safe and reliable service, AltaGas pursues opportunities in the Utilities segment to deliver value to its customers while enhancing long-term shareholder returns. The Corporation's objectives are to:

- Ensure safe, reliable operations and infrastructure, providing effective and cost-efficient service for customers;
- Enhance returns and capital efficiency and more timely recovery of expenditures through rate cases and increased utilization of accelerated rate recovery programs;
- Enhance and grow the business through asset optimization, cost reduction initiatives, and operational efficiencies to reduce costs and deliver an improved customer experience;
- Improve business processes and drive down leak remediation costs, reinvesting savings into improving the customer experience;
- Attract and retain customers through exceptional customer service;
- Continue to grow the consolidated Utilities rate base;

- Maintain strong relationships with local communities, Indigenous peoples, governments, and regulatory bodies; and
- Maintain strong community and regulatory relationships while ensuring appropriate returns to shareholders.

AltaGas expects to grow its existing utility infrastructure through continued investment and capital improvements in franchise areas, which will result in rate base growth and continued customer growth including the conversion of users of alternative energy sources to natural gas. AltaGas' utilities have had annual rate base growth averaging approximately 74 percent over the past three years including the addition of WGL's rate base and after adjusting for the impact of foreign exchange translation. The growth in rate base is a direct result of the WGL Acquisition in 2018, prudent investments in current areas of operations, and the addition of new customers. Customer growth rates for AltaGas' utilities are moderate, as is typical with mature utilities, with growth rates generally tied closely to the economic growth of the respective franchise regions.

Midstream

Description of Assets

AltaGas' Midstream segment is comprised of: 1) the Company's global export assets, which connect North American production into key downstream markets in Asia; 2) strategically-located processing, fractionation, extraction and liquids handling infrastructure assets that convert raw production into usable products and link output from wellheads to downstream markets; 3) a natural gas transportation and storage platform, which includes AltaGas' 10 percent stake in the Mountain Valley Pipeline; and 4) various above and underground natural gas and liquids storage assets that are leveraged across the North American energy value chain. The Midstream segment also includes AltaGas' increased ownership stake in the Petrogas assets and operations.

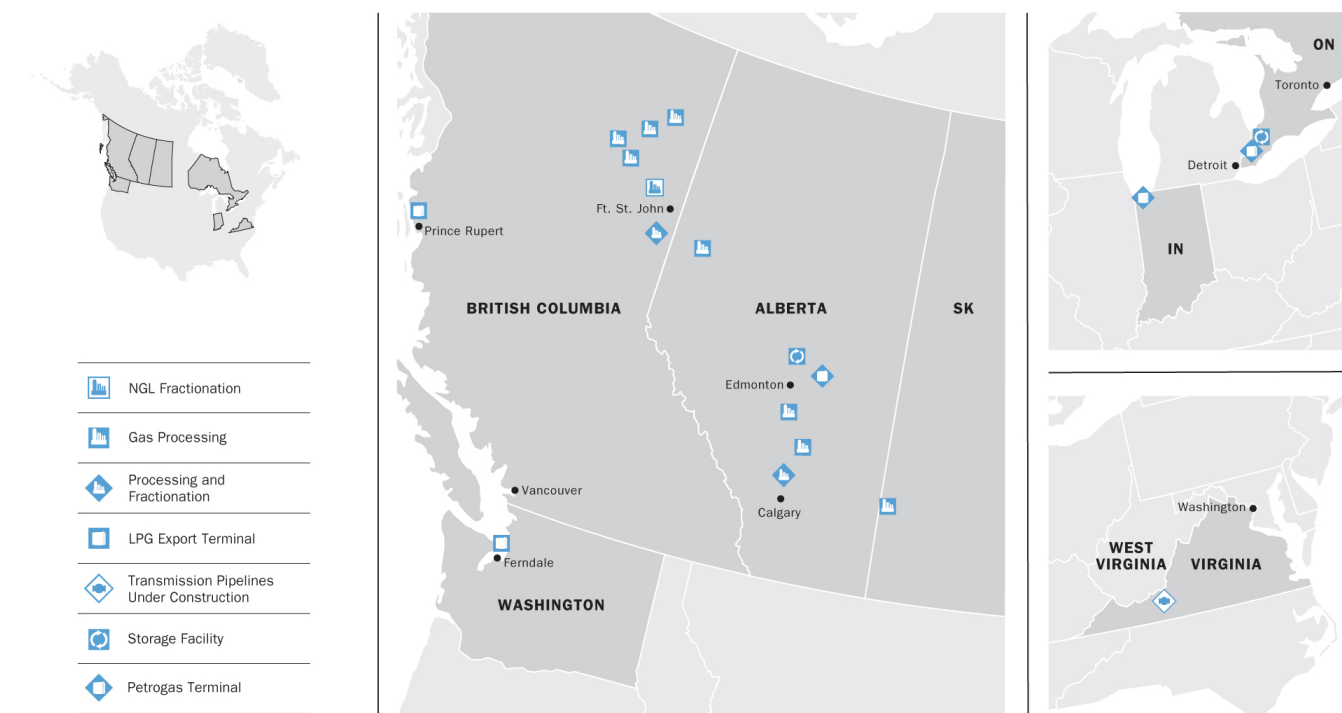
In Canada, AltaGas serves customers primarily in the Western Canada Sedimentary Basin (WCSB), with a strong weighting in the Montney play in NEBC. This includes gas gathering, processing, fractionating and delivery of natural gas and NGLs into downstream pipeline systems. It also includes connecting producers LPG output to key consuming regions in Asia. In total, AltaGas transacts on more than 1.4 Bcf/d of natural gas and NGLs, including gas gathering and processing, NGL extraction and fractionation, logistics, liquids handling, and global exports. Gas gathering systems move natural gas from producing wells to processing facilities, where certain hydrocarbon components are separated, and impurities are removed. The gas is then compressed to meet downstream pipelines' operating specifications for transportation. Extraction and fractionation facilities reprocess natural gas to extract and recover ethane and additional NGLs. AltaGas has a total net licensed processing capacity of approximately 2.4 Bcf/d.

Through the RIPET and Ferndale LPG export terminals, AltaGas connects North American producers and aggregators with global markets and provides incremental opportunities for improved pricing for propane and butane. On December 15, 2020, AltaGas completed the acquisition of Petrogas, increasing its indirectly held ownership in Petrogas to approximately 74 percent with Idemitsu owning the remaining 26 percent (please refer to the *Acquisition of Petrogas* section of this MD&A for additional information). Subsequent to the transaction, AltaGas controls Petrogas and as such, AltaGas has the capability to export LPGs to Asia through the Ferndale facility. See the *Global Exports* section below for further details.

AltaGas' logistics services include NGL pipelines, treating, storage, truck, and rail terminal infrastructure as well as natural gas and NGL marketing initiatives. AltaGas identifies opportunities to buy and resell NGLs for producers, and exchange, reallocate, or resell pipeline and storage capacity to earn a profit. With the emergence of the global exports business, the logistics platform provides integral support for managing AltaGas' waterborne and rail capacity as well as marketing the supply and offtake of LPG volumes at RIPET and Ferndale. In support of the liquids handling operations, AltaGas manages a rail car fleet of approximately 4,600 rail cars. With the acquisition of Petrogas, the Midstream logistics infrastructure also includes Petrogas' core businesses including LPG exports and distribution, domestic terminals, wellsite fluids and fuels, and trucking and liquids handling. See the *Fractionation and Logistics* section below for more details.

The Midstream segment includes expansion projects under development or construction, as discussed under the *Growth Capital* section of this MD&A.

Midstream



Global Exports

AltaGas' global export assets include the Company's RIPET and Ferndale export terminals, which are located in Northern B.C. and Washington State, respectively. These terminals facilitate North American producers and aggregators to access global markets and provides incremental opportunities for improved price realization for propane and butane production. Between the two facilities, AltaGas has the ability to ship in excess of 130,000 Bbl/d.

RIPET commenced commercial operations on May 23, 2019, with the first propane shipment departing from the terminal to Asia. RIPET has storage of 600,000 Bbls and throughput capacity of up to 80,000 Bbls/d at the terminal. As AltaGas builds on the Company's operational capabilities and continues to align with leading North American producers and global customers in Asia through long-term tolling agreements, it expects to continue to increase throughput from RIPET. On August 21, 2020, AltaGas was granted an additional 25-year license to export an additional 46,000 bbl/d of propane to North American and global markets, bringing its aggregate propane export capacity under 25-year export licenses to 92,000 Bbls/d. For 2021, AltaGas has in place multi-year agreements for the purchase of approximately 33 percent of the propane expected to be shipped from RIPET. The RIPET dock offers deep draft, sufficient to accommodate loading VLGCs.

With the acquisition of Petrogas, AltaGas also operates the Ferndale LPG terminal, which is capable of loading VLGCs, has 800,000 Bbls of on-site storage, and currently can flow approximately 50,000 Bbls/d. Located approximately 100 miles north of Seattle, the terminal is also pipeline connected to two regional refineries, providing additional supply, sales, and fee-for-service opportunities for the facility.

The RIPET and Ferndale export terminals represent strategic outlet points for North American LPG volumes as they are competitively situated to serve the high-demand Far East market with shorter average shipping times and competitive arbs as compared to the U.S. Gulf Coast or Arabian Gulf.

Terminal demand is supported through various long-term purchase agreements with Canadian and U.S. suppliers, primarily from key Northern British Columbia and Alberta gathering facilities and select U.S. producing regions, including the Bakken in North Dakota. Petrogas also maintains service agreements with numerous Tier 1 rail providers in order to leverage existing rail networks and secure competitively priced LPGs across North America.

Gas Processing

Gas processing activities are comprised of gathering systems that move raw natural gas and NGLs from producing wells to processing facilities, where impurities and certain hydrocarbon components are removed, and the product moves down the energy value chain. The gas is then compressed to meet downstream pipelines' operating specifications for transportation to North American natural gas markets. All of AltaGas' processing facilities are capable of extracting NGLs and converting the throughput into usable products. The facilities provide revenues based on take-or-pay contracts and fee-for-service arrangements with its customers, with the latter based on volumes processed. A significant portion of AltaGas' Midstream contracts flow the Company's operating costs through to the producers. AltaGas' processing infrastructure includes:

- The Townsend facility, a 550 Mmcf/d gas processing facility, along with the related egress pipelines, truck terminal, and NGL treatment infrastructure (the Townsend complex), which is wholly owned and operated by AltaGas. The majority of the processing capacity is contracted with Montney producers in the area under long-term take-or-pay agreements. In 2018, AltaGas entered into definitive agreements with Kelt Exploration Ltd. to provide an energy infrastructure solution for the liquids-rich Inga Montney development located in NEBC. In the second quarter of 2020, Townsend 2B and a gas gathering pipeline that connects upstream fields to AltaGas facilities were commissioned, which added 198 Mmcf/d C3+ deep cut gas processing capacity at the Townsend Complex. In the third quarter of 2020, ConocoPhillips acquired oil and gas assets in the Inga/Fireweed/Stoddard division in the Montney area from Kelt. All operating agreements of AltaGas remain in effect;
- The Gordondale facility, which has licensed capacity of 150 Mmcf/d of natural gas and is wholly owned and operated by AltaGas. The Gordondale facility processes gas gathered from Birchcliff Energy Ltd.'s Gordondale Montney development under a long-term take-or-pay contract. The plant is equipped with liquids extraction facilities to capture the NGL value for the producer;
- The Blair Creek facility, which has licensed capacity of 120 Mmcf/d of natural gas and is wholly owned and operated by AltaGas. The facility processes gas gathered from producers in the area. The plant is equipped with liquids extraction facilities to capture the NGL value for the producer;
- The Aitken Creek processing facilities, in which AltaGas has a 50 percent ownership interest. Black Swan Energy Ltd. (Black Swan) owns the remaining 50 percent interest. These facilities include Aitken Creek North, an operating shallow gas plant with a current capacity of 110 Mmcf/d (55 Mmcf/d net), and Nig Creek, currently a shallow gas plant with capacity of 100 Mmcf/d (50 Mmcf/d net) that came on-stream in the third quarter of 2019. Phase 1 of Nig Creek GP2B will increase inlet capacity by 55 Mmcf/d (28 Mmcf/d net). Phase 1 of Nig Creek GP2B is expected to be commissioned in the third quarter of 2021. The Aitken processing facilities are located in the liquids rich Montney resource play in NEBC and are operated by Black Swan. AltaGas and Black Swan have also entered into long-term processing, transportation, and marketing agreements that will include new AltaGas liquids handling infrastructure in NEBC;
- The Harmattan facility, which has a natural gas processing capacity of 490 Mmcf/d and is wholly owned and operated by AltaGas. Harmattan's natural gas processing consists of sour gas treating, co-stream straddle processing, and

NGL extraction. In addition, Harmattan has fractionation and terminalling facilities (see *Fractionation and Logistics* section below); and

- Interests in four NGL extraction plants with net licensed inlet capacity of 1.0 Bcf/d. The extraction plants consist of Edmonton Ethane Extraction Plant (EEEP), Joffre Ethane Extraction Plant (JEEP), Pembina Empress Extraction Plant (PEEP), and the Younger extraction plant (Younger). The extraction assets provide stable fixed-fee or cost-of-service type revenues and margin based revenues. The natural gas supply to EEEP, JEEP, and PEEP depends on natural gas demand pull from residential, commercial and industrial usage inside and outside of Western Canada, and gas liquids demand pull from the Alberta petrochemical market and propane heating. Natural gas supply to Younger is dependent on the amount of raw natural gas processed at the McMahon gas plant, which is based on the robust natural gas producing region of NEBC.

Fractionation and Logistics

Fractionation production is a function of NGL mix volumes processed, liquids composition, recovery efficiency of the plants, and plant on-line time. Due to the integration and inter-connectivity of AltaGas' Midstream assets, the fractionation and logistics activities provide integral services to the other Midstream businesses and customers by providing access to high value NGL products with access to North American and global markets through rail networks, pipelines, RIPET, and Ferndale.

AltaGas' logistics infrastructure consists of NGL pipelines, treating, storage, truck, and rail terminal infrastructure centered around AltaGas' key Midstream operating assets at RIPET, Harmattan and, in NEBC, Townsend and North Pine. With the close of the Petrogas acquisition, AltaGas' fractionation and logistics business also includes Petrogas' terminals, wellsite fluids and fuels, and trucking and liquids handling.

AltaGas' fractionation and logistics infrastructure includes:

- The North Pine facility, which is the only custom fractionation plant in British Columbia, providing area producers with a lower cost, higher netback alternative for their NGLs than transporting and fractionating in Edmonton, Alberta. The first train of the North Pine facility is capable of processing up to 10,000 Bbls/d of NGL mix. The second train, commissioned in the first quarter of 2020, provides an additional 10,000 Bbls/d of NGL mix following execution of agreements with Black Swan and Kelt in the second half of 2018. The North Pine facility is connected to the Townsend truck terminal via the North Pine pipelines, to the Tourmaline Gundy facility, and also has access to the Canadian National (CN) rail network, allowing the transportation of propane, butane, and condensate to North American markets and propane to global markets via RIPET and butane via Ferndale;
- The Harmattan gas processing complex, which has NGL fractionation capacity of 35,000 Bbls/d, a 450 Bbls/d capacity frac oil processing facility, and a 200 tonnes/d capacity industrial grade carbon dioxide (CO₂) facility. Harmattan is the only deep-cut and full fractionation plant in its operating area;
- Younger, which has fractionation capacity of 19,500 Bbls/d (9,750 Bbls/d net) and is operated by Pembina. AltaGas has a 50 percent interest in Younger's fractionation, storage, loading, treating, and terminalling of NGL and the remaining interest is held by Pembina;
- A network of NGL pipelines in the NEBC area that connects upstream gas plant producers to the AltaGas North Pine facility. The NEBC NGL pipelines consist of three liquids egress lines. The third line, which connects the Townsend facility to the Townsend truck terminal on the Alaska Highway (30 km) and AltaGas' North Pine facility (70 km), was commissioned in the third quarter of 2020;
- NGL and spec propane lines that connect the Townsend complex in the North, to the Aitken Creek facilities through a 60 km NGL pipeline (Aitken Connector), Storm Resources Nig plant through a lateral, and to the Tourmaline Gundy facility in the West, through a 15 km spec propane line were all commissioned in the first half of 2020;
- A rail logistics network consisting of approximately 4,600 rail cars that AltaGas manages to support LPG and NGL handling, including approximately 3,000 rail cars from Petrogas;

- Petrogas' terminals and storage business, which provides support to the LPG exports and distribution business by providing the ability to source, transport, process, store, and deliver products through strategically located fixed assets throughout North America. In addition, the terminals business provides various storage and handling services to third-party customers through take-or-pay and fee-for-service agreements, which provide earnings stability through volatile commodity price environments. The terminals business consists of strategically located crude and NGL assets which provide storage, blending, rail, and truck logistical support and waterborne LPG export capabilities. Petrogas' terminal business includes Griffith LPG Terminal, which is capable of handling approximately 12,000 Bbls/d of NGLs, 700,000 barrels of underground cavern storage and up to 220 railcars rail siding capacity; the Strathcona Storage JV, which has four underground storage salt caverns in service and a fifth cavern under development with each cavern providing approximately 629,000 Bbls of storage capacity; and Sarnia Storage and Crude Oil Terminal JV, which provides up to 2.1 million barrels of crude oil and refined product storage capacity with outbound throughput supported by 10,000 Bbls/d of rail loading capacity. The right to access the terminal assets under the joint venture arrangement have been recorded as a lease by Petrogas;
- 50 percent ownership of the 5.3 Bcf Sarnia natural gas storage facility, which is connected to the Dawn Hub in Eastern Canada;
- Three primary trucking entities which Petrogas operates, providing transportation related services within the WCSB and the Pacific Northwest in the U.S. by hauling frac fluid, produced water, crude oil, and NGLs between producers, terminals, customers and end users; and
- Enerchem International Inc., a wholly owned subsidiary of Petrogas, is a Canadian corporation which focuses on the production of drilling and wellsite fluids and consumer fuels. Through the fractionation of crude oil feedstock, Enerchem produces and distributes proprietary hydrocarbon fluids for fracturing and drilling of oil and gas wells to improve productivity and to resolve oilfield production challenges for downstream producers. Enerchem operates two primary facilities located in Sundre and Slave Lake, Alberta, which are capable of processing over 1.5 million barrels of finished products per year. These plants are supported by various ancillary storage and distribution facilities located across the WCSB, providing over 150,000 barrels of storage capacity, strategically placed within the vicinity of active drilling regions.

Energy Services

In addition to supporting the other Midstream activities within AltaGas, the logistics business identifies opportunities to buy and resell NGLs for producers, and exchange, reallocate or resell pipeline and storage capacity to earn a profit. Net revenues from these activities are derived from low risk opportunities based on transportation cost differentials between pipeline systems and differences in commodity prices from one period to another. Margins are earned by locking in buy and sell transactions in compliance with AltaGas' credit and commodity risk policies. AltaGas also provides energy procurement services for utilities gas users and manages the third-party pipeline transportation requirements for many of its gas marketing customers.

Petrogas' marketing business is focused on the purchase, sale, exchange, and distribution of NGLs and crude oil, primarily in proximity to its strategically owned and leased asset base. By leveraging Petrogas' fully integrated infrastructure base and extensive logistical capabilities, the marketing team is able to source competitively priced supply at the key hubs and across various hydrocarbon basins in order to capture arbitrage opportunities derived through regional pricing differentials. Marketing efforts are driven by two primary focuses: 1) domestic NGL and crude oil wholesale, and 2) LPG waterborne exports. Additionally, this business provides operational support to the Ferndale export terminal by providing product supply and export sales agreement negotiation services. Petrogas supports its distribution efforts by maintaining an extensive leased rail fleet. Leases are established on a staggered maturity schedule with multiple lessors, to ensure railcar integrity and up-to-date DOT classification and all leases are on a full-service basis.

Pipeline Investments

AltaGas has a 10 percent equity interest in the Mountain Valley Pipeline. MVP will transport approximately 2.0 Bcf/d of natural gas and is expected to be placed into service in the second half of 2021. In April 2018, AltaGas entered into a separate agreement to acquire a 5 percent equity interest in a lateral project to build an interstate natural gas pipeline (MVP Southgate) which will receive natural gas from MVP. The MVP Southgate pipeline is expected to be placed into service in the second half of 2022 due to ongoing legal and regulatory challenges.

AltaGas also held a 10 percent interest in the Constitution pipeline through a 10 percent equity investment in Constitution Pipeline Company, LLC. The natural gas pipeline venture was proposed to transport natural gas from the Marcellus region in northern Pennsylvania to major northeastern markets. In February 2020, following evaluations of the diminished underlying economics for the proposed Constitution pipeline project, the partners of Constitution Pipeline Company, LLC elected not to proceed with the project.

Capitalize on Opportunities

To take advantage of opportunities, including the continued Montney LPG growth and the increasing Asian demand for LPG, AltaGas plans to grow its Midstream business by expanding and optimizing strategically-located assets as well as its global export platform. New infrastructure consists of larger scale facilities supporting the vast reserves in North America and growing the footprint and integration of AltaGas' existing assets. While providing safe and reliable service, AltaGas pursues opportunities in the Midstream segment to deliver value to its customers while enhancing long-term shareholder value. The Corporation's objectives are to:

- Maximize and grow the unique structural advantage within AltaGas' integrated platform in the Montney region, leveraging RIPET/Ferndale and the integrated value chain to attract volumes;
- Increase utilization and export volumes, optimize commercial and operational capability at RIPET and Ferndale, and continue to build on export competency;
- Develop and maintain high quality assets that enhance the integrated Midstream offering and connect producers to the global markets;
- Consolidate its position in key markets to deliver optimal growth over the long-term;
- Provide a fully-integrated Midstream service offering including gas processing and NGL extraction, fractionation, liquids handling facilities, and transportation and marketing services to customers across the energy value chain, with higher producer netbacks resulting from global export access to higher value global markets, including Asia;
- Maintain strong relationships with Indigenous peoples, regulators, customers, partners, and service providers;
- Optimize existing rail infrastructure to gain scale and efficiencies;
- Increase utilization and throughput at existing facilities while maintaining top tier operating costs, high reliability and NGL recovery, highly efficient business administration, and effective safety and environmental programs;
- Mitigate commodity risk through effective hedging programs and risk management systems;
- Mitigate volume risk through contractual structures, redeployment of equipment, and expansion of geographic reach; and
- Mitigate counterparty risk through customer base growth and diversification.

Description of Assets

In addition to Corporate activities and assets, AltaGas' Corporate/Other segment includes 582 MW of operational gross capacity from remaining natural gas-fired and distributed generation power assets located in the U.S., primarily California and Colorado.

Specifically, the core remaining power assets in the Corporate/Other segment include:

- Two natural gas-fired plants with 577 MW of generating capacity in the United States: the 507 MW Blythe Energy Center (Blythe) in California and the 70 MW Brush II Facility (Brush) in Colorado. Blythe and Brush are both under Power Purchase Arrangements (PPA) with a creditworthy utilities; and
- Certain remaining distributed generation assets.

In Southern California, the 507 MW Blythe Energy Center utilizes gas-fired generation to produce power and serves the transmission grid operated by the California Independent System Operator (CAISO) to cover periods of high demand primarily driven by the Los Angeles area. Due to the structure of the long-term PPA with Southern California Edison (SCE), the majority of the revenue from the facility is derived from being available to produce and not from actual production, which reduces risk and provides stable cash flow. The facility is directly connected to an El Paso Gas Company natural gas pipeline for its primary supply and a Southern California Gas Company pipeline as a secondary supply source, and interconnects to SCE and CAISO via a 67-mile transmission line also owned by Blythe and is part of the Blythe Energy Center. In 2019, AltaGas announced the successful recontracting of the Blythe facility to SCE. With the approval of the new PPA with SCE received by the California Public Utilities Commission in January 2020, Blythe is contracted under a PPA until December 31, 2023. Under the tolling agreement, SCE has exclusive rights to all capacity, energy, ancillary services, and resource adequacy benefits during the PPA term. In addition, AltaGas is in the initial stages of permitting a new 40 MW stand-alone energy storage project in Goleta, California.

Consolidated Financial Review

	Three Months Ended December 31		Year Ended December 31	
(\$ millions, except where noted)	2020	2019	2020	2019
Revenue	1,689	1,534	5,587	5,495
Normalized EBITDA ^{(1) (2)}	392	436	1,310	1,302
Net income (loss) applicable to common shares	48	(103)	486	769
Normalized net income ⁽¹⁾	147	194	396	347
Total assets	21,532	19,795	21,532	19,795
Total long-term liabilities	11,264	9,301	11,264	9,301
Net additions (dispositions) of property, plant and equipment	295	239	825	(1,089)
Dividends declared ⁽³⁾	67	67	268	266
Cash from operations	7	16	773	616
Normalized funds from operations ⁽¹⁾	327	332	1,003	895
Normalized adjusted funds from operations ⁽¹⁾	289	307	880	836
Normalized utility adjusted funds from operations ⁽¹⁾	216	236	585	560
Normalized effective income tax rate (%) ⁽¹⁾	21.5	12.9	22.3	16.0

	Three Months Ended December 31		Year Ended December 31	
(\$ per share, except shares outstanding)	2020	2019	2020	2019
Net income (loss) per common share - basic	0.17	(0.37)	1.74	2.78
Net income (loss) per common share - diluted	0.17	(0.37)	1.74	2.77
Normalized net income - basic ⁽¹⁾	0.53	0.70	1.42	1.25
Normalized net income - diluted ⁽¹⁾	0.53	0.69	1.42	1.25
Dividends declared ⁽³⁾	0.24	0.24	0.96	0.96
Cash from operations	0.03	0.06	2.77	2.22
Normalized funds from operations ⁽¹⁾	1.17	1.19	3.59	3.23
Normalized adjusted funds from operations ⁽¹⁾	1.04	1.10	3.15	3.02
Normalized utility adjusted funds from operations ⁽¹⁾	0.77	0.85	2.10	2.02
Shares outstanding - basic (millions)				
During the period ⁽⁴⁾	279	278	279	277
End of period	279	279	279	279

(1) Non-GAAP financial measure; see discussion in the *Non-GAAP Financial Measures* section of this MD&A.

(2) Beginning in 2020, Management no longer adjusts normalized EBITDA or normalized net income for changes in the fair value of natural gas optimization inventory. Please see the *Non-GAAP Financial Measures* section of this MD&A for additional detail. As such, comparative periods have been adjusted to reflect the before and after-tax impacts of this change to normalized EBITDA and normalized net income, respectively.

(3) Dividends declared per common share per month: \$0.08 beginning December 2018, increased to \$0.0833 per share beginning December 2020.

(4) Weighted average.

Three Months Ended December 31

Normalized EBITDA for the fourth quarter of 2020 was \$392 million, compared to \$436 million for the same quarter in 2019. Factors negatively impacting AltaGas' normalized EBITDA in the fourth quarter of 2020 included lower realized storage spreads at WGL Midstream, lower realized merchant margins at RIPET, lower equity earnings from Petrogas for the period prior to the acquisition of Petrogas on December 15, 2020, lower NGL marketing margins, warmer weather at certain of AltaGas' Utilities, higher expenses related to employee benefits and incentive plans, and lower frac exposed NGL volumes. Other factors negatively impacting normalized EBITDA included the impact of asset sales, including WGL Midstream's indirect non-operating interest in the Central Penn Pipeline (Central Penn) in November 2019, and ACI in March 2020. Factors positively impacting normalized EBITDA included higher contributions from NEBC assets primarily due to growth capital projects placed in service in 2020, higher rates and gas margins at SEMCO, higher gas margins from WGL's Retail Energy

Marketing business due to favorable pricing, higher revenue from ARP program spend, and contributions from the consolidation of Petrogas after closing the acquisition on December 15, 2020. Petrogas equity income for the period prior to acquisition was lower primarily due to lower commodity prices in 2020 as well as the absence of a one-time payment related to the termination of a customer contract in the fourth quarter of 2019. On December 15, 2020, AltaGas acquired an additional 37 percent of Petrogas, resulting in AltaGas' ownership of Petrogas being increased to approximately 74 percent. As such, Petrogas' results have been consolidated for the period subsequent to close (please refer to the *Acquisition of Petrogas* section of this MD&A for additional information). For the three months ended December 31, 2020, the average Canadian/U.S. dollar exchange rate decreased to 1.30 from an average of 1.32 in the same quarter of 2019, resulting in a decrease in normalized EBITDA of approximately \$5 million.

Net income applicable to common shares for the fourth quarter of 2020 was \$48 million (\$0.17 per share), compared to a net loss of \$103 million (\$0.37 per share) for the same quarter in 2019. The increase was mainly due to lower provisions on assets, the gain recorded on the re-measurement of AltaGas' previously held equity investment in AltaGas Idemitsu Joint Venture LP (AIJVL) upon acquisition of Petrogas, lower unrealized losses on risk management contracts, and lower interest expense, partially offset by the same previously referenced factors impacting normalized EBITDA, the absence of the gain on the sale of the U.S. distributed generation assets in the third quarter of 2019, the dilution loss and other adjustments to equity income related to the acquisition of Petrogas, and higher income tax expense.

Normalized funds from operations for the fourth quarter of 2020 were \$327 million (\$1.17 per share), compared to \$332 million (\$1.19 per share) for the same quarter in 2019. The decrease was mainly due to the same factors impacting normalized EBITDA, partially offset by lower interest expense. In the fourth quarter of 2020, prior to the acquisition of Petrogas, AltaGas received \$3 million of dividend income from the Petrogas Preferred Shares (2019 - \$3 million).

In the fourth quarter of 2020, upon the acquisition of Petrogas, AltaGas recorded a gain on the re-measurement of the Company's previously held equity investment in AIJVL of approximately \$22 million. In addition, in the fourth quarter of 2020, AltaGas recorded pre-tax provisions on assets of approximately \$104 million (\$79 million after-tax) primarily related to the Alton Natural Gas Storage Project, which was impaired as AltaGas does not believe that the future expected cash generation from the project aligns with the current carrying value. In the fourth quarter of 2019, AltaGas recorded pre-tax gains on dispositions of assets of approximately \$56 million. This was comprised of a pre-tax gain of \$68 million on certain U.S. distributed generation projects which were sold in the third quarter of 2019 but transferred to the purchaser in the fourth quarter of 2019, and a pre-tax loss of approximately \$12 million on the disposition of equity investments, primarily related to WGL Midstream's indirect non-operating interest in Central Penn. In addition, in the fourth quarter of 2019, AltaGas recorded pre-tax provisions on assets of approximately \$415 million (\$319 million after-tax), primarily related to various assets in the Corporate/Other segment and a sour gas treatment facility in Alberta.

Operating and administrative expenses for the fourth quarter of 2020 were \$342 million, compared to \$340 million for the same quarter in 2019. The slight increase was mainly due to increased costs related to operations at the NEBC pipeline projects which were placed in service in the second and third quarters of 2020 and increased professional and consulting fees. Depreciation and amortization expense for the fourth quarter of 2020 was \$108 million, compared to \$109 million for the same quarter in 2019. The slight decrease was mainly due to the impact of provisions recorded against property, plant, and equipment in the fourth quarter of 2019, partially offset by new assets placed in-service in 2020. Interest expense for the fourth quarter of 2020 was \$68 million, compared to \$77 million for the same quarter in 2019. The decrease was predominantly due to lower average interest rates compared to 2019.

AltaGas recorded an income tax expense of \$5 million for the fourth quarter of 2020 compared to an income tax recovery of \$87 million in the same quarter in 2019. The increase in income tax expense was mainly due to higher tax recoveries on asset provisions in the fourth quarter of 2019. Current tax expense of \$14 million was recorded in the fourth quarter of 2020, of which approximately \$2 million related to a tax recovery on asset sales.

Normalized net income was \$147 million (\$0.53 per share) for the fourth quarter of 2020, compared to \$194 million (\$0.70 per share) reported for the same quarter in 2019. The decrease was mainly due to the same factors impacting normalized EBITDA and higher income tax expense, partially offset by lower interest expense and lower depreciation and amortization expense. Normalizing items in the fourth quarter of 2020 increased normalized net income by \$99 million and included after-tax amounts related to transaction costs related to acquisitions and dispositions, restructuring costs, provisions on assets, unrealized losses on risk management contracts, dilution loss and other adjustments to equity income related to the acquisition of Petrogas, and the gain recorded on the re-measurement of AltaGas' previously held equity investment in AIJVLP upon acquisition of Petrogas. Normalizing items in the fourth quarter of 2019 increased normalized net income by \$297 million and included after-tax amounts related to gains on sale of assets, merger commitment cost recovery due to a change in timing related to certain WGL merger commitments, transaction costs related to acquisitions and dispositions, unrealized losses on risk management contracts, provisions on assets, provisions on investments accounted for by the equity method, gain on redemption of Washington Gas preferred shares, unitary tax adjustment related to the acquisition of WGL and U.S. asset sales, and the impact of a statutory tax rate change in Alberta. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further details on normalization adjustments.

Year Ended December 31

Normalized EBITDA for the year ended December 31, 2020 was \$1,310 million, compared to \$1,302 million in 2019. Factors positively impacting normalized EBITDA included the impact of Washington Gas' 2019 Maryland and Virginia rate cases, higher contributions from NEBC assets primarily due to growth capital projects placed in service in 2020, the impact of a change in accounting principle relating to Washington Gas' net periodic pension and other post-retirement benefit plan costs (please refer to the *Critical Accounting Estimates* section of this MD&A for additional information), higher rates effective January 2020 at SEMCO due to the 2019 rate case application, higher revenue from ARP spend, higher Allowance for Funds Used During Construction (AFUDC) related to MVP, additional contracted ethane volumes at the extraction facilities, contributions from Petrogas for the period after acquisition, contributions from RIPET, which was placed into service in May 2019, and a shorter planned spring outage at Blythe compared to 2019. These were partially offset by the impact of asset sales, including the U.S. distributed generation assets in September 2019, WGL Midstream's indirect non-operating interest in Central Penn in November 2019, WGL Midstream's interest in the Stonewall Gas Gathering System (Stonewall) in May 2019, ACI in March 2020, Pomona in July 2020, as well as lower equity earnings from Petrogas prior to the acquisition of the additional interest in Petrogas on December 15, 2020, lower U.S. Midstream financial hedge gains and storage withdrawals, lower frac exposed volumes and lower realized frac spreads, lower usage at certain of the utilities, and the cancellation of late fees and related charges by AltaGas' Utilities due to COVID-19. Petrogas equity income for the period prior to acquisition was lower primarily due to lower commodity prices during 2020. Export deliveries up until the month of April were lower than planned due to industry conditions and subsequently have resumed to planned levels. In addition, in the fourth quarter of 2019, Petrogas earnings included a large one-time payment related to the termination of a customer contract. On December 15, 2020, AltaGas acquired an additional 37 percent of Petrogas, resulting in AltaGas' ownership of Petrogas being increased to approximately 74 percent. As such, Petrogas' results have been consolidated for the period subsequent to close (please refer to the *Acquisition of Petrogas* section of this MD&A for additional information). For the year ended December 31, 2020, the average Canadian/U.S. dollar exchange rate increased to 1.34 from an average of 1.33 in 2019, resulting in an increase in normalized EBITDA of approximately \$4 million.

Net income applicable to common shares for the year ended December 31, 2020 was \$486 million (\$1.74 per share), compared to \$769 million (\$2.78 per share) in 2019. The decrease was mainly due to the absence of gains on asset sales recorded in 2019 (including Northwest Hydro, Stonewall, and distributed generation assets), dilution loss and other adjustments to equity income related to the acquisition of Petrogas, and higher income tax expense, partially offset by lower provisions on assets, the gain on the disposition of AltaGas Canada Inc. (ACI, now named TriSummit Utilities Inc.), the gain recorded on the re-measurement of AltaGas' previously held equity investment in AIJVLP upon the acquisition of Petrogas,

gains on the sales of Pomona and Ripon, higher unrealized gains on risk management contracts, the same previously referenced factors impacting normalized EBITDA, lower interest expense, and lower depreciation and amortization expense.

Normalized funds from operations for the year ended December 31, 2020 were \$1,003 million (\$3.59 per share), compared to \$895 million (\$3.23 per share) in 2019. The increase was mainly due to the same drivers as normalized EBITDA and lower interest expense. In 2020, prior to the acquisition of Petrogas, AltaGas received \$13 million of dividend income from the Petrogas Preferred Shares (2019 - \$13 million) and \$5 million of common share dividends from Petrogas (2019 - \$6 million).

In 2020, AltaGas recorded pre-tax gains on dispositions of assets of approximately \$223 million. This was comprised of a pre-tax gain of \$206 million on the disposition of AltaGas' equity investment in ACI, a pre-tax gain of \$9 million related to certain distributed generation projects which were transferred to the purchaser in 2020, a pre-tax gain of \$5 million on the disposition of Pomona, and a pre-tax gain of \$3 million on the disposition of Ripon. In 2020, upon the acquisition of Petrogas, AltaGas also recorded the previously mentioned gain on the re-measurement of its previously held equity investment in AIJVLV of approximately \$22 million. In 2020, AltaGas recorded pre-tax provisions on assets of approximately \$109 million (\$81 million after-tax) primarily related to the Alton Natural Gas Storage Project, certain U.S. distributed generation projects which had not yet transferred to the purchaser, and land parcels located near the Harmattan gas processing plant. In addition, in 2020, AltaGas recorded a pre-tax provision on equity investments of approximately \$7 million (\$6 million after-tax) for costs associated with the Constitution pipeline project (Constitution) which was canceled in February 2020. In 2019, AltaGas recorded pre-tax gains on dispositions of assets of approximately \$875 million. This was mainly comprised of a pre-tax gain of \$688 million on the sale of the remaining interest in the Northwest Hydro facilities, a pre-tax gain of \$100 million on the disposition of the U.S. distributed generation assets, a pre-tax gain of \$34 million on the disposition of WGL Midstream's interest in Stonewall, a pre-tax loss of \$6 million on the sale of Canadian non-core power assets, a pre-tax loss of \$1 million on the sale of a WGL Energy Systems financing receivable, a pre-tax gain of \$5 million on the sale of certain non-core Midstream processing facilities, and the previously mentioned losses recorded in the fourth quarter of 2019. In 2019, AltaGas recorded pre-tax provisions on assets of approximately \$416 million (\$320 million after-tax) primarily related to the previously mentioned provisions recorded in the fourth quarter of 2019 and \$1 million related to a capital spare turbine in storage which was sold in the third quarter of 2019. In addition, in 2019, AltaGas recorded pre-tax provisions on equity investments of approximately \$46 million (\$29 million after-tax), including \$44 million related to WGL Midstream's indirect, non-operating interest in Central Penn which was sold in November 2019, and \$2 million related to biomass investments which were sold in the third quarter of 2019.

Operating and administrative expenses for the year ended December 31, 2020 were \$1,267 million, compared to \$1,299 million in 2019. The decrease was mainly due to the impact of asset sales in the second half of 2019, recoveries related to CEWS, and lower employee salary expenses, partially offset by the impact of RIPET coming online in May 2019 and increased costs related to operations at the NEBC pipeline projects, which were placed in service in the second and third quarters of 2020. Depreciation and amortization expense for the year ended December 31, 2020 was \$414 million, compared to \$438 million in 2019. The decrease was mainly due to an amortization adjustment related to the derecognition of an intangible liability, the impact of the sale of U.S. distributed generation assets in September 2019 and the impact of provisions recorded against property, plant, and equipment in the fourth quarter of 2019, partially offset by RIPET coming online in May 2019 and new assets placed in-service. Interest expense for the year ended December 31, 2020 was \$274 million, compared to \$346 million in 2019. The decrease was predominantly due to lower average interest rates compared to 2019.

AltaGas recorded an income tax expense of \$127 million for the year ended December 31, 2020 compared to an income tax recovery of \$28 million in 2019. The increase in tax expense was mainly due the absence of tax recoveries on the disposition of the U.S. distributed generation assets in the third quarter of 2019, unitary tax rate adjustments, and a one-time tax recovery related to the Alberta Job Creation Tax Cut in the second quarter of 2019, partially offset by lower tax expense on dispositions in Canada in 2020. Current tax expense of approximately \$1 million was recorded in 2020, of which approximately \$2 million related to a tax recovery on asset sales.

Normalized net income was \$396 million (\$1.42 per share) for the year ended December 31, 2020, compared to \$347 million (\$1.25 per share) in 2019. The increase was mainly due to the same previously referenced factors impacting normalized EBITDA, lower interest expense, and lower depreciation and amortization expense, partially offset by higher income tax expense. Normalizing items in the year ended December 31, 2020 reduced normalized net income by \$90 million and included after-tax amounts related to gains on sale of assets, transaction costs related to acquisitions and dispositions, restructuring costs, provisions on assets, provisions on investments accounted for by the equity method, dilution loss and other adjustments to equity income related to the acquisition of Petrogas, COVID-19 related costs, gain recorded on the re-measurement of AltaGas' previously held equity investment in AIJVL upon acquisition of Petrogas, and unrealized gains on risk management contracts. Normalizing items in the year ended December 31, 2019 reduced normalized net income by \$422 million and included after-tax amounts related to gains on sale of assets, merger commitment cost recovery due to a change in timing related to certain WGL merger commitments, transaction costs related to acquisitions and dispositions, unrealized losses on risk management contracts, losses on investments, provisions on assets, provisions on investments accounted for by the equity method, a gain on the redemption of Washington Gas preferred shares, the impact of a statutory tax rate change in Alberta, and a unitary tax adjustment related to the acquisition of WGL and U.S. asset sales. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further details on normalization adjustments.

Non-GAAP Financial Measures

This MD&A contains references to certain financial measures used by AltaGas that do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other entities. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP. The non-GAAP measures and their reconciliation to GAAP financial measures are shown below. These non-GAAP measures provide additional information that Management believes is meaningful in describing AltaGas' operational performance, liquidity and capacity to fund dividends, capital expenditures, and other investing activities. The specific rationale for, and incremental information associated with, each non-GAAP measure is discussed below.

References to normalized EBITDA, normalized net income, normalized funds from operations, normalized adjusted funds from operations (AFFO), normalized utility adjusted funds from operations (UAFFO), normalized income tax expense, normalized effective income tax rate, net debt, and net debt to total capitalization throughout this MD&A have the meanings as set out in this section.

Normalized EBITDA

	Three Months Ended December 31		Year Ended December 31	
(\$ millions)	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Net income (loss) after taxes (GAAP financial measure)	\$ 69	\$ (85)	\$ 572	\$ 840
Add (deduct):				
Depreciation and amortization	108	109	414	438
Interest expense	68	77	274	346
Income tax expense (recovery)	5	(87)	127	(28)
EBITDA	\$ 250	\$ 14	\$ 1,387	\$ 1,596
Add (deduct):				
Transaction costs (recoveries) related to acquisitions and dispositions	5	(4)	22	12
Merger commitment costs (recoveries)	—	1	—	(4)
Unrealized losses (gains) on risk management contracts	24	64	(21)	85
Non-controlling interest related to HLBV investments	—	—	—	8
Losses on investments	—	—	—	5
Gains on sale of assets	—	(56)	(223)	(875)
Gain on re-measurement of previously held equity investment in AIJVL	(22)	—	(22)	—
Dilution loss and other adjustments to equity investments	26	—	42	—
Restructuring costs	4	—	6	—
COVID-19 related costs	—	—	2	—
Provisions on assets	104	415	109	416
Provisions on investments accounted for by the equity method	—	—	7	46
Investment tax credits related to distributed generation assets	—	—	—	7
Accretion expenses	2	1	5	5
Foreign exchange losses (gains)	(1)	1	(4)	1
Normalized EBITDA	\$ 392	\$ 436	\$ 1,310	\$ 1,302

(1) In prior years, normalized EBITDA also included adjustments for changes in fair value of natural gas optimization inventory; however, beginning in 2020, this is no longer adjusted for as Management believes this more accurately represents AltaGas' operating profitability. Instead, normalized EBITDA is now adjusted for unrealized gains or losses on hedges related to this optimization inventory which is included in unrealized losses (gains) on risk management contracts. Comparative periods have been restated to reflect this change. As a result of this change, 2019 normalized EBITDA is now \$1,302 million, compared to \$1,271 million disclosed in the MD&A for the year ended December 31, 2019.

EBITDA is a measure of AltaGas' operating profitability prior to how business activities are financed, assets are amortized, or earnings are taxed. EBITDA is calculated from the Consolidated Statements of Income using net income (loss) after taxes adjusted for pre-tax depreciation and amortization, interest expense, and income taxes.

Normalized EBITDA includes additional adjustments for transaction costs (recoveries) related to acquisitions and dispositions, merger commitment costs (recoveries) due to a change in timing related to certain WGL merger commitments, unrealized losses (gains) on risk management contracts, non-controlling interest of certain investments to which HLBV accounting is applied, losses on investments, gains on sale of assets, restructuring costs, dilution loss and other adjustments to equity income related to the acquisition of Petrogas, gain on re-measurement of previously held equity investment in AIJVL, COVID-19 related costs, provisions on assets, provisions on investments accounted for by the equity method, distributed generation asset related investment tax credits, foreign exchange losses (gains), and accretion expenses related to asset retirement obligations. In addition to the dilution loss, the other adjustments to equity income primarily included amounts related to severance, transaction costs, and impairment losses related to the acquisition of Petrogas. COVID-19 related costs normalized in 2020 were primarily comprised of credit losses that were incremental and directly attributable to the COVID-19 pandemic and charges incurred to support remote work arrangements. AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is used by Management to enhance the understanding of AltaGas' earnings over periods. The metric is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes

items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets, and the capital structure.

Normalized Net Income

	Three Months Ended December 31		Year Ended December 31	
(\$ millions)	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Net income (loss) applicable to common shares (GAAP financial measure)	\$ 48	\$ (103)	\$ 486	\$ 769
Add (deduct) after-tax:				
Transaction costs (recoveries) related to acquisitions and dispositions	3	(3)	18	10
Merger commitment costs (recoveries)	—	1	—	(5)
Unrealized losses (gains) on risk management contracts	17	49	(18)	65
Losses on investments	—	—	—	5
Gains on sale of assets	(7)	(42)	(204)	(814)
Gain on re-measurement of previously held equity investment in AIJVLP	(22)	—	(22)	—
Dilution loss and other adjustments to equity investments	26	—	42	—
Restructuring costs	3	—	5	—
COVID-19 related costs	—	—	2	—
Provisions on assets	79	319	81	320
Provisions on investments accounted for by the equity method	—	(6)	6	29
Unitary tax adjustment on acquisition of WGL and U.S. asset sales	—	(19)	—	(19)
Gain on redemption of preferred shares	—	(3)	—	(3)
Statutory tax rate change	—	1	—	(10)
Normalized net income	\$ 147	\$ 194	\$ 396	\$ 347

(1) In prior years, normalized EBITDA also included adjustments for changes in fair value of natural gas optimization inventory; however, beginning in 2020, this is no longer adjusted for as Management believes this more accurately represents AltaGas' operating profitability. Instead, normalized EBITDA is now adjusted for unrealized gains or losses on hedges related to this optimization inventory which is included in unrealized gains on risk management contracts. Comparative periods have been restated to reflect this change. As a result of this change, 2019 normalized net income is now \$347 million, compared to \$324 million disclosed in the MD&A for the year ended December 31, 2019.

Normalized net income represents net income (loss) applicable to common shares adjusted for the after-tax impact of transaction costs (recoveries) related to acquisitions and dispositions, merger commitment costs (recoveries) due to a change in timing related to certain WGL merger commitments, unrealized losses (gains) on risk management contracts, losses on investments, gains on sale of assets, provisions on assets, provisions on investments accounted for by the equity method, restructuring costs, dilution loss and other adjustments to equity income related to the acquisition of Petrogas, gain on re-measurement of previously held equity investment in AIJVLP, COVID-19 related costs, gain on redemption of preferred shares, unitary tax adjustment related to the acquisition of WGL and U.S. asset sales, and statutory tax rate change. Normalized net income is used by Management to enhance the comparability of AltaGas' earnings, as it reflects the underlying performance of AltaGas' business activities.

Normalized Funds From Operations, AFFO, and UAFFO

	Three Months Ended December 31		Year Ended December 31	
(\$ millions)	2020	2019	2020	2019
Cash from operations (GAAP financial measure)	\$ 7	\$ 16	\$ 773	\$ 616
Add (deduct):				
Net change in operating assets and liabilities	311	281	203	232
Asset retirement obligations settled	2	1	4	2
Funds from operations	\$ 320	\$ 298	\$ 980	\$ 850
Add (deduct):				
Transaction costs (recoveries) related to acquisitions and dispositions ⁽¹⁾	5	(4)	17	12
Merger commitment costs (recoveries)	—	1	—	(4)
Current tax expense (recovery) on asset sales	(2)	37	(2)	37
Restructuring costs	4	—	6	—
COVID-19 related costs	—	—	2	—
Normalized funds from operations	\$ 327	\$ 332	\$ 1,003	\$ 895
Add (deduct):				
Net cash received from (paid to) non-controlling interests	(4)	(4)	(21)	35
Non-utility maintenance capital	(18)	(4)	(36)	(26)
Preferred dividends paid	(16)	(17)	(66)	(68)
Normalized adjusted funds from operations	\$ 289	\$ 307	\$ 880	\$ 836
Deduct:				
Utilities depreciation and amortization	(73)	(71)	(295)	(276)
Normalized utility adjusted funds from operations	\$ 216	\$ 236	\$ 585	\$ 560

(1) Excluding non-cash amounts.

Normalized funds from operations, normalized adjusted funds from operations, and normalized utility adjusted funds from operations are used to assist Management and investors in analyzing the liquidity of the Corporation. Management uses these measures to understand the ability to generate funds for capital investments, debt repayment, dividend payments, and other investing activities.

Funds from operations are calculated from the Consolidated Statements of Cash Flows and are defined as cash from operations, adjusted for net changes in operating assets and liabilities and expenditures incurred to settle asset retirement obligations. Normalized funds from operations is based on funds from operations, further adjusted for non-operating related expenses (net of current taxes) such as transaction costs (recoveries) related to acquisitions and dispositions, merger commitment costs (recoveries), current tax expense (recovery) on asset sales, COVID-19 related costs, and restructuring costs. Normalized adjusted funds from operations is based on normalized funds from operations, further adjusted to remove the impact of cash transactions with non-controlling interests, non-utility maintenance capital, and preferred share dividends paid. Normalized utility adjusted funds from operations is based on normalized adjusted funds from operations, further adjusted for Utilities segment depreciation and amortization.

Funds from operations, normalized funds from operations, normalized adjusted funds from operations, and normalized adjusted funds from operations as presented should not be viewed as an alternative to cash from operations or other cash flow measures calculated in accordance with GAAP.

Normalized Income Tax Expense

	Three Months Ended December 31		Year Ended December 31	
(\$ millions)	2020	2019	2020	2019
Income tax expense (recovery) (GAAP financial measure)	\$ 5	\$ (87)	\$ 127	\$ (28)
Add (deduct) tax impact of:				
Transaction costs (recoveries) related to acquisitions and dispositions	2	(1)	4	2
Unrealized losses (gains) on risk management contracts	6	13	(4)	19
Gains on sale of assets	7	(14)	(19)	(61)
Restructuring costs	1	—	1	—
Provisions on assets	25	96	28	96
Provisions on investments accounted for by the equity method	—	6	1	18
Statutory tax rate change	—	(1)	—	10
Unitary tax adjustment on acquisition of WGL and U.S. asset sales	—	19	—	19
Investment tax credits related to distributed generation assets	—	1	—	7
Normalized income tax expense	\$ 46	\$ 32	\$ 138	\$ 82

Normalized income tax expense represents income tax recovery (expense) adjusted for the tax impact of transaction costs (recoveries) related to acquisitions and dispositions, unrealized losses (gains) on risk management contracts, gains on sale of assets, restructuring costs, provisions on assets, provisions on investments accounted for by the equity method, unitary tax adjustment related to the acquisition of WGL and U.S. asset sales, statutory tax rate change, and distributed generation asset related investment tax credits. This measure is used by Management to enhance the comparability of the impact of income tax on AltaGas' earnings, as it reflects the underlying performance of AltaGas' business activities, and is presented to provide this perspective to analysts and investors.

Net Debt and Net Debt to Total Capitalization

Net debt and net debt to total capitalization are used by the Corporation to monitor its capital structure and financing requirements. It is also used as a measure of the Corporation's overall financial strength and is presented to provide this perspective to analysts and investors. Net debt is defined as short-term debt (excluding third-party project financing obtained for the construction of certain energy management services projects), plus current and long-term portions of long-term debt, less cash and cash equivalents. Total capitalization is defined as net debt plus shareholders' equity and non-controlling interests. Additional information regarding these non-GAAP measures can be found under the *Capital Resources* section of this MD&A.

Supplemental Calculations

Reconciliation of Normalized EBITDA to Normalized Net Income

The below table provides a supplemental reconciliation of normalized EBITDA to normalized net income. Both of these non-GAAP measures have been previously reconciled to the relevant GAAP financial measures in the section above. This supplemental information is provided as additional information to assist analysts and investors in comparing normalized EBITDA to normalized net income and is not intended as a substitute for the reconciliations to the nearest comparable GAAP measures. Readers should not place undue reliance on this supplemental reconciliation.

	Three Months Ended December 31		Year Ended December 31	
(\$ millions)	2020	2019	2020	2019
Normalized EBITDA	\$ 392	\$ 436	\$ 1,310	\$ 1,302
Add (deduct):				
Depreciation and amortization	(108)	(109)	(414)	(438)
Interest expense	(68)	(77)	(274)	(346)
Income tax recovery (expense)	(5)	87	(127)	28
Normalizing items impacting tax recovery	(42)	(119)	(12)	(110)
Accretion expenses	(2)	(1)	(5)	(5)
Foreign exchange gains (losses)	1	(1)	4	(1)
Non-controlling interest related to HLBV investments	—	—	—	(8)
Net income applicable to non-controlling interests	(5)	(5)	(20)	(7)
Preferred share dividends	(16)	(17)	(66)	(68)
Normalized net income	\$ 147	\$ 194	\$ 396	\$ 347

Calculation of Normalized Effective Income Tax Rate

The below table provides a calculation of normalized effective income tax rate from normalized net income and normalized income tax expense. Both of these non-GAAP measures have been previously reconciled to the relevant GAAP measures in the section above. This supplemental calculation is provided as additional information to assist analysts and investors in comparing normalized income tax expense to normalized net income and is not intended as a substitute for the reconciliations to the nearest comparable GAAP measures. Readers should not place undue reliance on this supplemental calculation.

	Three Months Ended December 31		Year Ended December 31	
(\$ millions, except where noted)	2020	2019	2020	2019
Normalized net income	\$ 147	\$ 194	\$ 396	\$ 347
Add (deduct):				
Normalized income tax expense	46	32	138	82
Net income applicable to non-controlling interests	5	5	20	7
Non-controlling interest related to HLBV investments	—	—	—	8
Preferred share dividends	16	17	66	68
Normalized net income before taxes	\$ 214	\$ 248	\$ 620	\$ 512
Normalized effective income tax rate (%) ⁽¹⁾	21.5	12.9	22.3	16.0

(1) Calculated as normalized income tax expense divided by normalized net income before taxes.

Results of Operations by Reporting Segment

In 2020, AltaGas revised its reportable segments to align with the structure of its business following asset sales completed as part of its 2019 asset monetization program. As a result of these changes, AltaGas has refocused on its core Utilities and Midstream segments. Consistent with Management's strategic view of the business and the basis on which it assesses performance and allocates resources, beginning in 2020, AltaGas has two operating segments: Utilities (which now includes the WGL Retail Marketing business) and Midstream. These operating segments have not been aggregated in the determination of AltaGas' reportable segments.

Normalized EBITDA ^{(1) (2)}	Three Months Ended December 31		Year Ended December 31	
<i>(\$ millions)</i>	2020	2019	2020	2019
Utilities	\$ 259	\$ 260	\$ 788	\$ 698
Midstream	128	179	473	531
Sub-total: Operating Segments	\$ 387	\$ 439	\$ 1,261	\$ 1,229
Corporate/Other	5	(3)	49	73
	\$ 392	\$ 436	\$ 1,310	\$ 1,302

(1) Non-GAAP financial measure; See discussion in the *Non-GAAP Financial Measures* section of this MD&A.

(2) Beginning in 2020, Management no longer adjusts normalized EBITDA or normalized net income for changes in the fair value of natural gas optimization inventory. Please see the *Non-GAAP Financial Measures* section of this MD&A for additional detail. As such, comparative periods have been adjusted to reflect the before and after-tax impacts of this change to normalized EBITDA and normalized net income, respectively.

Revenue	Three Months Ended December 31		Year Ended December 31	
<i>(\$ millions)</i>	2020	2019	2020	2019
Utilities	\$ 1,092	\$ 1,179	\$ 3,817	\$ 4,044
Midstream	572	326	1,636	1,260
Sub-total: Operating Segments	\$ 1,664	\$ 1,505	\$ 5,453	\$ 5,304
Corporate/Other	34	34	135	223
Intersegment eliminations	(9)	(5)	(1)	(32)
	\$ 1,689	\$ 1,534	\$ 5,587	\$ 5,495

Utilities

Operating Statistics

	Three Months Ended December 31		Year Ended December 31	
	2020	2019	2020	2019
Natural gas deliveries - end-use (Bcf) ⁽¹⁾	50.0	52.2	151.7	159.4
Natural gas deliveries - transportation (Bcf) ⁽¹⁾	35.6	38.3	124.1	134.4
Service sites (thousands) ⁽²⁾	1,672	1,653	1,672	1,653
Degree day variance from normal - SEMCO Gas (%) ⁽³⁾	(4.4)	4.3	(4.6)	5.0
Degree day variance from normal - ENSTAR (%) ⁽³⁾	0.2	(20.6)	5.6	(17.7)
Degree day variance from normal - Washington Gas (%) ^{(3) (4)}	(10.6)	(3.2)	(11.2)	(7.9)
Retail energy marketing - gas sales volumes (Mmcf)	18,053	20,131	59,782	64,460
Retail energy marketing - electricity sales volumes (GWh)	3,257	3,291	13,607	13,218

(1) Bcf is one billion cubic feet.

(2) Service sites reflect all of the service sites of the utilities, including transportation and non-regulated business lines.

(3) A degree day is a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are determined by adding the degree days incurred during each day of the period. Normal degree days for a particular period are the average of degree days during the prior 15 years for SEMCO Gas, during the prior 10 years for ENSTAR, and during the prior 30 years for Washington Gas.

(4) In certain of Washington Gas' jurisdictions (Virginia and Maryland) there are billing mechanisms in place that are designed to eliminate the effects of variance in customer usage caused by weather and other factors such as conservation. In the District of Columbia, there is no weather normalization billing mechanism nor does Washington Gas hedge to offset the effects of weather. As a result, colder or warmer weather will result in variances to financial results.

Regulatory Metrics

	Year Ended December 31	
	2020	2019
Approved ROE (%) ⁽¹⁾	10.0	10.1
Approved return on debt (%) ⁽¹⁾	5.4	5.4
Rate base (\$ millions) ^{(2) (3) (4)}	4,291	3,865

(1) Average of all the regulated utilities.

(2) Rate base is indicative of the earning potential of each utility over time. Approved revenue requirement for each utility is typically based on the rate base as approved by the regulator for the respective rate application, but may differ from the rate base indicated above.

(3) Reflects AltaGas' 65 percent interest in Cook Inlet Natural Gas Storage Alaska LLC.

(4) In U.S. dollars

During the fourth quarter of 2020, AltaGas' Utilities segment experienced warmer weather at SEMCO, colder weather at ENSTAR, and warmer at Washington Gas compared to the same quarter of 2019.

For the year ended December 31, 2020, AltaGas' Utilities segment experienced warmer weather at SEMCO, colder weather at ENSTAR, and warmer weather at Washington Gas compared to 2019.

Service sites at December 31, 2020 increased by approximately 20 thousand sites compared to December 31, 2019 due to growth in customer base.

In the fourth quarter of 2020, U.S. Retail Energy Marketing gas sales volumes were 18,053 Mmcf, compared to 20,131 Mmcf in the same quarter of 2019. The decrease was primarily due to COVID-19 impacts. In the fourth quarter of 2020, U.S. Retail

Energy Marketing electricity sales volumes were 3,257 GWh compared to 3,291 GWh in the same quarter of 2019. The decrease was primarily due to COVID-19 impacts, partially offset by an increase in customers served by the business.

For the year ended December 31, 2020, U.S. Retail Energy Marketing gas sales volumes were 59,782 Mmcft, compared to 64,460 Mmcft in the same period in 2019. The decrease was primarily due to COVID-19 impacts. For the year ended December 31, 2020, U.S. Retail Energy Marketing electricity sales volumes were 13,607 GWh compared to 13,218 GWh in the same period in 2019. The increase was primarily due to an increase in customers served by the business, partially offset by COVID-19 impacts.

Three Months Ended December 31

The Utilities segment reported normalized EBITDA of \$259 million in the fourth quarter of 2020, compared to \$260 million in the same quarter in 2019. Factors positively impacting normalized EBITDA included higher rates and gas margins at SEMCO, higher revenue from accelerated pipe replacement program spend, higher gas margins from WGL's Retail Energy Marketing business due to favorable pricing which was partially offset by COVID-19 impacts, and colder weather in Alaska. These were partially offset by the cancellation of late fees and related charges by the utilities due to COVID-19, the impact of the sale of ACI, and lower power margins from WGL's Retail Energy Marketing business as a result of COVID-19 impacts which were partially offset by lower capacity charges in 2020, higher expenses related to employee benefits and incentive plans, a residential energy credit adjustment received in 2019, final Virginia rate case adjustments in 2019, and warmer weather in Michigan.

Year Ended December 31

The Utilities segment reported normalized EBITDA of \$788 million in the year ended December 31, 2020, compared to \$698 million in 2019. The increase in normalized EBITDA was mainly due to the impact of Washington Gas' Maryland and Virginia rate cases, the impact of a change in accounting principle relating to Washington Gas' net periodic pension and other post-retirement benefit plan costs (please refer to the *Critical Accounting Estimates* section of this MD&A for additional information), higher rates effective January 2020 at SEMCO due to the 2019 rate case application, higher revenue from accelerated pipe replacement program spend, colder weather in Alaska, lower operating expenses at WGL's Retail Energy Marketing business, and the favorable impact of the stronger U.S. dollar. This increase was partially offset by warmer weather in Michigan and in the District of Columbia, lower customer usage primarily as a result of COVID-19, the cancellation of late fees and related charges by the utilities due to COVID-19, lower margins from WGL's Retail power marketing operations as a result of COVID-19 impacts which were partially offset by lower capacity charges in 2020, lower margins and volumes from WGL's Retail gas marketing operations as a result of warmer weather and COVID-19 impacts which were partially offset by favorable pricing, and the impact of the sale of ACI.

In 2020, the Utilities segment recognized a pre-tax gain of \$206 million on the disposition of ACI. There were no dispositions in the Utilities segment in the year ended December 31, 2019.

Rate Case Updates

Utility/ Jurisdiction	Date Filed	Request	Status	Expected Timing of Decision
Washington Gas - District of Columbia	January 2020	US\$35 million increase in base rates, including US\$9 million of annual PROJECTpipes surcharges currently paid by customers for accelerated pipeline replacement. Therefore, the incremental amount of the base rate increase requested is approximately US\$26 million.	Washington Gas filed this rate case on January 13, 2020. Washington Gas has also requested approval for a Revenue Normalization Adjustment mechanism to reduce customer bill fluctuations due to weather-related usage variations, similar to existing mechanisms in both Maryland and Virginia. On April 29, 2020, the PSC of DC issued an Order which established a procedural schedule and identified issues to be addressed in the Washington Gas' supplemental direct testimony to be filed May 15, 2020. On September 14, 2020, Washington Gas filed rebuttal testimony. On December 8, 2020, Washington Gas filed, for PSC of DC approval, a settlement agreement to resolve all issues in the case. The settling parties agreed to a US\$20 million increase in base rates including PROJECTpipes surcharges previously collected as a rider and return on equity of 9.25 percent. The settling parties agree that this settlement is limited to resolving PROJECTpipes costs that are completed and in service, as of the date of Washington Gas' filed rebuttal testimony (i.e., September 14, 2020). Washington Gas' rebuttal testimony included an amount of up to approximately US\$100 million of PROJECTpipes plant in service being transferred to base rates. This settlement does not set any precedent with respect to any future requests for PROJECTpipes cost recovery. Washington Gas agrees it will not file for a distribution rate increase or request any new rate or tariff mechanisms that have a related customer rate increase in the District of Columbia before August 31, 2021. On February 24, 2021, the PSC of DC approved the US\$20 million base rate case recommended in the settlement agreement. The new rates will become effective on April 1, 2021.	Settlement agreement approved February 2021
Washington Gas - Maryland	August 2020	US\$27 million increase in base rates, including US\$6 million currently collected through the Strategic Infrastructure Development Enhancement Plan (STRIDE) surcharges for system upgrades. Therefore, the incremental amount of the base rate increase requested is approximately US\$21 million.	Washington Gas filed this rate case on August 28, 2020. On August 31, 2020, the PSC of MD docketed the application and assigned the case to the Public Utility Law Judge (PULJ) division. On September 28, 2020, the PULJ division held a prehearing conference and established a procedural schedule which anticipates a final decision on or about March 26, 2021. On December 8, 2020, Washington Gas filed rebuttal testimony. On February 12, 2021, the PULJ issued a Proposed Order in the Case and an ERRATA filing correcting of the Proposed Order on February 19, 2021. The Proposed Order, as corrected, authorizes Washington Gas increase its Maryland natural gas distribution rates by approximately US\$13 million (including US\$5 million for the STRIDE surcharge), reflecting a return of equity of 9.70 percent. Appeals are due February 26, 2021 with an order following. Washington Gas expects new rates to be implemented in late March of 2021.	Expected late Q1 2021

COVID-19 Related Orders

On March 16, 2020, the Council of the District of Columbia (DC Council) passed legislation prohibiting the disconnection of electric and gas services for non-payment of fees during a public health emergency. The Mayor of the District of Columbia's public health emergency declaration and all related orders have been further extended to March 31, 2021, and the prohibition on disconnection is effective for 15 days following the end of the public health emergency. On April 15, 2020, the PSC of DC issued an order authorizing Washington Gas to establish a regulatory asset to capture and track the incremental costs related to COVID-19 that were prudently incurred beginning March 11, 2020.

On March 16, 2020, the Governor of Maryland issued an Executive Order which ordered regulated utilities to cease disconnections and billing of late fees for residential customers through May 1, 2020, which was subsequently amended to extend the order through August 31, 2020. On September 22, 2020, the PSC of MD took action that had the effect of extending the moratorium on service disconnections through November 15, 2020. Due to the winter moratorium on disconnections (November 1 to March 31), this has the effect of delaying residential terminations until April 1, 2021. On April 9, 2020, the PSC of MD issued an order and authorized each utility company to establish a regulatory asset to record the effects of incremental collection and other costs related to COVID-19 prudently incurred beginning on March 16, 2020. On August 27 and 28, 2020, the PSC of MD held Public Conference (PC) 53 to review the impacts of the Executive Order on utilities and the services they provide. On August 31, 2020, the PSC of MD issued an order directing that: (1) Utilities may not engage in service terminations and/or charge late fees until October 1, 2020 and any notices of termination for residential accounts sent before October 1, 2020 are invalid; (2) a Public Service Company must give notice of at least 45 days before terminating service on a residential account; (3) structured payment plans offered by Public Service Companies to residential customers in arrears or unable to pay must allow a minimum of 12 months to repay, with that period extending to 24 months for customers certified as low income; (4) Public Service Companies are prohibited from collecting or requiring down payments or deposits as a condition of beginning a payment plan by any residential customer; and (5) Public Service Companies are prohibited from refusing to negotiate or denying a payment plan to a residential customer receiving service because the customer failed to meet the terms and conditions of an alternate payment plan during the past 18 months. As requested by the PSC of MD, investor-owned utilities in Maryland filed a joint proposed Arrearage Management Program (AMP) plan on October 7, 2020, which was followed by a legislative style hearing in November 2020. On December 21, 2020, the PSC of MD rejected the proposed AMP plan. It will continue to monitor the customer arrearage data provided by utilities, and may revisit this issue in the future.

On March 16, 2020, the State Corporation Commission of Virginia (SCC of VA) issued an order which prohibited disconnections of electricity, gas, water, and sewer utility services during the coronavirus public health emergency, and established certain consumer protection measures. While the SCC of VA order was extended, the disconnection order, but not the consumer protections expired on October 5, 2020. However, following the expiration of the disconnection order, on October 16, 2020, the Virginia General assembly approved legislation that would extend the disconnection prohibition for residential customers for nonpayment of bills or fees until the Governor determines the prohibition does not need to remain in place or until at least 60 days after the state of emergency declared on March 12, 2020 ends, whichever is sooner. The legislation also codified the consumer protection plans, requiring utilities to offer customers in arrears fee-free repayment plans without deposit or eligibility requirements. The legislation became effective in November 2020. On April 29, 2020, the SCC of VA issued an order approving a request from Washington Gas and other Virginia utilities to create a regulatory asset to record incremental prudently incurred costs and suspended late payment fees attributable to the COVID-19 pandemic. The October 16, 2020 legislation approved by the general assembly established certain reporting requirements for utilities to report bad debt information and provides utilities with certain exemptions from such requirements based on a utilities' particular facts and circumstances. On December 8, 2020, Washington Gas was awarded \$US7.7 million under the Virginia CARES Relief Funding Award, to use for customer arrearages. Virginia customers need to meet the criteria established by the program to get the funds. Any unused funds will be returned to the SCC of VA by December 10, 2021.

On April 10, 2020, the Governor of Alaska signed Senate Bill 241, which allows certificated utilities to record a regulatory asset for extraordinary costs and uncollectible residential utility bills that result from the COVID-19 public health disaster emergency declared by the governor on March 11, 2020. The determination as to whether an extraordinary expense resulted from the COVID-19 emergency is subject to approval by the RCA before recovery occurs through future rates. In response to Senate Bill 241, on April 15, 2020, the RCA opened an information docket to gather information including how utilities are dealing with COVID-19 and its effects. It will also discuss specific sections of Senate Bill 241 regarding deadlines for Commission actions and regulatory assets in a later public meeting.

On April 15, 2020, the MPSC issued an order for all utilities which allows for regulatory asset accounting to capture bad debts in excess of what is in approved rates. Incremental cost recovery was not addressed in the order; however, utilities filed comments and reply on April 30, 2020 and May 13, 2020, respectively, on what extraordinary costs, costs savings, and incremental revenues related to COVID-19 should be considered by the MPSC and how those costs should be tracked. In addition, the order included a list of additional customer protection requirements. On July 23, 2020, the MPSC issued an order asking that any rate-regulated utility seeking recovery of COVID-19 related expenses beyond uncollectible expenses make an informational filing with the MPSC no later than November 2, 2020. SEMCO Gas did not establish a regulatory asset for bad debts since the bad debt expense is not expected to exceed the level approved in the last rate case proceeding. Furthermore, SEMCO Gas determined that the benefit would be de minimis to proceed with filing for the recovery for the incremental COVID-19 costs considering the legal fees associated with completing such a regulatory filing.

Midstream

Operating Statistics

	Three Months Ended December 31		Year Ended December 31	
	2020	2019	2020	2019
RIPET export volumes (Bbls/d) ^{(1) (3)}	37,782	36,394	39,285	35,446
Ferndale export volumes (Bbls/d) ^{(2) (3)}	33,979	—	33,979	—
Total inlet gas processed (Mmcfd) ⁽³⁾	1,409	1,413	1,357	1,407
Extraction ethane volumes (Bbls/d) ⁽³⁾	30,766	25,951	28,018	23,826
Extraction NGL volumes (Bbls/d) ^{(3) (4)}	34,199	32,313	32,206	34,054
Fractionated volumes (Bbls/d) ⁽³⁾	27,026	20,310	23,559	20,159
Frac spread - realized (\$/Bbl) ^{(3) (5)}	13.95	16.54	14.37	17.47
Frac spread - average spot price (\$/Bbl) ^{(3) (6)}	9.33	8.29	5.42	11.05
Propane Far East Index (FEI) to Mont Belvieu spread (US\$/Bbl) ⁽⁷⁾	15.01	17.95	11.72	14.88
Natural gas optimization inventory (Bcf)	39.3	41.4	39.3	41.4

(1) Represents propane volumes exported at RIPET since facility was placed into service in May 2019.

(2) Represents propane and butane volumes exported at Ferndale for the period after close of the Petrogas Acquisition on December 15, 2020.

(3) Average for the period.

(4) NGL volumes refer to propane, butane, and condensate.

(5) Realized frac spread or NGL margin, expressed in dollars per barrel of NGL, is derived from sales recorded by the segment during the period for frac exposed volumes plus the settlement value of frac hedges settled in the period less extraction premiums, divided by the total frac exposed volumes produced during the period.

(6) Average spot frac spread or NGL margin, expressed in dollars per barrel of NGL, is indicative of the average sales price that AltaGas receives for propane, butane and condensate less extraction premiums, before accounting for hedges, divided by the respective frac exposed volumes for the period.

(7) Average propane price spread between FEI and Mont Belvieu TET commercial index for the period beginning May 2019.

Propane volumes exported to Asia at RIPET for the three months ended December 31, 2020 averaged 37,782 Bbls/d compared to 36,394 Bbls/d for the same period in 2019. There were 6 full shipments and one partially loaded shipment in the

fourth quarter of 2020, compared to six shipments in the same period in 2019. Propane and butane export volumes at Ferndale averaged 33,979 Bbls/d, with two shipments to Asia for the period subsequent to close of the Petrogas Acquisition.

Propane volumes exported to Asia at RIPET for the year ended December 31, 2020 averaged 39,285 Bbls/d compared to 35,446 Bbls/d for the same period in 2019. There were 27 shipments during the year ended December 31, 2020 compared to 15 shipments in the same period of 2019. Higher global export volumes and shipments were a result of RIPET operating for the full year in 2020, an increase in the amount of cargoes sold on the spot market, and a new term contract effective September 2019. Propane and butane export volumes at Ferndale averaged 33,979 Bbls/d, with 2 shipments to Asia for the period subsequent to close of the Petrogas Acquisition.

Inlet gas processing volumes for the fourth quarter of 2020 decreased by 4 Mmc/d compared to the same quarter in 2019. Lower inlet gas processing volumes in the fourth quarter of 2020 were a result of lower inlet volumes at Younger due to a scheduled turnaround in September 2020 which was extended until late October, and lower inlet volumes at EEEP. The decrease was partially offset by additional volumes from the newly constructed Townsend Deep Cut facility, which was placed in-service in May 2020, and higher inlet volumes at JEEP, Gordondale, and the Blair Creek facilities.

Inlet gas processing volumes for the year ended December 31, 2020 decreased by 50 Mmc/d compared to the same period in 2019. Factors negatively impacting inlet gas processing volumes in the year ended December 31, 2020 included lower inlet volumes at the extraction facilities, lower take-or-pay processed volumes at the Townsend Shallow Cut facilities, and the disposal of certain non-core facilities in February 2019. The decrease was partially offset by volumes from the Townsend Deep Cut facility, which was placed in-service in May 2020, volumes from the Nig Creek facility, which was placed in-service in September 2019, and higher inlet volumes at the Gordondale facility.

Average ethane production volumes for the fourth quarter of 2020 increased by 4,815 Bbls/d, while average NGL production volumes increased by 1,886 Bbls/d compared to the same quarter in 2019. Higher ethane volumes were a result of additional contracted ethane volumes at the extraction facilities. Higher extracted NGL volumes were a result of additional extracted NGL volumes from the Townsend Deep Cut facility, which was placed in-service in May 2020, partially offset by lower inlet volumes at certain extraction facilities, primarily related to the Younger facility due to a planned turnaround, and lower inlet volumes at the Townsend Shallow Cut facilities.

Average ethane production volumes for the year ended December 31, 2020 increased by 4,192 Bbls/d, while average NGL production volumes decreased by 1,848 Bbls/d compared to 2019. Higher ethane volumes were a result of additional contracted ethane volumes at the extraction facilities. Lower extracted NGL volumes were a result of lower inlet volumes at the Townsend Shallow Cut facilities and at the extraction facilities, mainly related to the Younger facility, partially offset by additional extracted NGL volumes from the Townsend Deep Cut facility which was placed in-service in May 2020.

Fractionation volumes for the fourth quarter of 2020 increased by 6,716 Bbls/d compared to the same quarter in 2019. Higher fractionation volumes were a result of the North Pine expansion and additional liquids volumes from the NEBC facilities including the Townsend Deep Cut facility. The increase was partially offset by lower trucked-in volumes at Harmattan, and lower extracted NGLs at Younger due to lower inlet and a turnaround in September that was extended until October.

Fractionation volumes for the year ended December 31, 2020 increased by 3,400 Bbls/d compared to the same period in 2019. Higher fractionation volumes were a result of the North Pine expansion and additional liquids volumes from the NEBC facilities. The increase was partially offset by lower trucked-in volumes at Harmattan, and lower extracted NGLs at the Harmattan and Younger facilities due to lower inlet.

Natural gas optimization inventory as at December 31, 2020 was 39.3 Bcf (December 31, 2019 - 41.4 Bcf). The decrease in natural gas optimization inventory was primarily due to higher withdrawals of inventory in the fourth quarter of 2020 as a result of favorable natural gas prices.

Three Months Ended December 31

The Midstream segment reported normalized EBITDA of \$128 million in the fourth quarter of 2020, compared to \$179 million in the same quarter in 2019. The decrease in normalized EBITDA was mainly due to unfavorable realized storage margins at WGL Midstream, lower merchant volumes and realized margins at RIPET (inclusive of hedges), lower NGL marketing margins, lower realized frac spreads and exposed NGL volumes, and the impact of the sale of WGL Midstream's indirect non-operating interest in Central Penn in November 2019. These were partially offset by contributions from Petrogas for the period after acquisition, higher tolling volumes at RIPET, higher processed volumes at the NEBC facilities, higher fractionation and liquids handling revenues due to NEBC growth projects placed into service, and additional contracted ethane volumes at the extraction facilities. During the fourth quarter of 2020, for the period prior to close of the Petrogas Acquisition, AltaGas recorded equity earnings of \$8 million from Petrogas compared to \$31 million in the same quarter in 2019. Petrogas' export deliveries from Ferndale and volumes transacted through the terminals were at similar levels as in the fourth quarter of 2019. Industry conditions continued to impact the commodity margins and activity levels in Petrogas' other business segments. In addition, in the fourth quarter of 2019, Petrogas earnings included a large one-time payment related to the termination of a customer contract. On December 15, 2020, AltaGas acquired an additional 37 percent of Petrogas, resulting in AltaGas' ownership of Petrogas being increased to approximately 74 percent. As such, Petrogas' results have been consolidated for the period subsequent to close (please refer to the *Acquisition of Petrogas* section of this MD&A for additional information).

In the fourth quarter of 2020, the Midstream segment recognized a gain on its previously held equity investment in AIJVL of approximately \$22 million, as well as a dilution loss and other adjustments to equity investments related to the acquisition of Petrogas of \$26 million. In addition, in the fourth quarter of 2020, the Midstream segment recognized pre-tax provisions on assets of approximately \$104 million (\$79 million after-tax) primarily related to the Alton Natural Gas Storage Project. In the fourth quarter of 2019, the Midstream segment recognized a pre-tax loss of approximately \$12 million on the disposition of equity investments, primarily related to WGL Midstream's indirect non-operating interest in Central Penn. In addition, in the fourth quarter of 2019, the Midstream segment recognized a pre-tax provision of \$34 million related to the Pouce Coupe sour gas treatment facility in Alberta.

Midstream Hedges

	Three Months Ended December 31	
	2020	2019
Frac exposed volumes (Bbls/d)	9,277	11,525
NGL volumes hedged (Bbls/d)	10,068	6,228
Average price of NGL volumes hedged (\$/Bbl) ⁽¹⁾	26	40
Average RIPET volumes hedged (Bbls/d)	25,913	23,070
Average FEI to Mt Belvieu spread for volumes hedged (US\$/Bbl)	9.05	10.28
Average Ferndale volumes hedged (Bbls/d) ⁽²⁾	33,717	—
Average FEI to Conway spread for Ferndale volumes hedged (US\$/Bbl) ⁽²⁾	13.05	—

(1) Excludes basis differential

(2) For the period subsequent to close of the Petrogas Acquisition on December 15, 2020.

In the fourth quarter of 2020, AltaGas' total frac exposed volumes were 9,277 Bbls/d (2019 - 11,525 Bbls/d) and realized frac spread (inclusive of hedges) was \$13.95/bbl (2019 - \$16.54/bbl).

Year Ended December 31

The Midstream segment reported normalized EBITDA of \$473 million in the year ended December 31, 2020, compared to \$531 million in 2019. Factors negatively impacting normalized EBITDA in the year ended December 31, 2020 included the impact of the sale of WGL Midstream's indirect non-operating interest in Central Penn in November 2019, the impact of the

sale of WGL Midstream's interest in Stonewall in May 2019, lower storage spreads and withdrawals at WGL Midstream due to lower commodity prices, lower NGL extracted and trucked in volumes, lower realized frac spreads (inclusive of hedges), and lower NGL marketing margins. These were partially offset by higher AFUDC related to Mountain Valley, higher fractionation and liquids handling revenues due to NEBC growth projects placed into service, higher processed volumes at certain NEBC facilities, additional contracted ethane volumes at the extraction facilities, contributions from Petrogas for the period after acquisition, contributions from RIPET which was placed in-service in May 2019, and favorable transportation margins at WGL Midstream. During the year ended December 31, 2020, for the period prior to close of the Petrogas Acquisition, AltaGas recorded equity earnings of \$29 million from Petrogas, compared to \$75 million in 2019. The decrease in earnings from Petrogas was primarily due to lower commodity prices in 2020, as well as the absence of a one-time payment related to the termination of a customer contract in the fourth quarter of 2019. On December 15, 2020, AltaGas acquired an additional 37 percent of Petrogas, resulting in AltaGas' ownership of Petrogas being increased to approximately 74 percent. As such, Petrogas' results have been consolidated for the period subsequent to close (please refer to the *Acquisition of Petrogas* section of this MD&A for additional information).

In 2020, the Midstream segment recognized the previously mentioned gain on the re-measurement of its previously held equity investment in AIJVL of approximately \$22 million and a dilution loss and other adjustments to equity investments related to the acquisition of Petrogas of \$42 million. In 2020, the Midstream segment recognized pre-tax provisions on assets of approximately \$106 million related to the previously mentioned provisions recognized in the fourth quarter of 2020 and land parcels located near the Harmattan gas processing plant. In addition, in 2020 the Midstream segment recognized a pre-tax provision on equity investments of approximately \$7 million related to the Constitution pipeline project which was cancelled in February 2020. In 2019, the Midstream segment recognized a pre-tax gain of \$34 million on the disposition of WGL Midstream's interest in Stonewall, a pre-tax gain of \$5 million on the sale of certain non-core Midstream processing facilities, and the previously mentioned loss on equity investments recognized in the fourth quarter of 2019. In 2019, the Midstream segment recognized a pre-tax provision on equity investments of approximately \$44 million related to WGL Midstream's indirect, non-operating interest in Central Penn which was sold in November 2019 and the previously mentioned provision on assets recognized in the fourth quarter of 2019.

Midstream Hedges

	Year Ended December 31	
	2020	2019
Frac exposed volumes (Bbls/d)	8,952	10,534
NGL volumes hedged (Bbls/d)	9,412	6,228
Average price of NGL volumes hedged (\$/Bbl) ⁽¹⁾	29	40
Average RIPET volumes hedged (Bbls/d)	26,801	21,106
Average FEI to Mt Belvieu spread for volumes hedged (US\$/Bbl)	9.97	10.56
Average Ferndale volumes hedged (Bbls/d) ⁽²⁾	33,717	—
Average FEI to Conway spread for Ferndale volumes hedged (US\$/Bbl) ⁽²⁾	13.05	—

(1) Excludes basis differential

(2) For the period after close of the Petrogas Acquisition on December 15, 2020.

For the year ended December 31, 2020, AltaGas' total frac exposed volumes were 8,952 Bbl/d (2019 - 10,534 Bbl/d) and realized frac spread (inclusive of hedges) was \$14.37/bbl (2019 - \$17.47/bbl).

Corporate/Other

Three Months Ended December 31

In the Corporate/Other segment, normalized EBITDA for the fourth quarter of 2020 was \$5 million, compared to a loss of \$3 million in the same quarter in 2019. The increase was mainly due to earnings from WGL's remaining projects in its design build and distributed generation business, which was partially offset by the impact of asset sales, including Pomona in July 2020 and Ripon in August 2020.

In the fourth quarter of 2019, the Corporate/Other segment recognized a pre-tax gain of \$68 million on certain U.S. distributed generation projects which were sold in the third quarter of 2019 but transferred to the purchaser in the fourth quarter of 2019. In addition, in the fourth quarter of 2019, the Corporate/Other segment recognized pre-tax provisions of \$380 million related to various long-lived assets.

Year Ended December 31

In the Corporate/Other segment, normalized EBITDA for the year ended December 31, 2020 was \$49 million, compared to \$73 million in 2019. The decrease was mainly due to the impact of asset sales, including the U.S. distributed generation assets in September 2019, certain non-core power assets in February 2019, the Northwest Hydro facilities in January 2019, Pomona in July 2020, Ripon in August 2020, and biomass investments in the third quarter of 2019, partially offset by recoveries related to CEWS, earnings from WGL's remaining projects in its design build and distributed generation business, a shorter planned spring outage at the Blythe facility compared to 2019, lower employee salary expenses, and lower expenses related to employee incentive plans as a result of the decreasing share price in 2020.

In 2020, the Corporate/Other segment recognized a pre-tax gain of \$9 million on certain U.S. distributed generation projects which were sold in 2019 but transferred to the purchaser in 2020, a pre-tax gain of \$5 million on the disposition of Pomona, and a pre-tax gain of \$3 million on the disposition of Ripon. In addition, in 2020, the Corporate/Other segment recognized a pre-tax provision of approximately \$3 million related to certain U.S. distributed generation projects which had not yet transferred to the purchaser. In 2019, the Corporate/Other segment recognized a pre-tax gain of \$100 million on the disposition of the U.S. distributed generation assets, a pre-tax gain of \$688 million on the sale of the remaining interest in the Northwest Hydro facilities, a pre-tax loss of \$6 million on the sale of Canadian non-core power assets, a pre-tax loss of \$1 million on the sale of a WGL Energy Systems financing receivable, and the previously mentioned gains on dispositions recorded in the fourth quarter of 2019. In addition, in 2019, the Corporate/Other segment recognized a pre-tax provision on equity investments of \$2 million related to biomass investments which were sold in the third quarter of 2019, a pre-tax provision of \$1 million related to a capital spare turbine in storage which was also sold in the third quarter of 2019, and the previously mentioned provisions on assets recognized in the fourth quarter of 2019.

Invested Capital

Three Months Ended December 31, 2020				
(\$ millions)	Utilities	Midstream	Corporate/ Other	Total
Invested capital:				
Property, plant and equipment	\$ 243	\$ 50	\$ 2	295
Intangible assets	1	1	1	3
Long-term investments	—	76	—	76
Business acquisition	—	715	—	715
Contributions from non-controlling interest	—	(2)	—	(2)
Net invested capital	\$ 244	\$ 840	\$ 3	1,087

Three Months Ended December 31, 2019				
(\$ millions)	Utilities	Midstream	Corporate/ Other	Total
Invested capital:				
Property, plant and equipment	\$ 145	\$ 93	\$ 2	240
Intangible assets	21	1	2	24
Long-term investments	—	3	—	3
Contributions from non-controlling interest	—	(7)	—	(7)
Invested capital	166	90	4	260
Disposals:				
Property, plant and equipment	(1)	—	—	(1)
Equity method investments	—	(812)	—	(812)
Net invested capital	\$ 165	\$ (722)	\$ 4	(553)

During the fourth quarter of 2020, AltaGas' invested capital was \$1,087 million, compared to \$260 million in the same quarter in 2019. The increase in invested capital was primarily due to cash paid for the Petrogas Acquisition, contributions to long-term investments, and higher additions to property, plant and equipment, partially offset by lower additions to intangible assets.

The increase in additions to property, plant and equipment in the fourth quarter of 2020 was mainly due to capital expenditures related to system betterment and accelerated pipeline replacement programs at Washington Gas, construction costs related to the Nig Creek facility expansion project, and a turnaround at the Younger facility, partially offset by the absence of construction costs related to the Marquette Connector Pipeline which was placed in-service in December 2019, and the absence of construction costs relating to the NEBC pipeline projects, most of which were completed in the first half of 2020. The disposal of equity method investments in the fourth quarter of 2019 related to the disposition of Central Penn in November 2019.

The invested capital in the fourth quarter of 2020 included maintenance capital of \$18 million (2019 - \$3 million) in the Midstream segment and \$nil (2019 - \$1 million) related to remaining power assets in the Corporate/Other segment. Maintenance capital incurred in the fourth quarter of 2020 primarily related to the turnaround at the Younger facility.

Year Ended December 31, 2020				
(\$ millions)	Utilities	Midstream	Corporate/ Other	Total
Invested capital:				
Property, plant and equipment	\$ 740	\$ 139	\$ 20	\$ 899
Intangible assets	3	3	4	10
Long-term investments	—	140	—	140
Business acquisition	—	715	—	715
Contributions from non-controlling interest	—	(7)	—	(7)
Invested capital	743	990	24	1,757
Disposals:				
Property, plant and equipment	—	(3)	(71)	(74)
Equity method investments	(369)	(7)	—	(376)
Net invested capital	\$ 374	\$ 980	\$ (47)	\$ 1,307

Year Ended December 31, 2019				
(\$ millions)	Utilities	Midstream	Corporate/ Other	Total
Invested capital:				
Property, plant and equipment	\$ 841	\$ 438	\$ 39	\$ 1,318
Intangible assets	23	5	9	37
Long-term investments	—	179	—	179
Contributions from non-controlling interest	—	(41)	—	(41)
Invested capital	864	581	48	1,493
Disposals:				
Property, plant and equipment	(1)	(87)	(2,319)	(2,407)
Equity method investments	—	(1,191)	(25)	(1,216)
Net invested capital	\$ 863	\$ (697)	\$ (2,296)	\$ (2,130)

During the year ended December 31, 2020, AltaGas' invested capital was \$1.8 billion, compared to \$1.5 billion in 2019. The increase in invested capital was primarily due to cash paid for the Petrogas Acquisition, lower contributions from non-controlling interests, and a capital contribution made to AIJVLP related to a cash call in the first quarter of 2020, partially offset by lower additions to property, plant and equipment, and lower contributions to WGL's equity investments in the Mountain Valley pipeline, and Central Penn which was sold in November 2019.

The decrease in additions to property, plant and equipment in the year ended December 31, 2020 was mainly due to the absence of construction costs related to RIPET which was placed in-service in May 2019, the absence of construction costs related to Nig Creek which was placed in-service September 2019, the absence of capital expenditures related to the U.S. distributed generation assets which were sold in September 2019, lower capital expenditures related to the Townsend 2B expansion, North Pine expansion, and NEBC pipeline projects which were placed in-service in the first half of 2020, and the absence of construction costs related to the Marquette Connector Pipeline which was placed in-service in December 2019. These were partially offset by increased expenditures related to the accelerated pipeline replacement programs at Washington Gas and SEMCO, and construction of the Nig Creek expansion project. The disposals of property, plant and equipment in the year ended December 31, 2020 primarily related to the remaining proceeds received from the disposition of the U.S. distributed generation assets and the disposition of Pomona and Ripon in the third quarter of 2020. In the year ended December 31, 2019, disposals of property, plant and equipment primarily related to the disposition of the U.S. distributed generation assets, the Northwest Hydro facilities, and non-core Canadian Midstream and Power assets. The disposal of equity method investments in the year ended December 31, 2020 related to the disposition of ACI, while in the year ended December

31, 2019 the disposals of equity method investments related to the disposition of Stonewall, biomass investments, and the previously mentioned disposal of Central Penn in the fourth quarter of 2019.

The invested capital for the year ended December 31, 2020 included maintenance capital of \$22 million (2019 - \$6 million) in the Midstream segment and \$14 million (2019 - \$20 million) related to remaining power assets in the Corporate/Other segment. The increase in maintenance capital for the Midstream segment was primarily due to increased turnaround expenditures. The decrease in maintenance capital for the Corporate/Other segment was primarily due to lower maintenance expenditures at the Blythe facility.

Risk Management

Risks Related to COVID-19

As the COVID-19 pandemic continues, governments in the jurisdictions where AltaGas operates have maintained measures designed to contain the outbreak, including business closures and restrictions, travel limitations and border closings, quarantines, and restrictions on gatherings and events. The magnitude, outcome, and duration of the pandemic remains uncertain. As a result, it is not currently possible to accurately quantify the total potential impact of the pandemic on AltaGas' operations or financial results.

AltaGas, with its subsidiaries, activated its pandemic response team to monitor developments related to COVID-19 and to ensure the Corporation was responding swiftly and appropriately. Continuity plans and preparedness measures have been implemented at each of AltaGas' businesses, with safeguarding the well-being of its personnel as the primary concern. To date, AltaGas has been able to respond to the COVID-19 related challenges with minimal disruption to its operations and business.

AltaGas has identified the following as potential direct or indirect impacts to its business and operations from the pandemic:

- Key employees and personnel: Widespread inability of AltaGas' workforce or that of the Corporation's contractors to perform their duties would have an adverse impact on AltaGas' ability to continue normal operations in the Utilities, Midstream and Corporate/Other segments. To date, AltaGas has not experienced unavailability of a significant portion of its personnel as a result of COVID-19 related concerns;
- Return to work: As AltaGas reintegrates its personnel to its workplace, it may incur additional costs to adapt the workplace to meet applicable health and safety requirements. Shortages in personal protective equipment (PPE), the occurrence of additional waves of the virus, or delays in the availability or rollout of vaccines may require AltaGas to revise or delay such reintegration plans. To the extent that it is unable to effectively protect its workforce against the transmission of the virus, AltaGas may be forced to slow or reverse its reintegration efforts and could face allegations of liability;
- IT infrastructure, privacy and cyber security: Increased volume and sophistication of targeted cyber-attacks have been seen since the declaration of the global pandemic. Pandemic-adjusted operations, such as work from home arrangements and remote access to the Corporation's systems, may pose heightened risk of cyber security and privacy breaches and may put additional stress on the Corporation's IT infrastructure. A failure of such infrastructure could severely limit AltaGas' ability to conduct ordinary operations. To date, AltaGas' systems have functioned capably, and it has not experienced a material impact to its operations as a result of an IT infrastructure issue;
- Adverse impacts on market fundamentals and access to capital: AltaGas has seen an impact from COVID-19 related factors in relation to lower margins in the Retail Energy Marketing business, cancellation of late fees and related charges along with the inability to disconnect customers, impacts to income from Petrogas due to lower commodity prices, and increased cost with regard to COVID-19 related costs to the business. The impact of these factors was not material to AltaGas' 2020 financial performance and is currently not expected to be material to the 2021 financial

performance of AltaGas. While access to capital could be negatively impacted by the global impact of the virus, at this point, AltaGas anticipates that it has adequate access to capital to execute its 2021 business plans; and

- Counterparty and supplier risk: increased exposure that contract counterparties and suppliers could fail to meet their obligations to AltaGas. Such non-performance by a significant counterparty or supplier could adversely affect AltaGas' operations and financial results. To date, any cases of force majeure invoked by counterparties related to the AltaGas' assets as a result of COVID-19 have not been material.

To the extent these risks materialize, the Corporation's ability to carry out its business plans for 2021 may be adversely impacted.

Political Uncertainty and Civil Unrest

Uncertainty exists with regard to the political climate in the jurisdictions where AltaGas operates. Changes in social, political, regulatory, or economic conditions, or in laws and policies governing environment, development, tax, foreign trade, investment or energy could materially adversely affect AltaGas' business and operations.

Recently there have been significant incidents of civil unrest in areas where AltaGas operates. To the extent that civil unrest is accompanied by disruption to transportation routes, damage to infrastructure, violence or destruction, AltaGas' personnel, physical facilities, and operations may be placed at risk and financial and operational results may be adversely impacted.

Other

AltaGas is exposed to various market risks in the normal course of operations that could impact earnings and cash flows. AltaGas enters into physical and financial derivative contracts to manage exposure to fluctuations in commodity prices and foreign exchange rates, as well as to optimize certain owned and managed natural gas assets. The Board of Directors of AltaGas has established a risk management policy for the Corporation establishing AltaGas' risk management control framework. Derivative instruments are governed under, and subject to, this policy. As at December 31, 2020 and December 31, 2019, the fair values of the Corporation's derivatives were as follows:

(\$ millions)	December 31, 2020	December 31, 2019
Natural gas	\$ (69)	\$ (77)
Energy exports	(31)	(75)
NGL frac spread	(6)	(2)
Power	(29)	(12)
Crude oil and NGLs	1	—
Foreign exchange	23	—
Net derivative liability	\$ (111)	\$ (166)

Summary of Risk Management Contracts

Commodity Price Contracts

The Corporation executes gas, power, LPG, crude oil, ocean freight, and other physical and financial commodity contracts to serve its customers as well as manage and optimize its asset portfolio. A portion of these physical contracts are not recorded at fair value because they are either: 1) designated as "normal purchases and normal sales"; 2) do not qualify as derivative instruments due to the significance of their notional amount relative to the applicable liquid markets; or 3) are weather derivatives, which are not exchanged or traded and the underlying variables relate to a climactic, geological, or other physical variable. The fair value of commodity contracts that qualify as derivatives was calculated using estimated forward prices based

on published sources for the relevant period. AltaGas has not elected hedge accounting for any of its derivative contracts currently in place. For AltaGas' Midstream segment, changes in the fair value of these derivative contracts are recorded in the Consolidated Statements of Income in the period in which the change occurs. For the Utilities segment, changes in the fair value of derivative instruments recoverable or refundable to customers are recorded to regulatory assets or regulatory liabilities on the Consolidated Balance Sheets, while changes in the fair value of derivative instruments not affected by rate regulation are recorded in the Consolidated Statements of Income in the period in which the change occurs. The Midstream segment also executes fixed-for-floating NGL frac spread swaps to manage exposure to frac spreads as the financial results of several extraction plants are affected by fluctuations in NGL frac spreads.

- The average indicative spot NGL frac spread for the year ended December 31, 2020 was approximately \$5/Bbl (2019 – \$11/Bbl), inclusive of basis differentials. The average NGL frac spread realized by AltaGas (based on average spot price and realized hedge price inclusive of basis differentials) for the year ended December 31, 2020 was approximately \$14/Bbl inclusive of basis differentials (2019 - \$17/Bbl).
- For 2021, AltaGas estimates an average of approximately 9,000 Bbls/d of NGL will be exposed to frac spreads prior to hedging activities. Hedges are in place for approximately 97 percent of frac exposed NGL volumes including internal hedges.
- At RIPET, propane price margins are protected through AltaGas' comprehensive hedging program. Approximately one third of 2021 expected volumes are contracted under tolling arrangements. For the remaining volumes, approximately 67 percent are financially hedged at an FEI to Mont Belvieu spread of approximately US\$10/Bbl. Approximately 80 percent of RIPET's propane export volumes are hedged for 2021.
- At Ferndale, AltaGas is exposed to the propane and butane price differentials between North American Indices and the Far East Index for contracts not under tolling arrangements or naturally hedged supply agreements. AltaGas estimates an average of approximately 32,000 Bbls/d will be exposed to these price differentials in 2021. To date for 2021, AltaGas has hedges in place for approximately 12 percent of these exposed propane and butane volumes at an average FEI to Conway spread of US\$14/Bbl for propane and at an average FEI to purchase price spread of US\$28/Bbl for butane. AltaGas estimates that an average of approximately 9,000 Bbls/d or 21 percent of 2021 forecast exports from Ferndale are under tolling arrangements or naturally hedged supply agreements.

Additionally, AltaGas uses physical and financial derivatives for the purchase and sale of natural gas in order to optimize owned storage and transportation capacity as well as manage transportation and storage assets on behalf of third parties.

The Utilities segment enters into hedging contracts and other contracts that may qualify as derivative instruments related to the purchase of natural gas to manage price risk for its ratepayers. Additionally, Washington Gas executes commodity-related physical and financial contracts in the form of forward, futures, and option contracts as part of an asset optimization program. Under this program, Washington Gas realizes value from its long-term natural gas transportation and storage capacity resources when they are not being fully used to serve utility customers. Additionally, to serve retail customers, AltaGas enters into both physical and financial contracts for the purchase and sale of electricity and natural gas.

The Corporate/Other segment has various fixed-for-floating power purchase and sale contracts in the Alberta market, which are expected to be settled over the next three years.

Foreign Exchange Contracts

AltaGas is exposed to foreign exchange risk as changes in foreign exchange rates may affect the fair value or future cash flows of the Corporation's financial instruments. AltaGas has foreign operations whereby the functional currency is the U.S. dollar. As a result, the Corporation's earnings, cash flows, and other comprehensive income are exposed to fluctuations resulting from changes in foreign exchange rates. This risk is partially mitigated to the extent that AltaGas has U.S. dollar-denominated debt and/or preferred shares outstanding. AltaGas may also enter into foreign exchange forward derivatives to manage the risk of fluctuating cash flows due to variations in foreign exchange rates.

- As at December 31, 2020, Management has not designated any outstanding U.S. dollar denominated long-term debt to hedge against the currency translation effect of its foreign investments (December 31, 2019 - US\$300 million).
- For the year ended December 31, 2020, AltaGas incurred an after-tax unrealized loss of \$9 million arising from the translation of debt in other comprehensive income (2019 - after-tax unrealized gain of \$60 million).

In connection with the Petrogas Acquisition (please refer to the *Acquisition of Petrogas* section of this MD&A for additional information), AltaGas acquired various commodity and financial derivative instruments, including the following foreign exchange contracts which are outstanding as at December 31, 2020:

Foreign exchange forward contract	Notional Amount (US\$ millions)	Duration	Weighted average foreign exchange rate	Fair Value
Forward USD sales	US\$29	Less than one year	1.3591 \$	3
Forward USD purchases	US\$356	Less than one year	1.2824 \$	(3)
Foreign exchange swaps (sales)	US\$410	Less than one year	1.3322 \$	23

For the year ended December 31, 2020, AltaGas recorded an after-tax realized gain of \$1 million on all foreign exchange forward contracts.

Interest Rate Contracts

AltaGas is exposed to interest rate risk as changes in interest rates may impact future cash flows and the fair value of its financial instruments. The Corporation manages its interest rate risk by holding a mix of both fixed and floating interest rate debt.

From time to time, AltaGas may concurrently draw on its credit facility in U.S. dollars and enter into cross currency basis swaps whereby, on final settlement, AltaGas receives U.S. dollars from the counterparty and pays Canadian dollars to the counterparty. As a result, AltaGas reduces its interest expense by taking advantage of the interest rate spread between the Banker's Acceptance (BA) rate and the London Inter-bank Offered Rate (LIBOR) without any additional foreign exchange risk.

Weather Instruments

WGL Energy Services utilizes heating degree day (HDD) instruments from time to time to manage weather and price risks related to its natural gas and electricity sales during the winter heating season. WGL Energy Services also utilizes cooling degree day (CDD) instruments and other instruments to manage weather and price risks related to its electricity sales during the summer cooling season. These instruments cover a portion of estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. For the year ended December 31, 2020, a pre-tax loss of \$3 million (2019 - pre-tax loss of \$2 million) was recorded related to heating degree day (HDD) and cooling degree day (CDD) instruments.

The Effects of Derivative Instruments on the Consolidated Statements of Income (Loss)

The following table presents the unrealized gains (losses) on derivative instruments as recorded in the Corporation's Consolidated Statements of Income:

	Three Months Ended December 31		Year Ended December 31	
(\$ millions)	2020	2019	2020	2019
Natural gas	\$ 30	\$ 14	\$ 32	\$ 23
Energy exports	(29)	(65)	10	(87)
Crude oil and NGLs	4	—	4	—
NGL frac spread	(13)	(11)	(5)	(17)
Power	(11)	(2)	(15)	(5)
Foreign exchange	(5)	—	(5)	1
	\$ (24)	\$ (64)	\$ 21	\$ (85)

Please refer to Note 23 of the 2019 Annual Consolidated Financial Statements for further details regarding AltaGas' risk management activities.

Corporation Risks

AltaGas manages its exposure to risks using the strategies outlined in the following table:

Risks	Strategies and Organizational Capability to Mitigate Risks
COVID-19	• Activation of pandemic response team to monitor developments related to COVID-19 • Implement continuity plans and preparedness measures to ensure safe and reliable operations • Monitor and implement compliance with regulatory requirements in all jurisdictions • Recovery mechanisms in place to track COVID related incremental costs • A phased approach to return to work is being managed in keeping with requirements in all jurisdictions with oversight by EHS and senior leadership • Designed and delivered tools and information to support workforce resilience through pandemic
Integration of Petrogas	• Established cross-functional Petrogas integration team focused on effectively integrating operations and realizing efficiencies
Operations	• Ensure appropriate policies, procedures, and systems are in place and internal controls are operating efficiently • Programs to manage pipeline system integrity including accelerated replacement of aging pipeline and infrastructure based on risk mitigation • Contractual provisions often provide for recovery of operating costs • Centralized procurement strategy to reduce costs • Maintain control over operational decisions, operating costs, and capital expenditures by operating certain jointly-owned facilities • Maintain standard operating practices, assess and document employee competency, and maintain formal inspection, maintenance, environmental, health, and safety programs • Carry property and business interruption insurance • Fixed price operating and maintenance contracts with equipment manufacturers • Hedging strategy used to balance price and operating risk

Risks	Strategies and Organizational Capability to Mitigate Risks
Health and Safety	• Strong process safety management systems • Pipeline and asset integrity programs in place • Accelerated replacement of mature pipeline infrastructure • Preventative and remedial measures to address leak rates within Washington Gas' distribution system • Continuous process improvement strategy employed • Comprehensive Environmental, Health and Safety management system • Purchase and maintain general liability and business interruption insurance
Environment and Climate-related	• Measure and monitor emissions, and seek new technologies to reduce greenhouse gas (GHG) emissions from operations • Programs in place to reduce fugitive methane emissions • Projects designed to limit impacts and throughout operations, monitor land, air, and water quality, where appropriate
Regulatory and Stakeholder	• Strong working relationships with regulatory authorities • Regulatory and commercial personnel monitor and manage regulatory issues • Development of consistent framework for stakeholder communication and community consultation • Safe Digging campaign, emergency preparedness and 24/7 Gas Control and dispatch to protect utility customers and public • Public ESG disclosure and key ESG performance data updates • Utilities seek rate recovery through rate cases with regulatory commissions and agencies
Legislative	• Ongoing identification of public policy issues to determine risks to the Corporation • Development of advocacy strategies to address risks • Where appropriate, engagement in advocacy at the state/provincial and federal level including joint participation with trade associations
Liquidity	• Forecast cash flow on a continuous basis to maintain adequate cash balances to fund financial obligations as they come due and to support business operations • Maintain financial flexibility and access to multiple credit facilities and continually monitor covenant compliance • Execute financing plans and strategies to maintain and improve credit ratings to minimize financing costs and support ready access to capital markets
Foreign exchange	• Issue long-term debt and preferred shares in U.S. dollars which hedge the Corporation's net investment in U.S. subsidiaries • Employ hedging practices when appropriate, such as entering foreign exchange forward contracts
Interest rates	• Optimize financing plans to maintain and improve credit ratings to minimize interest costs • Monitor and proactively manage the Corporation's debt maturity profile • Employ hedging practices such as entering into interest rate swaps • Monitor and manage the mix of fixed versus floating rate debt exposures
Credit ratings	• Maintain open dialogue with credit rating agencies and request feedback to understand any potential implications to the Corporation's credit rating
Information security	• Strong identity and access management controls • Improved information management and control of electronic and physical information, in accordance with data classification, data handling, privacy regulations, and data retention requirements • Ongoing cybersecurity communication and phishing tests, including targeted training to higher risk teams and individuals • Implementation of new information security standards and policies • Procedures to ensure regulatory compliance • Enhanced penetration and vulnerability testing • Incident response protocols

Risks	Strategies and Organizational Capability to Mitigate Risks
Construction	• Major projects group manages and monitors significant construction projects • Strong in-house project control and management framework • Appropriate internal management structure and processes • Engage specialists in designing and building major projects • Contractual arrangements to mitigate cost and schedule risks
Long-term natural gas volume declines	• Long-term contracts such as take-or-pay, area of mutual interest, geographic franchise with economic out • Increase market share by expanding existing facilities or acquiring or constructing new facilities in productive resource play regions • Increase geographic and customer diversity to reduce exposure to any one individual customer or area of the WCSB • Strategically locate facilities to provide secure access to gas supply • Capitalize on integrated aspects of AltaGas' business to increase volumes through its processing facilities
Commodity price	• Contracting terms and processing, storage, and transportation fees independent of commodity prices through fee-for-service, take-or-pay, fixed-fee, or cost-of-service provisions • Hedging strategy to reduce exposure to commodity prices and earnings volatility with hedge targets approved by the Board of Directors and monitor hedge transactions through Risk Management Committee • Regulatory recovery mechanisms for gas purchases to serve utility customers • Matching natural gas and electricity purchase obligations with sales commitments in terms of volume and pricing • AltaGas' Commodity Risk Policy prohibits transactions for speculative purposes • Employ strong systems and processes for monitoring and reporting compliance with the Commodity Risk Policy • In-depth knowledge and experience of transportation systems, natural gas, NGL, LPG, and power markets where AltaGas operates • Hedge power costs • Direct marketing to end-use commercial and industrial customers • Execute long-term inflation adjusted electricity purchase arrangements with power buyers
Counterparty	• Strong credit policies and procedures • Continuous review of counterparty creditworthiness • Establish credit thresholds using appropriate credit metrics • Closely monitor exposures and impact of price shocks on liquidity • Build a diverse customer and supplier base • Active accounts receivable monitoring and collections processes in place • Credit terms, netting arrangements, and margining provisions included in contractual agreements
Weather	• Anticipated volumes for SEMCO Gas and ENSTAR are determined based on the 15-year and 10- year rolling average for weather, respectively • In Maryland and Virginia, Washington Gas has in place regulatory mechanisms and rate designs that eliminate deviations in customer usage caused by variations in weather from normal levels • Use of weather derivative instruments by WGL Energy Services
Labor relations	• Initiatives focused on talent development, employee engagement, and diversity and inclusion among workforce • Positive employee relations to retain existing talent and maintain strong relations with labor unions

Risks	Strategies and Organizational Capability to Mitigate Risks
Litigation	• Proactive management of lawsuits and other claims • Continuous monitoring of defense and settlement costs of lawsuits and claims • Experienced in-house legal department • Use of expert third parties when needed
Compliance with regulations and Section 404(a) of the Sarbanes-Oxley Act of 2002	• Experienced in-house legal department • Use of expert third parties when needed • Ensure appropriate policies, procedures, and systems are in place and internal controls are operating effectively • Continuous monitoring of laws and regulations in applicable jurisdictions • Continuous monitoring of the related rules of the Securities Exchange Commission and the Public Company Accounting Oversight Board
Adequate natural gas supply and storage capacity to meet customer demand	• Maintain diverse capacity portfolio of firm transportation, storage, and peaking services across different transmission lines for supply flexibility • Capacity reserve portfolio maintained for maximum forecasted load under extreme conditions plus a reserve margin approved by regulators
Natural disasters and catastrophic events, including terrorist acts	• Maintain a comprehensive insurance program that covers losses from natural disasters and catastrophic events such as fires, earthquakes, explosions, floods, tornados, terrorist acts, and other similar occurrences. This program provides a risk transfer mechanism that facilitates timely recovery from losses and mitigates financial impact
Government trade policy	• Supply chain personnel monitor potential impacts of government trade policy and tariffs on costs for goods used in the normal course of business
Non-controlling interest in pipeline investments	• Invest in pipeline projects where the developer/builder/operator of the projects are experienced companies with a history of successful project completion • Engage specialists in reviewing project assumptions • Structure investment agreements to provide mitigation for cost overruns • Ensure the structure of the project governance requires timely information flow regarding project status • In-house regulatory affairs and public policy resources to validate the information from the developer/builder/operator • Appropriate internal management structure and processes
Volume of power generated	• PPA for the Blythe facility includes specified target availability levels and pay fixed capacity payments upon achieving target availability, and as a result, volumes of power sold have a minimal impact on the Corporation
Political uncertainty and civil unrest	• Monitor changes in law • Operational procedures in place including physical security, emergency response • Ongoing communication by management with employees in all operational areas

Liquidity

As a result of certain commitments made to the PSC of DC, the PSC of MD, and the SCC of VA in respect of the WGL Acquisition, Washington Gas is subject to certain restrictions when paying dividends to AltaGas. However, AltaGas does not expect that this will have an impact on AltaGas' ability to meet its obligations.

In addition, Wrangler SPE LLC and Washington Gas made certain ring fencing commitments to the PSC of DC, the PSC of MD, and the SCC of VA with the intention of removing Washington Gas from the bankruptcy estate of AltaGas and its affiliates, other than Washington Gas and Wrangler SPE LLC (together, the "Ring Fenced Entities"). Because of these ring fencing measures, none of the assets of the Ring Fenced Entities would be available to satisfy the debt or contractual obligations of AltaGas or any non-Ring Fenced Entity Affiliate, including any indebtedness or other contractual obligations of AltaGas, and

the Ring Fenced Entities do not bear any liability for indebtedness or other contractual obligations of any non-Ring Fenced Entity, and vice versa.

	Year Ended December 31	
(\$ millions)	2020	2019
Cash from operations	\$ 773	\$ 616
Investing activities	(1,211)	2,184
Financing activities	392	(2,874)
Decrease in cash, cash equivalents, and restricted cash	\$ (46)	\$ (74)

Cash From Operations

Cash from operations increased by \$156 million for the year ended December 31, 2020 compared to 2019, primarily due to higher net income after taxes (after adjusting for non-cash items) and favorable variances in the net change in operating assets and liabilities, partly offset by lower distributions from equity investments. The majority of the variance in net change in operating assets and liabilities was due to increased cash flows from accounts payable and accrued liabilities driven by asset sales and fluctuations in volumes and prices, and increased cash flows related to other current assets due to lower cash collateral posted with counterparties and lower prepaid expenses. These increases were partially offset by decreased cash flows from accounts receivable due to fluctuations in commodity prices and sales volumes, regulatory assets and liabilities primarily due to overall warmer weather experienced by the Utilities segment, refunds of certain regulatory liabilities to customers, and increases in non-weather related regulatory liabilities.

Working Capital

(\$ millions, except working capital ratio)	December 31, 2020	December 31, 2019
Current assets	\$ 2,497	\$ 2,196
Current liabilities	2,607	3,125
Working deficiency	\$ (110)	\$ (929)
Working capital ratio ⁽¹⁾	0.96	0.70

(1) Calculated as current assets divided by current liabilities.

The increase in the working capital ratio was primarily due to increases in accounts receivable, and decreases in short-term debt and the current portion of long-term debt, partially offset by increases in accounts payable and accrued liabilities, and decreases in prepaid expenses and other assets. AltaGas' working capital will fluctuate in the normal course of business. The working capital deficiency is expected to be funded using cash flow from operations and available credit facilities as required.

Investing Activities

Cash used in investing activities for the year ended December 31, 2020 was \$1.2 billion, compared to cash from investing activities of \$2.2 billion in 2019. Investing activities for the year ended December 31, 2020 primarily included the cash payment, net of cash acquired, of \$675 million for the Petrogas Acquisition, expenditures of approximately \$843 million for property, plant, and equipment and intangible assets, \$75 million related to the change in loan to an affiliate, and approximately \$72 million of contributions to equity investments, which were partially offset by proceeds of \$4 million from the sale of investments in publicly-traded entities, \$376 million from the disposition of equity investments (primarily for the disposition of ACI), and proceeds of \$74 million from the disposition of assets (net of transaction costs). Investing activities for the year ended December 31, 2019 included proceeds of \$3.6 billion from asset sales completed in 2019 (including the Northwest Hydro facilities, distributed generation assets, Central Penn, Stonewall, biomass assets, and non-core Canadian Midstream and Power assets) and proceeds of \$73 million from the sale of a WGL Energy Systems financing receivable, partially offset by

expenditures of approximately \$1.3 billion for property, plant, and equipment and intangible assets, and approximately \$179 million of contributions to equity investments.

Financing Activities

Cash from financing activities for the year ended December 31, 2020 was \$392 million, compared to cash used in financing activities of \$2.9 billion in 2019. Financing activities for the year ended December 31, 2020 were primarily comprised of net repayments of short-term debt and repayments of long-term debt of \$1.2 billion, dividends of \$334 million, \$200 million for the redemption of Series I Preferred Shares, and distributions to non-controlling interests of \$28 million, partially offset by debt issuances of \$2.0 billion, net issuances under credit facilities of \$191 million, and contributions from non-controlling interests of \$7 million. Financing activities for the year ended December 31, 2019 were primarily comprised of net repayments of short-term debt and repayments of long-term debt of \$1.6 billion, net repayments under credit facilities of \$1.9 billion, dividends of \$334 million, distributions to non-controlling interests of \$13 million, and the redemption of preferred shares of \$38 million, partially offset by debt issuances of \$889 million, net proceeds from the issuance of common shares of \$68 million and contributions from non-controlling interests of \$48 million. Total dividends paid to common and preferred shareholders of AltaGas for the year ended December 31, 2020 were \$334 million (2019 - \$334 million), of which \$6 million was reinvested through the DRIP (2019 - \$68 million). Beginning with the January dividend paid on February 17, 2020, dividend payments are no longer eligible for reinvestment by participating shareholders under the DRIP.

Capital Resources

AltaGas' objective for managing capital is to maintain its investment grade credit ratings, ensure adequate liquidity, optimize the profitability of its existing assets, and grow its energy infrastructure to create long-term value and enhance returns for its investors. AltaGas' capital structure is comprised of shareholders' equity (including non-controlling interests), short-term and long-term debt (including the current portion) less cash and cash equivalents.

The use of debt or equity funding is based on AltaGas' capital structure, which is determined by considering the norms and risks associated with operations and cash flow stability and sustainability.

(\$ millions)	December 31, 2020	December 31, 2019
Short-term debt ⁽¹⁾	\$ 236	\$ 389
Current portion of long-term debt	360	923
Long-term debt ⁽²⁾	7,626	5,928
Total debt	8,222	7,240
Less: cash and cash equivalents	(32)	(57)
Net debt	\$ 8,190	\$ 7,183
Shareholders' equity	7,041	7,215
Non-controlling interests	620	154
Total capitalization	\$ 15,851	\$ 14,552
Net debt-to-total capitalization (%)	52	49

(1) For the purposes of the net debt calculation, short-term debt excludes third-party project financing obtained on behalf of the United States federal government to provide funds for the construction of certain energy management services projects. As this debt was obtained on behalf of the U.S. government, AltaGas would only need to repay in the event that the project is not completed or accepted by the government. See Note 15 of the 2020 Annual Consolidated Financial Statements for additional details. At December 31, 2020, the project financing balance excluded from short-term debt in above table was \$20 million (December 31, 2019 - \$71 million).

(2) Net of debt issuance costs of \$43 million as at December 31, 2020 (December 31, 2019 - \$36 million).

As at December 31, 2020, AltaGas' total debt primarily consisted of outstanding medium-term notes (MTNs) of \$4.0 billion (December 31, 2019 - \$3.0 billion), WGL and Washington Gas long-term debt of \$2.1 billion (December 31, 2019 - \$2.4 billion), reflecting fair value adjustments on acquisition, SEMCO long-term debt of \$641 million (December 31, 2019 - \$466 million), \$934 million drawn under the bank credit facilities (December 31, 2019 - \$643 million) and short-term debt of \$256 million (December 31, 2019 - \$460 million). In addition, AltaGas had \$230 million of letters of credit outstanding (December 31, 2019 - \$307 million).

As at December 31, 2020, AltaGas' total market capitalization was approximately \$5.2 billion based on approximately 279 million common shares outstanding and a closing trading price on December 31, 2020 of \$18.72 per common share.

AltaGas' earnings interest coverage for the rolling twelve months ended December 31, 2020 was 2.8 times (twelve months ended December 31, 2019 – 3.2 times).

Credit Facilities (\$ millions)	Borrowing capacity	Drawn at December 31, 2020	Drawn at December 31, 2019
AltaGas demand credit facilities ^{(1) (2)}	\$ 70	\$ —	\$ —
AltaGas revolving credit facilities ^{(1) (2)}	3,460	802	90
AltaGas term credit facility ⁽¹⁾	—	—	390
SEMCO Energy US\$150 million credit facilities ^{(1) (2)}	191	80	163
WGL US\$250 million revolving credit facility ^{(1) (2) (3)}	318	132	239
Washington Gas US\$450 million revolving credit facility ^{(1) (2) (3)}	573	363	518
Petrogas revolving credit facilities	258	57	—
	\$ 4,870	\$ 1,434	\$ 1,400

(1) Amount drawn at December 31, 2020 converted at the month-end rate of 1 U.S. dollar = 1.2732 Canadian dollar (December 31, 2019 - 1 U.S. dollar = 1.2988 Canadian dollar).

(2) All US\$ borrowing capacity was converted at the December 31, 2020 U.S./Canadian dollar month-end exchange rate.

(3) Amounts drawn include commercial paper that is supported by the long term facilities. WGL and Washington Gas have the right to request additional borrowings of up to US\$100 million with the bank's approval, for a total of US\$350 million and US\$550 million on their respective facilities.

In addition to the facilities listed above, AltaGas has demand Letter of Credit facilities of \$330 million. At December 31, 2020, there were letters of credit for \$229 million (December 31, 2019 - \$281 million) issued on these facilities and an additional \$1 million (December 31, 2019 - \$25 million) issued on the company's revolving credit facilities.

WGL and Washington Gas use short-term debt in the form of commercial paper or unsecured short-term bank loans to fund seasonal cash requirements. Revolving committed credit facilities are maintained in an amount equal to or greater than the expected maximum commercial paper position. As at December 31, 2020, commercial paper outstanding totaled \$495 million for WGL and Washington Gas (December 31, 2019 – \$757 million).

All of the borrowing facilities have covenants customary for these types of facilities, which must be met at each quarter end. AltaGas and its subsidiaries have been in compliance with all financial covenants each quarter since the establishment of the facilities. AltaGas and its subsidiaries are also in compliance with trust indenture requirements for its MTNs as at December 31, 2020 and December 31, 2019.

The following table summarizes the Corporation's primary financial covenants as defined by the credit facility agreements:

Ratios	Debt covenant requirements	As at December 31, 2020
Bank debt-to-capitalization ⁽¹⁾	not greater than 65 percent	less than 52%
Bank EBITDA-to-interest expense ^{(1) (2)}	not less than 2.5x	greater than 4.5x
Bank debt-to-capitalization (SEMCO) ^{(2) (3)}	not greater than 60 percent	less than 45%
Bank EBITDA-to-interest expense (SEMCO) ^{(2) (3)}	not less than 2.25x	greater than 9.0x
Bank debt-to-capitalization (WGL) ⁽⁴⁾	not greater than 65 percent	less than 46%
Bank debt-to-capitalization (Washington Gas) ⁽⁴⁾	not greater than 65 percent	less than 49%

(1) Calculated in accordance with the Corporation's US\$1.2 billion credit facility agreement, which is available on SEDAR at www.sedar.com. The covenants are equivalent and applicable to all the Corporation's committed credit facilities.

(2) Estimated, subject to final adjustments.

(3) Bank EBITDA-to-interest expense (SEMCO) and Bank debt-to-capitalization (SEMCO) are calculated based on SEMCO's consolidated financial statements and are calculated similar to Bank debt-to-capitalization and Bank EBITDA-to-interest expense.

(4) WGL's bank debt-to-capitalization ratio is calculated based on WGL's consolidated financial statements.

On September 25, 2019, a \$2.0 billion base shelf prospectus for the issuance of certain types of future public debt and/or equity issuances was filed. This enables AltaGas to access the Canadian capital markets on a timely basis during the 25-month period that the base shelf prospectus remains effective. As at December 31, 2020, approximately \$0.3 billion was available under the base shelf prospectus.

On February 22, 2021, a \$2.5 billion base shelf prospectus for the issuance of certain types of future public debt and/or equity issuances was filed to replace the base shelf prospectus dated September 25, 2019. This enables AltaGas to access the Canadian capital markets on a timely basis during the 25-month period that the base shelf prospectus remains effective.

On January 21, 2020, AltaGas filed a US\$2.0 billion short form base shelf prospectus in both Alberta and the U.S. This will enable AltaGas to access the U.S. capital markets during the 25-month period that the base shelf prospectus remains effective. As at December 31, 2020, US\$2.0 billion was available under the base shelf prospectus. On February 22, 2021, AltaGas filed a US\$2.0 billion short form base shelf prospectus in both Alberta and the U.S. to replace the US\$2.0 billion short form base shelf prospectus filed on January 21, 2020.

Contractual Obligations

December 31, 2020						
(\$ millions)	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	
Short-term debt ⁽¹⁾	\$ 256	\$ 256	\$ —	\$ —	\$ —	
Long-term debt ⁽¹⁾	7,937	356	1,771	1,324	4,486	
Operating leases ⁽²⁾	450	96	139	90	125	
Purchase obligations	36,158	3,737	6,002	5,133	21,286	
Capital project commitments	25	20	2	2	1	
Pension plan and retiree benefits ⁽³⁾	16	16	—	—	—	
Merger commitments ⁽⁴⁾	15	5	4	3	3	
Land purchase commitment ⁽⁵⁾	20	20	—	—	—	
Environmental commitments	13	7	4	2	—	
Post-acquisition contingent payments ⁽⁶⁾	16	—	16	—	—	
Other liabilities ⁽⁷⁾	37	37	—	—	—	
Total contractual obligations ⁽⁸⁾	\$ 44,943	\$ 4,550	\$ 7,938	\$ 6,554	\$ 25,901	

(1) Excludes deferred financing costs, discounts, finance lease liabilities, and the fair value adjustment on the WGL Acquisition.

(2) Payments are presented on an undiscounted cash basis.

(3) Assumes only required payments will be made into the pension plans in 2021. Contributions are made in accordance with independent actuarial valuations.

(4) Relates to merger commitments arising from the WGL Acquisition. Represents the estimated future payments of merger commitments that have been accrued but not paid. In addition, there are certain additional merger commitments that were and will be expensed as the costs are incurred, including the investment of up to US\$70 million over a ten year period to further extend natural gas service, investment of US\$8 million for leak mitigation within three years, which has been paid as of December 31, 2020, hiring damage prevention trainers in each jurisdiction for a total of US\$2 million over five years, and developing 15 megawatts of either electric grid energy storage or Tier 1 renewable resources within five years after the merger closed. As at December 31, 2020, the cumulative amount of merger commitments that have been expensed but not yet paid is approximately US\$12 million.

(5) As part of the Petrogas Acquisition, AltaGas acquired a commitment to purchase land as part of an agreement for its continued use of the Ferndale terminal.

(6) Contingent payments of up to \$16 million are expected to be paid related to the Petrogas Acquisition.

(7) Excludes non-financial liabilities.

(8) U.S. dollar commitments have been converted to Canadian dollars using the December 31, 2020 exchange rate.

AltaGas expects to fund its obligations through internally-generated cash flow, asset sales, and normal course borrowings on existing committed credit facilities.

Related Party Transactions

In the normal course of business, AltaGas transacts with its subsidiaries, affiliates and joint ventures. Refer to Note 30 of the 2020 Annual Consolidated Financial Statements for the amounts due to or from related parties on the Consolidated Balance Sheets and the classification of revenue, income, and expenses in the Consolidated Statements of Income.

Credit Ratings

The below table summarizes the most recent credit ratings for AltaGas and subsidiaries:

Entity	Rating Agency	Debt Rated	Most Recent Rating	Comments
AltaGas	Standard & Poor's (S&P)	Issuer rating	BBB-	Affirmed on December 2, 2020.
		Senior unsecured	BBB-	Affirmed on December 2, 2020.
		Preferred shares	P-3	Affirmed on December 2, 2020.
	DBRS Limited (DBRS)	Issuer	BBB(low)	Affirmed on December 8, 2020.
		Preferred shares	Pfd-3(low)	Affirmed on December 8, 2020.
	Fitch Ratings (Fitch)	Issuer	BBB	Affirmed on April 3, 2020.
		Preferred shares	BB+	Affirmed on April 3, 2020.
Washington Gas	Moody's Investors Service (Moody's)	Senior unsecured	A3	Downgraded to A3 from A2 on January 30, 2020. Stable outlook rating on February 4, 2020.
		Commercial paper	P-2	Downgraded to P-2 from P-1 on January 30, 2020. Stable outlook rating on February 4, 2020.
	S&P	Issuer and unsecured debt	A-	Raised from BBB+ to A- on December 11, 2019.
		Commercial paper	A-2	Affirmed on December 11, 2019.
	Fitch	Issuer	A-	Affirmed on April 3, 2020.
WGL	Moody's	Senior unsecured	Baa1	Affirmed on January 30, 2020 and changed outlook from stable to negative. Stable outlook rating on February 4, 2020.
		Commercial paper	P-2	Affirmed on January 30, 2020 and changed outlook from stable to negative. Stable outlook rating on February 4, 2020.
	S&P	Issuer	BBB-	Affirmed on December 11, 2019 and outlook was revised from negative to stable.
		Senior unsecured	BB+	Affirmed on December 11, 2019.
		Commercial paper	A-3	Affirmed on December 11, 2019.
	Fitch	Issuer	BBB	Affirmed on April 3, 2020.
SEMCO	Moody's	Long-term issuer	A3	Raised from Baa1 to A3 on January 22, 2021 with stable outlook.
		Senior secured notes	A1	Raised from A2 to A1 on January 22, 2021 with stable outlook.
	S&P	Long-term issuer	BBB	Raised from BBB- to BBB on December 12, 2019.
		Senior secured notes	A-	Raised from BBB+ to A- on December 12, 2019.

According to the S&P rating system, an obligor rated BBB has adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A P-3 rating by S&P is the third highest of eight categories granted by S&P under its Canadian preferred share rating scale and a P-3 rating directly corresponds with a BB rating under its global preferred rating scale. The Canadian preferred share rating scale is fully determined by the global preferred rating scale and there are no additional analytical criteria associated with the determination of ratings on the Canadian preferred share rating scale. According to the S&P rating system, while securities rated P-3 are regarded as having significant speculative characteristics, they are less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. The ratings from P-1 to P-5 may be modified by "high" and "low" grades which indicate relative standing within the major rating categories.

According to the DBRS rating system, debt securities rated BBB are of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable, but may be vulnerable to future events. "High" or "Low" grades are used to indicate the relative standing within a particular rating category. A Pfd-3 rating by DBRS is the third highest of six categories granted by DBRS. According to the DBRS rating system, preferred shares rated Pfd-3 are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adversities present which detract from debt protection. Pfd-3 ratings normally correspond with companies whose bonds are rated in the higher end of the BBB category. "High" or "Low" grades are used to indicate the relative standing within a rating category. The absence of either a "High" or "Low" designation indicates the rating is in the middle of the category.

According to the Fitch rating system, 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. A 'BB' rating by Fitch indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that support the servicing of financial commitments.

According to the Moody's rating system, Baa ratings indicate moderate credit risk. Obligations rated Baa are considered medium-grade and as such may possess speculative characteristics.

The credit ratings accorded to the securities by the rating agencies are not recommendations to purchase, hold, or sell the securities in as much as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Share Information

As at February 19, 2021

Issued and outstanding

Common shares	279,533,433
Preferred Shares	
Series A	6,746,679
Series B	1,253,321
Series C	8,000,000
Series E	8,000,000
Series G	6,885,823
Series H	1,114,177
Series K	12,000,000

Issued

Share options	10,174,183
Share options exercisable	4,343,553

Dividends

AltaGas declares and pays a monthly dividend to its common shareholders. Dividends on preferred shares are paid quarterly. Dividends are at the discretion of the Board of Directors and dividend levels are reviewed periodically, giving consideration to the ongoing sustainable cash flow from operating activities, maintenance and growth capital expenditures, and debt repayment requirements of AltaGas.

On December 10, 2020, AltaGas announced that its Board of Directors approved a 4 percent increase to its annual common share dividends. Monthly dividends to common shareholders will be increased to \$0.0833 per common share (\$1.00 per common share annually), effective for the December 2020 dividend.

The following table summarizes AltaGas' dividend declaration history:

Common Share Dividends

Year Ended December 31				
(\$ per common share)		2020		2019
First quarter	\$	0.240000	\$	0.240000
Second quarter		0.240000		0.240000
Third quarter		0.240000		0.240000
Fourth quarter		0.243300		0.240000
Total	\$	0.963300	\$	0.960000

Series A Preferred Share Dividends

Year Ended December 31				
(\$ per preferred share)		2020		2019
First quarter	\$	0.211250	\$	0.211250
Second quarter		0.211250		0.211250
Third quarter		0.211250		0.211250
Fourth quarter		0.191250		0.211250
Total	\$	0.825000	\$	0.845000

Series B Preferred Share Dividends

Year Ended December 31				
(\$ per preferred share)		2020		2019
First quarter	\$	0.268030	\$	0.269380
Second quarter		0.267160		0.270510
Third quarter		0.183180		0.273921
Fourth quarter		0.176520		0.270830
Total	\$	0.894890	\$	1.084641

Series C Preferred Share Dividends

Year Ended December 31				
(US\$ per preferred share)		2020		2019
First quarter	\$	0.330625	\$	0.330625
Second quarter		0.330625		0.330625
Third quarter		0.330625		0.330625
Fourth quarter		0.330625		0.330625
Total	\$	1.322500	\$	1.322500

Series E Preferred Share Dividends

Year Ended December 31				
(\$ per preferred share)		2020		2019
First quarter	\$	0.337063	\$	0.337063
Second quarter		0.337063		0.337063
Third quarter		0.337063		0.337063
Fourth quarter		0.337063		0.337063
Total	\$	1.348252	\$	1.348252

Series G Preferred Share Dividends

Year Ended December 31				
(\$ per preferred share)		2020		2019
First quarter	\$	0.265125	\$	0.296875
Second quarter		0.265125		0.296875
Third quarter		0.265125		0.296875
Fourth quarter		0.265125		0.265125
Total	\$	1.060500	\$	1.155750

Series H Preferred Share Dividends

Year ended December 31				
(\$ per preferred share)		2020		2019
First quarter	\$	0.292890	\$	—
Second quarter		0.292020		—
Third quarter		0.208320		—
Fourth quarter		0.201660		0.296040
Total	\$	0.994890	\$	0.296040

Series I Preferred Share Dividends ⁽¹⁾

Year Ended December 31				
(\$ per preferred share)		2020		2019
First quarter	\$	0.328125	\$	0.328125
Second quarter		0.328125		0.328125
Third quarter		0.328125		0.328125
Fourth quarter		0.328125		0.328125
Total	\$	1.312500	\$	1.312500

(1) On December 31, 2020, AltaGas redeemed all of its outstanding Series I preferred shares.

Series K Preferred Share Dividends

Year Ended December 31				
(\$ per preferred share)		2020		2019
First quarter	\$	0.312500	\$	0.312500
Second quarter		0.312500		0.312500
Third quarter		0.312500		0.312500
Fourth quarter		0.312500		0.312500
Total	\$	1.250000	\$	1.250000

Critical Accounting Estimates

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of AltaGas' Consolidated Financial Statements requires the use of estimates and assumptions that have been

made using careful judgment. AltaGas' significant accounting policies are contained in the notes to the 2020 Annual Consolidated Financial Statements. Certain of these policies involve critical accounting estimates as a result of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

Significant estimates and judgments made by Management in the preparation of the Consolidated Financial Statements are outlined below:

Regulatory Assets and Liabilities

SEMCO Gas, ENSTAR and Washington Gas engage in the delivery and sale of natural gas. SEMCO Gas and ENSTAR are regulated by the MPSC and RCA, respectively. Washington Gas is regulated by the PSC of DC in the District of Columbia, the PSC of MD in Maryland, and the SCC of VA in Virginia.

The regulatory agencies exercise statutory authority over matters such as tariffs, rates, construction, operations, financing, returns and certain contracts with customers. In order to recognize the economic effects of the actions and decisions of the regulators, the timing of recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using U.S. GAAP for entities not subject to rate regulation.

Regulatory assets represent future revenues associated with certain costs incurred in the current period or in prior periods that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenue associated with amounts that are expected to be refunded to customers through the rate-setting process.

Asset Impairment

AltaGas reviews long-lived assets, regulatory assets, and intangible assets with indefinite and finite lives whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is determined based on an estimate of undiscounted cash flows or other indicators of fair value, and measurement of an impairment loss is determined based on the fair value of the assets. The determination of fair value requires Management to make assumptions about future cash inflows and outflows over the life of an asset. Any changes to the assumptions used for the future cash flow could result in revisions to the evaluation of the recoverability of the long-lived assets or intangible assets and the recognition of an impairment loss in the Consolidated Financial Statements.

AltaGas also tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. The Corporation has the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If the quantitative goodwill impairment test is performed, the fair value of the Corporation's reporting units is compared to the carrying values. If the carrying value of a reporting unit, including allocated goodwill exceeds its fair value, goodwill impairment is measured as the excess of the carrying value amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill. The fair value used in the quantitative impairment test of goodwill requires estimating future cash flows as well as appropriate discount rates. AltaGas has assessed goodwill for impairment as at December 31, 2020 and determined that no write-down was required.

Asset Retirement Obligations

AltaGas records liabilities relating to asset retirement obligations when there is a legal obligation. In estimating the obligations, Management is required to make assumptions regarding inflation and discount rates, ultimate amounts and timing of

settlements, and expected changes in environmental laws and regulation. A change in any of these estimates could have a material impact on AltaGas' Consolidated Financial Statements.

Income Taxes

The Corporation is subject to the provisions of the *Income Tax Act* (Canada) for purposes of determining the amount of income that will be subject to tax in Canada and the Internal Revenue Code (U.S.) for the purposes of determining the amount of income that will be subject to tax in the United States. The determination of AltaGas' and its subsidiaries' provision for income taxes requires the application of these complex rules.

Substantial deferred income tax assets and liabilities are recognized in the Consolidated Financial Statements. The recognition of deferred tax assets depends on the assumption that future earnings will be sufficient to realize the deferred benefit. A valuation allowance is recorded against deferred tax assets where all or a portion of that asset is not expected to be realized. The amount of the deferred tax asset or liability recorded is based on Management's best estimate of the timing of the realization of the assets or liabilities.

If Management's interpretation of tax legislation differs from that of tax authorities, or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. See Note 20 of the 2020 Annual Consolidated Financial Statements.

Pension Plans and Post-Retirement Benefits

The determination of pension plan obligations and expense is based on a number of actuarial assumptions. Critical assumptions include the expected long-term rate-of-return on plan assets, the discount rate applied to pension plan obligations, the expected rate of compensation increase, and mortality rates. For post-retirement benefit plans, which provide for certain health care premiums and life insurance benefits for qualifying retired employees and which are not funded, critical assumptions in determining post-retirement obligations and expense are the discount rate and the assumed health care cost trend rates.

In the third quarter of 2020, AltaGas made a voluntary change in accounting principle for calculating the market-related value of assets (MRVA) used in the determination of Washington Gas' net periodic pension and other post-retirement benefit plan costs. This change in accounting principle impacts the calculation of net periodic benefit cost recorded within the line item "other income" on the Consolidated Statements of Income (Loss). The change uses the fair value approach for the fixed income investment asset class of the plan assets, compared to the prior method that utilized a calculated value where gains and losses arising from changes in fair value were deferred and amortized into the calculation of the MRVA over a period of five years. The MRVA is used in the calculation of the expected return on assets and the recognized actuarial gain or loss components of net periodic benefit cost. The approach applied for all other classes of assets remains unchanged. Management believes that using the fair value approach for the fixed income investments in plan assets is preferable as it more closely aligns the recognition of related components within the net periodic benefit cost. The quantitative effect of this change in accounting principle was not considered material to prior periods or the current year; therefore, an increase to net income (loss) applicable to common shares of approximately \$19 million was recognized in 2020.

Notes 2 and 28 of the 2020 Annual Consolidated Financial Statements include information on the assumptions used for the purposes of recording the funding status of the plans and the associated expenses.

Depreciation and Amortization

Depreciation and amortization of property, plant, and equipment and intangible assets are based on Management's judgment of the estimated useful life of the assets. When it is determined that assigned asset lives do not reflect the estimated remaining

period of benefit, prospective changes are made to the depreciable lives of those assets. For regulated entities, amortization rates are generally prescribed by the applicable regulatory authority. There are a number of uncertainties inherent in estimating the remaining useful life of certain assets and changes in assumptions could result in material adjustments to the amount of amortization that AltaGas recognizes from period to period.

Loss Contingencies

AltaGas and its subsidiaries are subject to various legal claims and actions arising in the normal course of business. Liabilities for loss contingencies are determined on a case-by-case basis and are accrued for when it is probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine the probability of having incurred the liability and the estimated amount. Estimates are reviewed regularly and updated as new information is received. As at December 31, 2020, no material provisions on loss contingencies have been recorded by the Corporation. However, due to the inherent uncertainty of the litigation process, the resolution of any particular contingencies could have a material adverse effect on the Corporation's results of operations or financial position.

Fair Value of Financial Instruments

Fair value is defined as the amount of consideration that would be agreed upon in an arms-length transaction, other than a forced sale or liquidation, between knowledgeable, willing parties who are under no compulsion to act. The best evidence of fair value is a quoted bid or ask price, as appropriate, in an active market. Fair value based on unadjusted quoted prices in an active market requires minimal judgment by Management. Where bid or ask prices in an active market are not available, Management's judgment on valuation inputs is necessary to determine fair value. AltaGas enters into physical and financial derivative contracts to manage exposure to fluctuations in commodity prices and foreign exchange rates, as well as to optimize certain owned and managed natural gas assets. AltaGas estimates forward prices based on published sources adjusted for factors specific to the asset or liability, including basis and location differentials, discount rates, and currency exchange. The forward curves used to mark these derivative instruments to market are vetted against public sources. Where observable market data is not available, AltaGas uses valuation techniques which require significant judgment by Management. Changes in estimates and assumptions about these inputs could affect the reported fair value.

Adoption of New Accounting Standards

Effective January 1, 2020, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In June 2016, FASB issued ASU No. 2016-13 "Financial Instruments – Credit Losses and all related amendments (collectively "ASC 326"): Measurement of Credit Losses on Financial Instruments". The ASU replaces the current "incurred loss" impairment methodology with an "expected loss" model for financial assets measured at amortized cost. AltaGas has applied ASC 326 using the modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date of the new standard. Prior periods presented for comparative purposes were not adjusted. Upon adoption of ASC 326, "accounts receivable, net of allowances" decreased by \$2 million and "long-term investments and other assets" decreased by \$5 million, with an offsetting increase to "accumulated deficit". AltaGas has elected to account for its cash equivalents at fair value. Please also refer to Note 23 of the Consolidated Financial statements as at and for the year ended December 31, 2020 for further details;
- ASU No. 2018-13 "Fair Value Measurement – Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement". The amendments in this ASU modify the disclosure requirements on fair value measurements. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial

statements, but resulted in certain minor adjustments to the fair value disclosures. Please also refer to Note 23 of the Consolidated Financial statements as at and for the year ended December 31, 2020 for further details;

- ASU No. 2018-14 "Compensation-Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans". The amendments in this ASU modify the disclosure requirements on defined benefit pension and other post-retirement plans. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements, but resulted in certain modifications to the disclosures in the pension footnote. Please also refer to Note 28 of the Consolidated Financial statements as at and for the year ended December 31, 2020 for further details.
- ASU No. 2018-17 "Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities". The amendments in this ASU provide a private-company scope exception to the VIE guidance for certain entities and clarify that indirect interests held through related parties under common control are considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;
- ASU No. 2018-18 "Collaborative Arrangements: Clarifying the Interaction between Topic 808 and Topic 606". The amendments in this ASU clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606, adds unit-of-account guidance in ASC 808 to align with the guidance in ASC 606, and requires that a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, is precluded from presenting the transaction together with revenue recognized under ASC 606 if the collaborative arrangement participant is not a customer. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;
- ASU No. 2019-01 "Leases: Codification Improvements". The amendments in this ASU provide a fair value exception for lessors that are not manufacturers or dealers, clarifies the presentation of principal payments received under sales-type and direct finance leases for depository and lending institutions, and clarifies that interim transition disclosure requirements related to the change on income statement, net income and related per share amounts for the adoption of ASC 842 are not required. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;
- ASU No. 2019-04 "Financial Instruments: Codification Improvements". The amendments in this ASU provide clarification and improve the codification in recently issued accounting standards relating to credit losses, hedge accounting, and financial instruments. The amendments related to credit losses were evaluated in conjunction with ASU 2016-13 above. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements; and
- ASU No. 2020-03 "Codification Improvements to Financial Instruments". The amendments in this ASU provide clarification and improve the codification to certain aspects of accounting standards related to financial instruments. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

Effective December 31, 2020, AltaGas adopted the following FASB issued ASU:

- ASU No. 2018-14 "Compensation-Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans". The amendments in this ASU modify the disclosure requirements on defined benefit pension and other post-retirement plans. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements, but resulted in certain modifications to the disclosures in the pension footnote. Please also refer to Note 28 of the Consolidated Financial statements as at and for the year ended December 31, 2020 for further details.

Future Changes in Accounting Principles

In December 2019, FASB issued ASU No. 2019-12 "Income Taxes: Simplifying the Accounting for Income Taxes". The amendments in this ASU simplify the accounting for income taxes by clarifying certain aspects of current guidance and removing some exceptions to the general principles in ASC 740. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The adoption of this ASU is not expected to have a material impact on AltaGas' financial statements.

In January 2020, FASB issued ASU No. 2020-01 "Derivatives and Hedging: Clarifying the Interactions between Topic 321, Topic 323, and Topic 815". The amendments in this ASU clarify the application of the measurement alternative for equity instruments and the measurement of non-derivative forward contracts or purchased call options used to acquire equity securities. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' financial statements.

In March 2020, FASB issued ASU No. 2020-04 "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships affected by reference rate reform if certain criteria are met. These apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. AltaGas may elect to apply the amendments as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 on a prospective basis. AltaGas has not elected to adopt this ASU as of December 31, 2020, and is assessing the impact of this ASU on its consolidated financial statements.

In August 2020, FASB issued ASU No. 2020-06 "Debt with Conversion and Other Options and Topic 815-40 - Derivatives and Hedging - Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contract in an Entity's Own Equity." The amendments in this Update simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. The amendments in this Update are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' financial statements.

Off-Balance Sheet Arrangements

AltaGas is not party to any contractual arrangements with unconsolidated entities that have, or are reasonably likely to have, a current or future material effect on the Corporation's financial performance or financial condition including liquidity and capital resources.

Disclosure Controls and Procedures (DCP) and Internal Control Over Financial Reporting (ICFR)

Management, including the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining DCP and ICFR, as those terms are defined in National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The objective of this instrument is to improve the quality, reliability, and transparency of information that is filed or submitted under securities legislation.

Management, including the Chief Executive Officer and the Chief Financial Officer, have designed, or caused to be designed under their supervision, DCP and ICFR to provide reasonable assurance that information required to be disclosed by AltaGas in its annual filings, interim filings or other reports to be filed or submitted by it under securities legislation is made known to them, is reported on a timely basis, financial reporting is reliable, and financial statements prepared for external purposes are in accordance with U.S. GAAP.

The ICFR has been designed based on the framework established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management has designed the existing framework to result in both a complete and accurate consolidation of related information. During the year ended December 31, 2020, other than changes in ICFR related to the Petrogas Acquisition, there were no changes made to AltaGas' ICFR that materially affected, or are reasonably likely to materially affect, its ICFR or DCP. AltaGas does not believe that process changes adopted in connection with the COVID-19 pandemic have materially affected ICFR.

The Chief Executive Officer and the Chief Financial officer have evaluated, with the assistance of AltaGas' employees, the effectiveness of AltaGas' DCP and ICFR as at December 31, 2020 and concluded that as at December 31, 2020 AltaGas' DCP and ICFR were effective.

Limitation on Scope

In accordance with the provisions under National Instrument 52-109, and consistent with SEC-related guidance, the scope of the evaluation does not include ICFR related to Petrogas, which was acquired on December 15, 2020. These provisions allow an issuer to exclude a business which was acquired not more than 365 days before the issuer's financial year-end from the scope of its certifications. As such, the controls, policies, and procedures related to the Petrogas Acquisition were excluded from management's evaluation of the effectiveness of AltaGas' ICFR as at December 31, 2020. Summary financial information of Petrogas included in the audited Consolidated Financial Statements as at and for the year ended December 31, 2020, includes total assets of approximately \$2.6 billion and revenues of approximately \$143 million.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential conditions.

Summary of Consolidated Results for the Eight Most Recent Quarters ⁽¹⁾

(\$ millions)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Total revenue	1,689	969	1,059	1,869	1,534	888	1,174	1,898
Normalized EBITDA ^{(2) (3)}	392	213	206	499	436	173	211	482
Net income (loss) applicable to common shares	48	(47)	21	464	(103)	22	41	809
(\$ per share)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Net income (loss) per common share								
Basic	0.17	(0.17)	0.08	1.66	(0.37)	0.08	0.15	2.93
Diluted	0.17	(0.17)	0.08	1.66	(0.37)	0.08	0.15	2.93
Dividends declared	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24

(1) Amounts may not add due to rounding.

(2) Non-GAAP financial measure. See discussion in the *Non-GAAP Financial Measures* section of this MD&A.

(3) Beginning in 2020, Management no longer adjusts normalized EBITDA for changes in the fair value of natural gas optimization inventory. Please see the *Non-GAAP Financial Measures* section of this MD&A for additional detail. Prior periods have been adjusted to reflect the impact of this change.

AltaGas' quarter-over-quarter financial results are impacted by seasonality, fluctuations in commodity prices, weather, the U.S./Canadian dollar exchange rate, planned and unplanned plant outages, timing of in-service dates of new projects, and acquisition and divestiture activities.

Revenue for the Utilities is generally the highest in the first and fourth quarters of any given year as the majority of natural gas demand occurs during the winter heating season, which typically extends from November to March.

Other significant items that impacted quarter-over-quarter revenue during the periods noted include:

- The seasonally colder weather experienced at several of the utilities in the second and third quarters of 2020;
- The impact of the sale of the Northwest Hydro facilities and non-core Canadian Midstream and Power assets in the first quarter of 2019;
- RIPET entering commercial service in the second quarter of 2019;
- The impact of the sale of the U.S. distributed generation assets in the third quarter of 2019;
- The impact of the sale of AltaGas Pomona Energy Storage Inc. and AltaGas Ripon Energy Inc. in the third quarter of 2020; and
- The impact of the acquisition of additional equity interest in Petrogas in the fourth quarter of 2020.

Net income (loss) applicable to common shares is also affected by non-cash items such as deferred income tax, depreciation and amortization expense, accretion expense, provisions on assets, gains or losses on long-term investments, and gains or losses on the sale of assets. In addition, net income (loss) applicable to common shares is also impacted by preferred share dividends and gains or losses on the redemption of preferred shares. For these reasons, net income (loss) may not necessarily reflect the same trends as revenue. Net income (loss) applicable to common shares during the periods noted was impacted by:

- Lower depreciation and amortization expense due to the impact of asset sales, partially offset by new assets placed into service;
- After-tax transaction costs of approximately \$18 million and \$10 million incurred throughout 2020 and 2019, respectively, due to asset sales;
- The impact of the sale of the Northwest Hydro facilities and non-core Canadian Midstream and Power assets in the first quarter of 2019;
- The impact of the sale of the U.S. distributed generation assets in the third quarter of 2019;
- The impact of the sale of WGL Midstream's indirect non-operating interest in Central Penn in the fourth quarter of 2019;

- After-tax provisions of approximately \$319 million recognized in the fourth quarter of 2019, primarily related to Power assets;
- The impact of the sale of ACI in the first quarter of 2020;
- The impact of the sale of AltaGas Pomona Energy Storage Inc. and AltaGas Ripon Energy Inc. in the third quarter of 2020;
- The impact of the acquisition of additional equity interest in Petrogas in the fourth quarter of 2020;
- The after-tax provision of approximately \$79 million recognized in the fourth quarter of 2020 related to the Alton Natural Gas Storage Project; and
- The impact of the change in accounting principle relating to Washington Gas' net periodic pension and other post-retirement benefit plan costs in the third quarter of 2020.

SELECTED ANNUAL FINANCIAL INFORMATION

(\$ millions, except where noted)	2020	2019	2018
Revenue	5,587	5,495	4,257
Net income (loss) applicable to common shares	486	769	(502)
Net income (loss) per common share - basic	1.74	2.78	(2.25)
Net income (loss) per common share - diluted	1.74	2.77	(2.25)
Total assets	21,532	19,795	23,488
Total long-term liabilities	11,264	9,301	11,746
Weighted average number of common shares outstanding (millions)	279	277	223
Dividends declared per common share (\$ per share)	0.963300	0.960000	2.087500
Preferred share dividends declared (\$ per share)			
Series A	0.825000	0.845000	0.845000
Series B	0.894890	1.084641	0.968620
Series C (US\$)	1.322500	1.322500	1.322500
Series E	1.348252	1.348252	1.250000
Series G	1.060500	1.155750	1.187500
Series H	0.994890	0.296040	—
Series I ⁽¹⁾	1.312500	1.312500	1.312500
Series K	1.250000	1.250000	1.250000
Washington Gas \$4.80 series (US\$) ⁽²⁾	—	2.400000	2.400000
Washington Gas \$4.25 series (US\$) ⁽²⁾	—	2.125000	2.125000
Washington Gas \$5.00 series (US\$) ⁽²⁾	—	2.500000	2.500000

(1) Series I preferred shares were redeemed on December 31, 2020.

(2) Washington Gas preferred shares were redeemed on December 20, 2019.

OTHER INFORMATION

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
Dth	dekatherm
GJ	gigajoule
GWh	gigawatt-hour
Mcf	thousand cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
US\$	United States dollar

ABOUT ALTAGAS

AltaGas is an energy infrastructure company with a focus on regulated Utilities and Midstream. The Corporation creates value by acquiring, growing, and optimizing its energy infrastructure, including a focus on clean energy sources. For more information visit: www.altagas.ca.

For further information contact:

Investment Community

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