MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated July 26, 2023 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 three and six months ended June 30, 2023. This MD&A should be read in conjunction with the accompanying unaudited condensed interim Consolidated Financial Statements and notes thereto of AltaGas as at and for the three and six months ended June 30, 2023 and the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2022.

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, 2022 or the Annual Information Form for the year ended December 31, 2022.

This MD&A contains forward-looking information (forward-looking statements). Words such as “expect”, “anticipate”, "remain", "believe", "can", “will”, "should", "would", "could", “continues”, “estimate”, "forecast", "future", "commit", "guarantee", “growth”, “plans”, "target", "long-term", "potential", "opportunity", "may" 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: AltaGas' role in the energy ecosystem and expected outcomes therefrom; AltaGas' belief in the role and importance of global resource exports; AltaGas' growth strategy to expand in existing and new markets including the anticipated benefits from the Company’s basin strategy; AltaGas' ability to operate in strong partnership with its customers; potential development of AltaGas' REEF project, its capabilities and the expected timing of project phases and deliverables; AltaGas' expected working interest in the REEF project and the capacity for future phases; expected reductions in maritime shipping costs and the anticipated affect on long-term pricing volatility therefrom; the advancement of the Harmattan carbon capture project and the anticipated cost savings; expected annual consolidated normalized EBITDA of approximately $1.5 to $1.6 billion and normalized earnings of approximately $1.85 to $2.05 per share in 2023; assumption of an effective tax rate of 22 percent; expectation that the Utilities segment will contribute 55 to 60 percent of 2023 normalized EBITDA; expectation that the Midstream segment will contribute 40 to 45 percent of 2023 normalized EBITDA; growth levels and drivers expected in the Utilities and Midstream segments; expectation for normalized EBITDA to be higher in the Corporate/Other segment in 2023 than in 2022; factors impacting the expected variance in normalized EBITDA and normalized earnings per share; anticipated effect of key variables on AltaGas' financial performance; market risks and their anticipated impact on the trading price of AltaGas' securities, the amount of dividends paid to shareholders and the ability of the Company to service its debt obligations; future employee obligations; unrecognized compensation expenses relating to the remaining vesting period for certain benefit plans being recognized over the vesting period; the cost of AltaGas' defined benefit and post-retirement benefit plans and the expected return on plan assets; AltaGas' ability to de-risk its business and manage direct commodity price exposure; expectation for an active hedging program in 2023 and the expected outcomes therefrom; the percentage of AltaGas' expected 2023 frac exposed volumes that are hedged; the percentage of AltaGas' expected 2023 export volumes that are tolled or financially hedged; AltaGas' ability to be highly hedged for the global export business through tolling agreements and financial hedges; the ability of AltaGas' subsidiaries to deploy effective hedging strategies; estimated impact of changes in commodity prices, exchange rates, and weather on normalized annual EBITDA and normalized earnings per share; fluctuations in working capital; estimated revenues expected to be recognized in the future related to performance obligations *that are unsatisfied as of the date hereof; estimates as to the fair market value of each significant class of financial instrument; potential collateral requirements; designations of AltaGas' U.S. dollar-denominated debt or certain U.S. dollar-denominated loans and the effects as a foreign currency translation gain or loss for its U.S. subsidiaries; expected invested capital of $1.0 billion in 2023; anticipated segment allocation and focus of capital expenditures in 2023; expectation that growth capital will be funded through internally-generated cash flow, asset sales, and normal course borrowings on existing committed credit facilities; expected cost, completion, impacts and in-service dates of growth capital projects; anticipated timing, deliverables required, results and effects of applications, hearings, and decisions of rate cases before Utilities regulators; anticipated timing and results of regulatory applications or court hearings; adequacy of provisions made in respect of legal claims and actions against the Company and the anticipated impact on its financial position or results of operations; expected impacts of Washington Gas' dividend restrictions on AltaGas' ability to meet its obligations; AltaGas' long-term objectives for managing capital; future changes in accounting policies, AltaGas' adoption of new accounting standards and their impact on its financial statements; ability of investors to compare certain financial measures used by AltaGas to similar measures presented by other entities; and the expected in-service date of new very large gas carriers (VLGCs).*

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: anticipated timing of asset sale closings, effective tax rates, financing initiatives, degree day variance from normal, pension discount rate, the performance of the businesses underlying each sector, impacts of the hedging program, expected commodity supply, demand and pricing, volumes and rates, exchange rates, inflation, interest rates, credit ratings, regulatory approvals and policies, future operating and capital costs, capacity expectations, weather, frac spread, access to capital, planned and unplanned plant outages, timing of in-service dates of new projects and acquisition and divestiture activities, returns on investments, and dividend levels.

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: risks related to conflict in Eastern Europe; health and safety risks; operating risks; infrastructure; natural gas supply risks; volume throughput; service interruptions; transportation of petroleum products; market risk; inflation; general economic conditions; cyber security, information, and control systems; climate-related risks; environmental regulation risks; regulatory risks; litigation; changes in law; Indigenous and treaty rights; dependence on certain partners; political uncertainty and civil unrest; decommissioning, abandonment and reclamation costs; reputation risk; weather data; capital market and liquidity risks; interest rates; internal credit risk; foreign exchange risk; debt financing, refinancing, and debt service risk; counterparty and supplier risk; technical systems and processes incidents; growth strategy risk; construction and development; underinsured and uninsured losses; impact of competition in AltaGas' businesses; counterparty credit risk; composition risk; collateral; rep agreements; market value of common shares and other securities; variability of dividends; potential sales of additional shares; labor relations; key personnel; risk management costs and limitations; commitments associated with regulatory approvals for the acquisition of WGL; cost of providing retirement plan benefits; failure of service providers; risks related to pandemics, epidemics or disease outbreaks, including COVID-19; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2022 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 customers and markets to affordable and reliable sources of energy. The Company operates a diversified, lower-risk, high-growth energy infrastructure business that is focused on delivering resilient and durable value for its stakeholders. AltaGas has three reporting segments - Utilities, Midstream, and Corporate/Other.

Utilities Segment

AltaGas' Utilities segment owns and operates franchised, cost-of-service, rate-regulated natural gas distribution and storage utilities that are focused on providing safe, reliable, and affordable energy to its customers. Subsequent to the sale of its 100 percent interest in ENSTAR and 65 percent indirect interest in CINGSA and other ancillary operations to TriSummit Utilities on March 1, 2023 (the Alaska Utilities Disposition), AltaGas' Utilities provide energy to approximately 1.6 million residential and commercial customers with an average rate base of approximately US$5.0 billion.

The Utilities segment includes two utilities that operate across four major U.S. jurisdictions:

- Washington Gas, which is the Company’s largest operating utility that serves approximately 1.2 million customers across Maryland, Virginia and the District of Columbia; and
- SEMCO Energy, which delivers essential energy to approximately 324,000 customers in Southern Michigan and Michigan’s Upper Peninsula.

The Utilities segment also includes other storage facilities and contracts for interstate natural gas transportation and storage services, as well as WGL Energy Services, an affiliated retail energy marketing business, which sells natural gas and electricity directly to residential, commercial, and industrial customers located in Maryland, Virginia, Delaware, Pennsylvania, Ohio, and the District of Columbia.

Midstream Segment

AltaGas’ Midstream segment is a leading North American platform that connects customers and markets. From wellhead to tidewater, the Company is focused on providing its customers with safe and reliable service and connectivity that facilitates the best outcomes for their businesses. This includes global market access for North American Liquified Petroleum Gases (LPGs), which provides North American producers and aggregators with attractive netbacks for propane and butane while delivering diversity of supply and supporting stronger energy security in Asia.

Throughout AltaGas' Midstream operations, the Company is playing a vital role within the larger energy ecosystem that keeps the global economy moving forward in a safe, reliable and affordable manner.

AltaGas' Midstream platform is heavily focused on the Montney and Deep Basin resource plays and centers around global exports, which is where the Company believes the market is headed for resource development over the long-term. AltaGas also operates a broader set of midstream infrastructure assets across the Western Canadian Sedimentary Basin (WCSB) and select regions in the U.S., which are all focused on connecting customers and markets in the most efficient manner possible.

There are three core pillars to AltaGas' Midstream platform that are integral to each other and facilitate the Company's wellhead to tidewater and beyond value chain. These include:

- Global Exports, which includes AltaGas' two LPG export terminals where the Company has capacity to export up to 150,000 Bbl/d of propane and butane to key markets in Asia;
- Natural Gas Gathering, Processing and Extraction, which includes 1.2 Bcf/d of extraction processing capacity and approximately 1.1 Bcf/d of raw field gas processing capacity, which is heavily focused on the Montney; and
- Fractionation and Liquids Handling platform, which includes 65 MBbl/d of fractionation capacity and a sizable liquids handling footprint.

The Midstream segment also consists of natural gas and NGL marketing businesses, domestic logistics, trucking and rail terminals, and approximately 3.2 million barrels of liquid storage capability through a network of underground salt caverns through the Company's Strathcona Storage JV with ATCO Energy Solutions Ltd., as well as AltaGas' 10 percent interest in the Mountain Valley Pipeline (MVP).

Corporate/Other Segment

AltaGas' Corporate/Other segment consists of the Company's corporate activities and a small portfolio of gas-fired power generation and distribution assets capable of generating 508 MW of power primarily in the state of California.

Subsidiary Entities

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 Corp., 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); and 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, AltaGas Pacific Partnership, AltaGas LPG Limited Partnership, Petrogas Energy Corporation (Petrogas), Petrogas Holdings Partnership, and Petrogas Inc. In the Corporate/Other segment, subsidiaries include 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).

Second Quarter Highlights

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

- On May 8, 2023, AltaGas announced the appointment of Vern Yu as President and Chief Executive Officer of AltaGas and member of the Board of Directors of AltaGas, effective July 1, 2023. Mr. Yu is a seasoned leader with three decades of experience in energy infrastructure, including the Utilities and Midstream sectors across North America;
- In April 2023, AltaGas and Vopak Development Canada Holdings Inc. (Vopak) entered a 50/50 joint venture to develop the Ridley Island Energy Export Facility (REEF), a large-scale LPG and bulk liquids terminal and marine infrastructure on Ridley Island. Should REEF reach a positive final investment decision (FID), the facility is planned to be developed and brought online in phases. REEF is currently working through front end engineering design (FEED) activities, with several deliverables planned over the balance of 2023;
- In April 2023, AltaGas entered a seven-year time charter agreement with two one-year optional extensions for a new approximately 545 Mbbl dual-fuel VLGC with delivery expected in the first half of 2026. The agreement further reduces AltaGas' maritime shipping costs by approximately 25 percent relative to current Baltic freight forward pricing, while lowering pricing volatility;
- On May 15, 2023, AltaGas closed its offering of $400 million senior unsecured medium-term notes with a coupon rate of 4.638 percent, due on May 15, 2026. The net proceeds were used to pay down existing indebtedness under AltaGas' credit facility and to refinance the senior unsecured medium-term note that matured in June 2023;
- On May 18, 2023, Washington Gas filed an application for authority to increase rates in Maryland. The requested rates are designated to collect an incremental US$28 million in revenues, net of approximately US$21 million of costs currently collected through its Accelerated Replacement Programs (ARP) modernization program, the Strategic Infrastructure Development Enhancement Plan (STRIDE) surcharge. The Maryland Public Service Commission (PSC of MD) has 210 days to consider the application and a decision is expected around mid-December 2023;
- On June 16, 2023, Washington Gas filed an application with the PSC of MD for the third phase of its modernization ARP program, seeking approval for approximately US$495 million of modernization investments on behalf of customers over the five-year period from January 1, 2024 to December 31, 2028;
- Normalized EBITDA was $239 million compared to $276 million in the second quarter of 2022;
    - Normalized EBITDA for the Utilities segment was $102 million compared to $116 million in the second quarter of 2022;
    - Normalized EBITDA for the Midstream segment was $134 million compared to $163 million in the second quarter of 2022;
- Income before income taxes was $182 million compared to $85 million in the second quarter of 2022;
- Cash from operations was $373 million ($1.32 per share) compared to $527 million ($1.88 per share) in the second quarter of 2022;
- Normalized funds from operations was $150 million ($0.53 per share) compared to $200 million ($0.71 per share) in the second quarter of 2022;

- Net income applicable to common shares was $133 million ($0.47 per share) compared to $35 million ($0.12 per share) in the second quarter of 2022;
- Normalized net income was $16 million ($0.06 per share) compared to $40 million ($0.14 per share) in the second quarter of 2022;
- Net debt, including subordinated hybrid notes, was $8.3 billion as at June 30, 2023, compared to $9.9 billion at December 31, 2022; and
- Total long-term debt, including subordinated hybrid notes, was $8.2 billion as at June 30, 2023, compared to $9.6 billion at December 31, 2022.

Consolidated Financial Review

	Three Months Ended June 30		Six Months Ended June 30	
($ millions, except effective income tax rates)	**2023**	2022	**2023**	2022
Revenue	**2,631**	3,241	**6,679**	7,133
Normalized EBITDA (1) (2)	**239**	276	**821**	850
Income before income taxes	**182**	85	**802**	590
Net income applicable to common shares	**133**	35	**578**	393
Normalized net income (1) (2)	**16**	40	**293**	325
Total assets	**21,336**	22,206	**21,336**	22,206
Total long-term liabilities	**11,196**	10,753	**11,196**	10,753
Invested capital (1)	**224**	234	**399**	376
Cash from (used in) investing activities	**(231)**	31	**638**	(128)
Dividends declared (3)	**79**	74	**158**	149
Cash from operations	**373**	527	**964**	1,211
Normalized funds from operations (1) (2)	**150**	200	**610**	662
Normalized effective income tax rate (%) (1) (2)	**15.6**	22.6	**20.3**	20.3
Effective income tax rate (%)	**21.2**	20.5	**25.2**	21.0

	Three Months Ended June 30		Six Months Ended June 30	
($ per share, except shares outstanding)	**2023**	2022	**2023**	2022
Net income per common share - basic	**0.47**	0.12	**2.05**	1.40
Net income per common share - diluted	**0.47**	0.12	**2.04**	1.39
Normalized net income - basic (1) (2)	**0.06**	0.14	**1.04**	1.16
Normalized net income - diluted (1) (2)	**0.06**	0.14	**1.04**	1.15
Dividends declared (3)	**0.28**	0.27	**0.56**	0.53
Cash from operations	**1.32**	1.88	**3.42**	4.31
Normalized funds from operations (1) (2)	**0.53**	0.71	**2.16**	2.36
Shares outstanding - basic (millions)				
During the period (4)	**282**	281	**282**	281
End of period	**282**	281	**282**	281

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

(2) In the third quarter of 2022, Management changed AltaGas' non-GAAP policy to remove normalization adjustments relating to acquired contingencies. Prior periods have been restated to reflect this change. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for additional details.

(3) Dividend declared per common share per quarter: $0.265 per share beginning March 2022, increased to $0.28 per share effective March 31, 2023.

(4) Weighted average.

Three Months Ended June 30

Normalized EBITDA for the second quarter of 2023 was $239 million, compared to $276 million for the same quarter in 2022. There were several positive and negative contributors underpinning the year-over-year variance. Factors positively impacting normalized EBITDA included strong performance from the global exports business as a result of year-over-year tolling and processing volume growth as well as higher Asian-to-North American propane spreads, the impact of the 2022 Virginia rate case, higher revenue from accelerated pipe replacement program spend, allowance for funds used during construction (AFUDC) at MVP as a result of the resumption of construction activities in June 2023, higher power revenue at Harmattan primarily due to higher power prices, higher power margins from WGL's retail marketing business, and a favourable impact related to the sale of greenhouse gas credits generated by the processing facilities. Factors negatively impacting AltaGas' normalized EBITDA in the second quarter of 2023 included lower crude and NGL marketing margins and volumes in the Midstream business, lower realized butane margins in the global export business, a lower impact from the favourable resolution of certain commercial disputes and contingencies compared to the second quarter of 2022, higher operating and administrative expenses at the Utilities, the impact of the Alaska Utilities Disposition in the first quarter of 2023, the impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022, the impact of wildfires, lower gas margins from WGL's retail business including swap timing, and warmer weather in Michigan and the District of Columbia where the Utilities do not have weather normalization. For the three months ended June 30, 2023, the average Canadian/U.S. dollar exchange rate increased to 1.34 from an average of 1.28 in the same period of 2022, which had a favourable impact on normalized EBITDA in the quarter.

Income before income taxes for the second quarter of 2023 was $182 million, compared to $85 million for the same quarter in 2022. The increase was mainly due to higher unrealized gains on risk management contracts and favourable working capital adjustments related to the Alaska Utilities Disposition in the second quarter of 2023, partially offset by the same previously referenced factors impacting normalized EBITDA, higher interest expense, higher depreciation and amortization expense, costs related to the CEO transition, and lower foreign exchange gains. Net income applicable to common shares for the second quarter of 2023 was $133 million ($0.47 per share), compared to $35 million ($0.12 per share) for the same quarter in 2022. The increase was mainly due to the same previously referenced factors impacting income before income taxes, lower net income applicable to non-controlling interests, and lower preferred share dividends, partially offset by higher income tax expense.

Normalized funds from operations for the second quarter of 2023 was $150 million ($0.53 per share), compared to $200 million ($0.71 per share) for the same quarter in 2022. The decrease was mainly due to the same factors impacting normalized EBITDA and higher interest expense.

Cash from operations in the second quarter of 2023 was $373 million ($1.32 per share), compared to $527 million ($1.88 per share) for the same quarter in 2022. The decrease was mainly due to lower net income after taxes after adjusting for non-cash items as well as unfavourable variances in the net change in operating assets and liabilities, primarily as a result of fluctuations in commodity prices and sales volumes. Please refer to the *Liquidity* section of this MD&A for further details on the variance in cash from operations.

In the second quarter of 2023, AltaGas recorded a pre-tax gain on disposition of assets of approximately $11 million primarily due to favourable working capital adjustments related to the Alaska Utilities Disposition as well as cash proceeds received from an escrow account related to the 2019 disposition of AltaGas' investment in Meade Pipeline Co. LLC (Meade), which held WGL Midstream's indirect, non-operating interest in the Central Penn pipeline (Central Penn). In the second quarter of 2022, AltaGas recorded a pre-tax loss on disposition of assets of approximately $1 million, which was comprised of a pre-tax gain of

$1 million on the sale of its interest in the Aitken Creek processing facilities and a pre-tax loss of $2 million on the sale of a power plant in Brush, Colorado.

Operating and administrative expenses for the second quarter of 2023 were $389 million, compared to $357 million for the same quarter in 2022. The increase was due to a number of factors, including a lower impact from the favourable resolution of certain commercial disputes and contingencies compared to the second quarter of 2022, and higher expenses at the Utilities, partially offset by the impact of the Alaska Utilities Disposition. Depreciation and amortization expense for the second quarter of 2023 was $112 million, compared to $108 million for the same quarter in 2022. The slight increase was mainly due to new assets placed in-service, partially offset by the impact of the Alaska Utilities Disposition. Interest expense for the second quarter of 2023 was $93 million, compared to $76 million for the same quarter in 2022. The increase was mainly due to $4 million of interest relating to the subordinated hybrid notes issued in August 2022, higher average interest rates, higher average debt balances, and a higher average Canadian/U.S. dollar exchange rate. For the three months ended June 30, 2023, AltaGas recorded total interest expense of $8 million on the subordinated hybrid notes.

AltaGas recorded income tax expense of $38 million for the second quarter of 2023, compared to income tax expense of $17 million for the same quarter of 2022. The increase was mainly due to higher income before income taxes. Current tax recovery of $14 million was recorded in the second quarter of 2023, compared to current tax recovery of $2 million recorded in the same quarter of 2022. The increase in current tax recovery was mainly due to the composition of income before income taxes.

Normalized net income was $16 million ($0.06 per share) for the second quarter of 2023, compared to $40 million ($0.14 per share) for the same quarter of 2022. The decrease was mainly due to the same previously referenced factors impacting normalized EBITDA, higher interest expense, higher depreciation expense, and lower foreign exchange gains, partially offset by lower net income applicable to non-controlling interests, lower normalized income tax expense, and lower preferred share dividends. Normalizing items in the second quarter of 2023 decreased normalized net income by $117 million and included after-tax amounts related to gains on sale of assets, transaction costs related to acquisitions and dispositions, unrealized gains on risk management contracts, CEO transition costs, and the settlement of the Canadian defined benefit pension plan. Normalizing items in the second quarter of 2022 increased normalized net income by $5 million and included after-tax amounts for transaction costs related to acquisitions and dispositions, non-controlling interest portion of non-GAAP adjustments, gains on sale of assets, and unrealized losses on risk management contracts. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further details on normalization adjustments.

Six Months Ended June 30

Normalized EBITDA for the first half of 2023 was $821 million, compared to $850 million for the same period in 2022. There were several positive and negative contributors underpinning the year-over-year variance. Factors positively impacting normalized EBITDA included year-over-year tolling and processing volume growth as well as higher Asian-to-North American propane spreads within the global exports business, the favourable resolution of certain commercial disputes and contingencies, the impact of the 2022 Virginia rate case, the gain resulting from the partial debt defeasance associated with the Alaska Utilities Disposition (please refer to Note 9 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details), higher power margins from WGL's retail marketing business, higher revenue from accelerated pipe replacement program spend, higher power revenue at Harmattan primarily due to higher power prices, AFUDC at MVP as a result of the resumption of construction activities in June 2023, and the impact of ongoing asset investments on behalf of utilities customers across the network. Factors negatively impacting AltaGas' normalized EBITDA in the first half of 2023 included lower gas margins from WGL's retail business including swap timing, lower realized butane margins in the global export business, lower marketing margins and volumes, the impact of the Alaska Utilities Disposition in the first quarter of 2023, the impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022, the impact of wildfires, warmer weather in Michigan and the District of Columbia where the Utilities do not have weather normalization, and higher overall operating and administrative expenses. In the first half of 2023, the average Canadian/U.S. dollar exchange rate increased to 1.35 from an average of 1.27 in the same period of 2022, resulting in an increase in normalized EBITDA of approximately $29 million.

Income before income taxes for the first half of 2023 was $802 million, compared to $590 million for the same period in 2022. The increase was mainly due to the gain on the Alaska Utilities Disposition, additional proceeds received due to contract contingencies on the sale of an energy storage development project in Goleta, California (Goleta) in the first quarter of 2022, and higher unrealized gains on risk management contracts, partially offset by higher interest expense, the same previously referenced factors impacting normalized EBITDA, higher transaction costs related to acquisitions and dispositions, costs related to the CEO transition, and higher depreciation and amortization expense. Net income applicable to common shares for the first half of 2023 was $578 million ($2.05 per share), compared to $393 million ($1.40 per share) for the same period in 2022. The increase was mainly due to the same previously referenced factors impacting income before income taxes, lower net income applicable to non-controlling interests, the absence of the loss on the redemption of preferred shares in the first quarter of 2022, and lower preferred share dividends.

Normalized funds from operations for the first half of 2023 was $610 million ($2.16 per share), compared to $662 million ($2.36 per share) for the same period in 2022. The decrease was mainly due to the same factors impacting normalized EBITDA and higher interest expense, partially offset by lower normalized current income tax expense.

Cash from operations for the first half of 2023 was $964 million ($3.42 per share), compared to $1,211 million ($4.31 per share) for the same period in 2022. The decrease was mainly due to lower net income after taxes after adjusting for non-cash items as well as unfavourable variances in the net change in operating assets and liabilities, primarily as a result of fluctuations in commodity prices and sales volumes. Please refer to the *Liquidity* section of this MD&A for further details on the variance in cash from operations.

In the first half of 2023, AltaGas recorded pre-tax gains on dispositions of assets of approximately $319 million which was primarily due to the gain on the Alaska Utilities Disposition, additional proceeds received for the favourable settlement of contract contingencies related to the sale of Goleta, and the previously mentioned Meade escrow proceeds in the second quarter of 2023. In the first half of 2022, AltaGas recorded pre-tax gains on dispositions of assets of approximately $6 million related to the previously mentioned sale of Goleta and the previously mentioned dispositions in the second quarter of 2022.

Operating and administrative expenses for the first half of 2023 were $774 million, compared to $758 million for the same period in 2022. The increase was due to a number of factors, including higher expenses at the Utilities, partially offset by the impact of the Alaska Utilities Disposition and the resolution of select commercial disputes and contingencies. Depreciation and amortization expense for the first half of 2023 was $223 million, compared to $221 million for the same period in 2022. The slight increase was mainly due to new assets placed in-service, partially offset by the impact of the Alaska Utilities Disposition. Interest expense for the first half of 2023 was $198 million, compared to $146 million for the same period in 2022. The increase was predominantly due to $10 million of interest relating to the subordinated hybrid notes issued in August 2022, higher average interest rates, higher average debt balances, and a higher average Canadian/U.S. dollar exchange rate. For the six months ended June 30, 2023, AltaGas recorded total interest expense of $17 million on the subordinated hybrid notes.

AltaGas recorded income tax expense of $202 million for the first half of 2023, compared to $124 million in the same period of 2022. The increase in tax expense was mainly due to higher income before income taxes and the tax impact of the Alaska Utilities Disposition. Current tax expense of approximately $39 million was recorded in the first half of 2023, compared to current tax expense of $43 million recorded in the same period of 2022. The decrease in current tax expense was mainly due to the composition of income before income taxes, partially offset by the tax impact of the Alaska Utilities Disposition in the first quarter of 2023.

Normalized net income was $293 million ($1.04 per share) for the first half of 2023, compared to $325 million ($1.16 per share) for the same period in 2022. The decrease was mainly due to higher interest expense and the same previously referenced factors impacting normalized EBITDA, partially offset by lower net income applicable to non-controlling interests, lower normalized income tax expense, and lower preferred share dividends. Normalizing items in the first half of 2023 reduced normalized net income by $285 million and included after-tax amounts related to unrealized gains on risk management contracts, transaction costs related to acquisitions and dispositions, CEO transition costs, the settlement of the Canadian defined benefit pension plan, and gains on sale of assets. Normalizing items in the first half of 2022 reduced normalized net income by $68 million and included after-tax amounts related to unrealized gains on risk management contracts, transaction costs related to acquisitions and dispositions, non-controlling interest portion of non-GAAP adjustments, loss on redemption preferred shares, and gains on sale of assets. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further details on normalization adjustments.

2023 Outlook

In 2023, AltaGas expects to achieve annual consolidated normalized EBITDA of approximately $1.5 to $1.6 billion compared to actual normalized EBITDA of $1.54 billion in 2022, and normalized earnings of approximately $1.85 to $2.05 per share compared to actual normalized earnings per share and net income per share of $1.89 per share and $1.42 per share, respectively in 2022, assuming an effective tax rate of approximately 22 percent. For the year ended December 31, 2022, income before income taxes and net income applicable to common shares were $716 million and $399 million, respectively.

The Utilities segment is expected to contribute approximately 55 to 60 percent of normalized EBITDA, with growth driven primarily by revenue growth from the Virginia rate case, continued rate base growth through ongoing capital investments in accelerated pipe replacement programs on behalf of AltaGas' customers, and modest customer growth, partially offset by the impact of the Alaska Utilities Disposition, lower realized margins from the asset optimization business, and lower natural gas margins from WGL's retail marketing business. Midstream segment earnings are expected to contribute approximately 40 to 45 percent of normalized EBITDA, with expected growth driven by higher expected global export margins, higher volumes and asset utilization at AltaGas' Northeastern B.C. (NEBC) facilities, and higher crude marketing margins and revenues. These positive factors are expected to be partially offset by the full year impact of the Aitken Creek processing facilities disposition in 2022, lower fractionation spreads, and the absence of turnaround costs which were recovered from customers and recognized in income in 2022. Normalized EBITDA from the Corporate/Other segment, which includes AltaGas' remaining power assets, is expected to be higher in 2023 mainly due to lower general and administrative expenses.

The expected variance in normalized earnings per share from $1.89 per share in 2022 to approximately $1.85 to $2.05 per share in 2023 is expected to be primarily due to the same factors impacting normalized EBITDA, lower expected income applicable to non-controlling interests, and lower expected preferred share dividends, partially offset by higher expected interest expense and depreciation and amortization expense.

The forecasted normalized EBITDA and earnings per share include assumptions around the Canadian/U.S. dollar exchange rate. 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 impacting AltaGas.

AltaGas continues to focus on de-risking its business and managing direct commodity price exposure to drive predictable and durable returns. While the Company does have exposure, it plans to maintain an active hedging program that proactively hedges commodity price and spread risk to mitigate the impact of fluctuations in margins and cash flows. For the remainder of 2023, AltaGas has hedged approximately 85 percent of its expected frac exposed volumes hedged at approximately US$27/Bbl, prior to transportation costs. In addition, approximately 77 percent of AltaGas' expected export volumes for the remainder of 2023 are either tolled or financially hedged with an average FEI to North American financial hedge price of approximately US$15/Bbl for non-tolled propane and butane volumes. AltaGas is targeting to be highly hedged for the global export business through a combination of tolling agreements and financial hedges.

Midstream Hedge Program	Q3 2023	Q4 2023	Remainder of 2023
Global Exports volumes hedged (%) (1)	93	59	77
Average propane/butane FEI to North America average hedge (US$/Bbl) (2)	13.80	16.84	15.32
Fractionation volumes hedged (%) (3)	92	76	85
Frac spread hedge rate (US$/Bbl) (3)	27.33	26.83	27.08

(1) Approximate expected volumes hedged. Includes contracted tolling volumes and financial hedges. Based on AltaGas' internally assumed export volumes. AltaGas is hedged at a higher percentage for firmly committed volumes.

(2) Approximate average for the period. Does not include physical differential to FSK for C3 volumes. Butane is hedged as a percentage of WTI.

(3) Approximate average for the period.

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 2023:

Factor	Increase or decrease	Approximate impact on normalized annual EBITDA *($ millions)*
Degree day variance from normal - Utilities (1)	5 percent	8
Change in Canadian dollar per U.S. dollar exchange rate	0.05	18
Propane and butane Far East Index to Mont Belvieu spreads (2)	US$1/Bbl	6
Pension discount rate	1 percent	18

(1) Degree days – Utilities relate to SEMCO Gas and District of Columbia service areas. Degree days are 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 the average of degree days during the prior 15 years for SEMCO Gas and during the prior 30 years for Washington Gas.

(2) The sensitivity is net of hedges currently in place. The impact on normalized 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 invested capital of approximately $1.0 billion in 2023, including approximately $90 million of discretionary Midstream capital which was deferred from 2022 to 2023, compared to invested capital of $1.2 billion in 2022. The decrease in expected invested capital in 2023 compared to 2022 is primarily due to the absence of cash paid to purchase the remaining equity ownership of Petrogas in the third quarter of 2022, the absence of capital expenditures related to the Alaskan Utilities due to its divestiture in the first quarter of 2023, and lower spend on system betterment at Washington Gas, partially offset by the previously mentioned deferral of certain discretionary Midstream capital to 2023, higher spend on accelerated pipe replacement programs, growth capital projects in the Midstream segment, including REEF, and higher spend on environmental initiatives. The majority of 2023 capital expenditures are expected to focus on projects within the Utilities platform that are anticipated to deliver strong organic rate base growth, positive risk-adjusted returns, and safe, reliable service for customers. The Utilities segment is expected to account for approximately 73 percent of total capital expenditures, while the Midstream segment is expected to account for approximately 25 percent and the Corporate/Other segment is expected to account for any remainder. In 2023, AltaGas' capital expenditures for the Utilities segment will focus primarily on maintenance, safety, and reliability programs including system betterment, accelerated pipe replacement programs, and customer additions. In the Midstream segment, capital expenditures are anticipated to primarily relate to new business development, maintenance and administrative capital, optimization of existing assets, investment in environmental initiatives, and facility turnarounds. The Corporation continues to focus on capital efficient organic growth and disciplined capital allocation while improving balance sheet strength and flexibility.

AltaGas' 2023 committed capital program is expected to be funded through internally-generated cash flow, asset sales including the Alaska Utilities Disposition, and normal course borrowings on existing committed credit facilities.

Please refer to the *Invested Capital* and *Non-GAAP Financial Measures* sections of this MD&A for additional information on the components of AltaGas' invested capital.

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					
Ridley Island Energy Export Facility	50%	Currently undergoing FEED and cost estimations.	$28 million (net of partner recoveries)	AltaGas and its partner, Vopak Development Canada Holdings Inc., have agreed to further evaluate development of REEF, a large-scale LPG and bulk liquids terminal and marine infrastructure on Ridley Island, British Columbia. The project is located adjacent to the existing RIPET facility near Prince Rupert, British Columbia. Should REEF reach a positive final investment decision, it is planned to be developed and brought online in phases. This approach will provide the most capital efficient build out of the project, match energy export supply with throughput capacity, mitigate the challenges that a large development project can have on the local community, and provide local construction and employment opportunities that would extend over longer time horizons. AltaGas has executed a long-term commercial agreement with the joint venture for 100 percent of the capacity for the first phase (98,000 CBM) of LPG volumes, subject to a positive FID, where AltaGas will also be responsible for the construction and operational stewardship of the facility. Future phases of the project may be developed as additional long-term commercial and critical milestones are executed and the project can deliver the maximum value for all stakeholders. AltaGas will hold a 50 percent working interest in the project. If a positive initial FID is made, Phase 1 is anticipated to include construction of a new deep water marine jetty with significant capacity for potential future phases.	Currently undergoing FEED and evaluating an in-service date.
Harmattan Carbon Capture and Acid Gas Injection Well	100%	$43 million	$34 million	AltaGas is currently advancing an opportunity to capture up to 60,000 tonnes/year of carbon emissions at Harmattan. The project involves decommissioning Harmattan's existing sulfur plant, which significantly reduces the facility's operational complexity and extends the facility's turnaround cycle from 4 years to 5 years, which is expected to result in cost savings. Phase 1 of this project, which involves drilling an acid gas injection well, has been completed.	Fourth quarter of 2023

Project	AltaGas' Ownership Interest	Estimated Cost [1]	Expenditures to Date [2]	Status	Expected In-Service Date
Midstream Projects, continued					
Mountain Valley Pipeline (MVP)	10%	US$352 million	US$352 million	On June 3, 2023, the U.S. Fiscal Responsibility Act of 2023 (FRA) was signed into law. The FRA included legislation specific to MVP that approved and authorized all permits necessary to complete construction of the pipeline and commence operation. The legislation also divests courts of jurisdiction to review agency actions on approvals necessary for MVP's construction and initial operation. On June 8, 2023, the West Virginia Department of Environmental Protection re-issued a Section 401 water quality certification that was previously vacated by the U.S. Fourth Circuit Court of Appeals. On June 23, 2023, the U.S. Army Corps of Engineers issued a 404 individual water permit, authorizing all remaining open-cut water body crossings. On June 28, 2023, FERC approved MVP's request to move forward with all remaining construction activities. On July 10 and 11, 2023, the U.S. Fourth Circuit Court of Appeals issued stays halting the construction of the pipeline while it considers the arguments of petitions. On July 14, 2023, MVP filed an emergency application with the U.S. Supreme Court requesting the stays issued by the Fourth Circuit Court be vacated. If the stay orders are not promptly reversed, it would jeopardize MVP's ability to complete construction by year-end 2023. The total project costs are expected to be US$6.6 billion. As of June 30, 2023, approximately 94 percent of the project is complete, which includes construction of all original interconnects and compressor stations. AltaGas' exposure is contractually capped to the original estimated contributions of approximately US$352 million. In the fourth quarter of 2021, AltaGas impaired its equity investment in MVP to its original carrying value of US$352 million as a result of ongoing legal and regulatory challenges.	By year-end 2023, however if halt of construction activities continues this will be jeopardized.
MVP Southgate Project	5%	US$20 million	US$4 million	MVP continues to evaluate the MVP Southgate project, including engaging in discussions with the shipper regarding options for the project and potential changes to the project design and timing in lieu of pursuing the project as originally contemplated. In the fourth quarter of 2021, AltaGas impaired its equity investment in the MVP Southgate project to a carrying value of $nil as a result of these ongoing legal and regulatory challenges.	Completion date under review.

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 for subsequent phases upon approval.	US$115 million (3)	On December 22, 2022, Washington Gas filed an application with the Public Service Commission of the District of Columbia (PSC of DC) for PROJECTpipes 3, seeking approval of approximately US$672 million for the five-year period from January 1, 2024 to December 31, 2028. Parties comment to Washington Gas filing was filed on June 16, 2023 and reply comment from Washington Gas was filed July 17, 2023.	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 for subsequent phases upon approval.	US$312 million (3)	The second phase of the accelerated utility pipe replacement programs in Maryland (STRIDE 2.0) ends in December 2023. Beginning in March 2022, the PSC of MD has issued orders reducing the STRIDE surcharge for 2022 and 2023 by 14.7 percent each year. Recovery of STRIDE expenditures not included in this surcharge will be requested through the normal rate-making process. On June 16, 2023, Washington Gas filed an application with the PSC of MD for the third phase of its modernization ARP program, seeking approval for approximately US$495 million of modernization investments on behalf of customers over the five-year period from January 1, 2024 to December 31, 2028.	Individual assets are placed into service throughout the program.
Accelerated Utility Pipe Replacement Programs – ***Virginia***	100%	Estimated US$878 million over the five year period from January 2023 to December 2027, plus additional expenditures for subsequent phases upon approval.	US$66 million (3)	On May 26, 2022, the Commonwealth of Virginia State Corporation Commission (SCC of VA) approved Washington Gas' proposed amendment for the 2023 to 2027 SAVE Plan with a total five-year spending cap of approximately US$878 million, which may be exceeded by up to 5 percent.	Individual assets are placed into service throughout the program.
Accelerated Mains Replacement and Infrastructure Reliability Improvement Programs – ***Michigan***	100%	Estimated US$115 million over five year period from 2021 to 2025, plus additional expenditures for subsequent phases upon approval.	US$51 million (3)	A new Main Replacement Program (MRP) was agreed to in SEMCO's last rate case settled in December 2019. The new five-year MRP program began 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 capital expenditures incurred from inception of the project's current phase to June 30, 2023.
(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.

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 income tax expense, normalized effective income tax rate, net debt, and net debt to total capitalization, invested capital, and net invested capital throughout this MD&A have the meanings as set out in this section.

Change in Composition of Non-GAAP Measures

In the third quarter of 2022, Management changed the composition of certain of AltaGas' non-GAAP measures such that adjustments for acquired contingencies are no longer included as normalization adjustments. This change was made as a result of Management's assessment that these contingencies are of a recurring and ongoing nature, and as such, the more appropriate methodology is to align the non-GAAP treatment of these costs and recoveries with the GAAP accounting treatment. Prior period calculations of the relevant non-GAAP measures have been restated to reflect this change. The following table summarizes the impact of this change on the periods presented in this MD&A.

Increase (decrease) as result of change	Three Months Ended June 30		Six Months Ended June 30	
($ millions, except where noted)	**2023**	2022	**2023**	2022
Normalized EBITDA	**$ —**	$ 30	**$ —**	$ 30
Normalized net income (1)	**$ —**	$ 17	**$ —**	$ 17
Normalized funds from operations (1)	**$ —**	$ 30	**$ —**	$ 30
Normalized income tax expense	**$ —**	$ 6	**$ —**	$ 6
Normalized effective tax rate (%)	**— %**	(1.2)%	**— %**	(0.1)%

(1) Corresponding per share amounts have also been adjusted.

Normalized EBITDA

($ millions)	Three Months Ended June 30 2023	Three Months Ended June 30 2022	Six Months Ended June 30 2023	Six Months Ended June 30 2022
Income before income taxes (GAAP financial measure)	**$ 182**	$ 85	**$ 802**	$ 590
Add:				
Depreciation and amortization	**112**	108	**223**	221
Interest expense	**93**	76	**198**	146
EBITDA	**$ 387**	$ 269	**$ 1,223**	$ 957
Add (deduct):				
Transaction costs related to acquisitions and dispositions (1)	**4**	2	**20**	2
Unrealized losses (gains) on risk management contracts (2)	**(150)**	5	**(115)**	(104)
Losses (gains) on sale of assets (3)	**(11)**	1	**(319)**	(6)
CEO transition (4)	**5**	—	**5**	—
Settlement of pension plan (5)	**2**	—	**2**	—
Accretion expenses	**2**	2	**5**	3
Foreign exchange gains	**—**	(3)	**—**	(2)
Normalized EBITDA	**$ 239**	$ 276	**$ 821**	$ 850

(1) Comprised of transaction costs related to acquisitions and dispositions of assets and/or equity investments in the period. These costs are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income. Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. The amounts presented in this table reflect the restated figures to align with the revised policy. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) Included in the "revenue" and "cost of sales" line items on the Consolidated Statements of Income. Please refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' risk management activities.

(3) Included in the "other income" line item on the Consolidated Statements of Income. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(4) Comprised of costs related to the transition of AltaGas' CEO. These costs are included in the "operating and administrative" line items on the Consolidated Statements of Income.

(5) Relates to the completion of the wind-up of the Canadian defined benefit pension plan in the second quarter of 2023. The settlement charge is included in the "other income" line on the Consolidated Statements of Income. Please refer to Note 18 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding the wind-up of the pension plan.

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 income before income taxes adjusted for pre-tax depreciation and amortization, and interest expense.

AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is used by Management to enhance the understanding of AltaGas' earnings over periods, as well as for budgeting and compensation related purposes. 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

($ millions)	Three Months Ended June 30 2023	Three Months Ended June 30 2022	Six Months Ended June 30 2023	Six Months Ended June 30 2022
Net income applicable to common shares (GAAP financial measure)	**$ 133**	$ 35	**$ 578**	$ 393
Add (deduct) after-tax:				
Transaction costs related to acquisitions and dispositions (1)	**2**	1	**15**	1
Unrealized losses (gains) on risk management contracts (2)	**(116)**	5	**(89)**	(76)
Non-controlling interest portion of non-GAAP adjustments (3)	**—**	1	**—**	4
Gains on sale of assets (4)	**(9)**	(2)	**(217)**	(7)
CEO transition (5)	**4**	—	**4**	—
Loss on redemption of preferred shares (6)	**—**	—	**—**	10
Settlement of pension plan (7)	**2**	—	**2**	—
Normalized net income	**$ 16**	$ 40	**$ 293**	$ 325

(1) Comprised of transaction costs related to acquisitions and dispositions of assets and/or equity investments in the period. The pre-tax costs are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income. Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. The amounts presented in this table reflect the restated figures to align with the revised policy. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) The pre-tax amounts are included in the “revenue” and “cost of sales” line items on the Consolidated Statements of Income. Please refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' risk management activities.

(3) The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the “net income applicable to non-controlling interests” line item on the Consolidated Statements of Income. As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. This includes the associated impact to the portion applicable to non-controlling interests. The amounts presented in this table reflect the restated figures to align with the revised policy.

(4) The pre-tax amounts are included in the “other income” line item on the Consolidated Statements of Income. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(5) Comprised of costs related to the transition of AltaGas' CEO. The pre-tax costs are included in the "operating and administrative" line items on the Consolidated Statements of Income.

(6) Comprised of the loss on the redemption of Series K Preferred Shares on March 31, 2022. The loss on redemption of preferred shares is recorded on the "loss of redemption of preferred shares" line on the Consolidated Statements of Income.

(7) Relates to the completion of the wind-up of the Canadian defined benefit pension plan in the second quarter of 2023. The settlement charge is included in the "other income" line on the Consolidated Statements of Income. Please refer to Note 18 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding the wind-up of the pension plan.

Normalized net income and normalized net income per share are used by Management to enhance the comparability of AltaGas' earnings, as these metrics reflect the underlying performance of AltaGas' business activities.

Normalized Funds from Operations

($ millions)		Three Months Ended June 30 2023		2022		Six Months Ended June 30 2023		2022
Cash from operations (GAAP financial measure)	**$**	**373**	$	527	**$**	**964**	$	1,211
Add (deduct):								
Net change in operating assets and liabilities		**(231)**		(328)		**(422)**		(553)
Asset retirement obligations settled		**3**		1		**5**		3
Funds from operations	**$**	**145**	$	200	**$**	**547**	$	661
Add (deduct):								
Transaction costs related to acquisitions and dispositions (1)		**4**		2		**20**		2
CEO transition (2)		**5**		—		**5**		—
Current tax expense (recovery) on asset sales (3)		**(4)**		(2)		**38**		(1)
Normalized funds from operations	**$**	**150**	$	200	**$**	**610**	$	662

(1) Comprised of costs related to acquisitions and dispositions of assets and/or equity investments in the period. These costs exclude any non-cash amounts and are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income. Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. The amounts presented in this table reflect the restated figures to align with the revised policy. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) Comprised of costs related to the transition of AltaGas' CEO. These costs are included in the "operating and administrative" line items on the Consolidated Statements of Income.

(3) Included in the "current income tax expense (recovery)" line item on the Consolidated Statements of Income.

Normalized funds from operations and 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 and normalized 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

($ millions)		Three Months Ended June 30 2023		2022		Six Months Ended June 30 2023		2022
Income tax expense (GAAP financial measure)	**$**	**38**	$	17	**$**	**202**	$	124
Add (deduct) tax impact of:								
Transaction costs related to acquisitions and dispositions (1)		**2**		1		**5**		1
Unrealized gains on risk management contracts		**(34)**		—		**(26)**		(28)
Losses (gains) on sale of assets		**(2)**		3		**(102)**		1
CEO transition (2)		**1**		—		**1**		—
Normalized income tax expense	**$**	**5**	$	21	**$**	**80**	$	98

(1) As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. The amounts presented in this table reflect the restated figures to align with the revised policy.

(2) Comprised of costs related to the transition of AltaGas' CEO.

The above table provides a reconciliation of normalized income tax expense from the GAAP financial measure, income tax expense. The reconciling items are comprised of the income tax impacts of normalizing items present in the calculation of normalized net income. For more information on the individual normalizing items, please refer to the normalized net income reconciliation above.

Normalized income tax expense 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, plus current and long-term portions of long-term debt and subordinated hybrid notes, 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.

Invested Capital and Net Invested Capital

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2023**	2022	**2023**	2022
Cash used in (from) investing activities (GAAP financial measure)	**$ 231**	$ (31)	**$ (638)**	$ 128
Add (deduct):				
Net change in non-cash capital expenditures (1)	**(7)**	40	**(35)**	3
Net invested capital	**$ 224**	$ 9	**$ (673)**	$ 131
Asset dispositions	**—**	225	**1,072**	245
Invested capital	**$ 224**	$ 234	**$ 399**	$ 376

(1) Comprised of non-cash capital expenditures included in the "accounts payable and accrued liabilities" line item on the Consolidated Balance Sheets. Please refer to Note 19 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details.

Invested capital is a measure of AltaGas' use of funds for capital expenditure activities. It includes expenditures relating to property, plant, and equipment and intangible assets, capital contributed to long term investments, and contributions from non-controlling interests. Net invested capital is invested capital presented net of any proceeds from disposals of assets and equity investments in the period. Net invested capital is calculated based on the investing activities section in the Consolidated Statements of Cash Flows, adjusted for items such as non-cash capital expenditures, AFUDC, and contributions from non-controlling interests. Invested capital and net invested capital are used by Management, investors, and analysts to enhance the understanding of AltaGas' capital expenditures from period to period and provide additional detail on the Company's use of capital.

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 June 30		Six Months Ended June 30	
($ millions)	**2023**	2022	**2023**	2022
Normalized EBITDA [1]	**$ 239**	$ 276	**$ 821**	$ 850
Add (deduct):				
Depreciation and amortization	**(112)**	(108)	**(223)**	(221)
Interest expense	**(93)**	(76)	**(198)**	(146)
Income tax expense	**(38)**	(17)	**(202)**	(124)
Normalizing items impacting income taxes [1][2]	**33**	(4)	**122**	26
Accretion expenses	**(2)**	(2)	**(5)**	(3)
Foreign exchange gains	**—**	3	**—**	2
Non-controlling interest portion of non-GAAP adjustments [3]	**—**	1	**—**	4
Net income applicable to non-controlling interests	**(4)**	(23)	**(9)**	(40)
Preferred share dividends	**(7)**	(10)	**(13)**	(23)
Normalized net income [1]	**$ 16**	$ 40	**$ 293**	$ 325

(1) As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. The amounts presented in this table reflect the restated figures to align with the revised policy.

(2) Represents the income tax impact related to the normalizing items included in the calculation of Normalized EBITDA.

(3) The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the "net income applicable to non-controlling interests" line item on the Consolidated Statements of Income. As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. This includes the associated impact to the portion applicable to non-controlling interests. The amounts presented in this table reflect the restated figures to align with the revised policy.

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 June 30		Six Months Ended June 30	
($ millions, except normalized effective income tax rate)	**2023**	2022	**2023**	2022
Normalized net income (1)	**$ 16**	$ 40	**$ 293**	$ 325
Add (deduct):				
Normalized income tax expense (1)(2)	**5**	21	**80**	98
Net income applicable to non-controlling interests	**4**	23	**9**	40
Non-controlling interest portion of non-GAAP adjustments (3)	**—**	(1)	**—**	(4)
Preferred share dividends	**7**	10	**13**	23
Normalized net income before taxes (1)	**$ 32**	$ 93	**$ 395**	$ 482
Normalized effective income tax rate (%) (1)(4)	**15.6**	22.6	**20.3**	20.3

(1) As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. The amounts presented in this table reflect the restated figures to align with the revised policy.

(2) Calculated in the section above.

(3) The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the "net income applicable to non-controlling interests" line item on the Consolidated Statements of Income. As noted on page 16 of this MD&A, in the third quarter of 2022 AltaGas changed its non-GAAP policy to remove the normalization of acquisition related contingencies. This includes the associated impact to the portion applicable to non-controlling interests. The amounts presented in this table reflect the restated figures to align with the revised policy.

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

Results of Operations by Reporting Segment

Normalized EBITDA [1] [2]	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2023**	2022	**2023**	2022
Utilities	**$ 102**	$ 116	**$ 503**	$ 523
Midstream	**134**	163	**317**	337
Sub-total: Operating Segments	**$ 236**	$ 279	**$ 820**	$ 860
Corporate/Other	**3**	(3)	**1**	(10)
	$ 239	$ 276	**$ 821**	$ 850

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

(2) In the third quarter of 2022, Management changed AltaGas' non-GAAP policy to remove normalization adjustments relating to acquired contingencies. Prior periods have been restated to reflect this change. Please refer to the Non-GAAP Financial Measures section of this MD&A for additional details.

Income (Loss) Before Income Taxes	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2023**	2022	**2023**	2022
Utilities	**$ 105**	$ (9)	**$ 695**	$ 416
Midstream	**181**	181	**320**	341
Sub-total: Operating Segments	**$ 286**	$ 172	**$ 1,015**	$ 757
Corporate/Other	**(104)**	(87)	**(213)**	(167)
	$ 182	$ 85	**$ 802**	$ 590

Revenue	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2023**	2022	**2023**	2022
Utilities	**$ 837**	$ 832	**$ 2,772**	$ 2,433
Midstream	**1,774**	2,388	**3,861**	4,659
Sub-total: Operating Segments	**$ 2,611**	$ 3,220	**$ 6,633**	$ 7,092
Corporate/Other	**20**	21	**46**	41
	$ 2,631	$ 3,241	**$ 6,679**	$ 7,133

Utilities

Operating Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Natural gas deliveries - end-use (Bcf) [1]	**15.3**	23.0	**76.7**	97.7
Natural gas deliveries - transportation (Bcf) [1]	**19.5**	26.1	**57.6**	69.8
Service sites (thousands) [2]	**1,553**	1,693	**1,553**	1,693
Degree day variance from normal - SEMCO Gas (%) [3]	**(5.6)**	1.8	**(10.7)**	2.9
Degree day variance from normal - ENSTAR (%) [3]	**n/a**	(9.6)	**(4.9)**	(11.1)
Degree day variance from normal - Washington Gas (%) [3] [4]	**(27.0)**	20.7	**(22.8)**	1.2
Retail energy marketing - gas sales volumes (Mmcf)	**10,623**	10,469	**31,026**	34,106
Retail energy marketing - electricity sales volumes (GWh)	**3,365**	3,123	**6,687**	6,219

(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. The degree day variance from normal for ENSTAR is for the period prior to the close of the Alaska Utilities Disposition on March 1, 2023.

(4) In certain of Washington Gas' jurisdictions (Virginia and Maryland) there are billing mechanisms in place which 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.

During the second quarter of 2023, AltaGas' Utilities segment experienced warmer weather at SEMCO and Washington Gas compared to the same quarter of 2022.

During the first half of 2023, AltaGas' Utilities segment experienced warmer weather at SEMCO and Washington Gas, and colder weather at ENSTAR prior to the close of the Alaska Utilities Disposition compared to the same period in 2022.

Service sites at June 30, 2023 decreased by approximately 140,000 sites compared to June 30, 2022 primarily due to the impact of the close of the Alaska Utilities Disposition on March 1, 2023.

In the second quarter of 2023, U.S. retail gas sales volumes were 10,623 Mmcf, compared to 10,469 Mmcf in the same quarter of 2022. The increase was primarily due to an increase in commercial customers served by the business compared to the same quarter of 2022. U.S. retail electricity sales volumes were 3,365 GWh in the second quarter of 2023, compared to 3,123 GWh in the same quarter of 2022. The increase was primarily due to an increase in commercial customers served by the business compared to the same quarter of 2022.

In the first half of 2023, U.S. retail gas sales volumes were 31,026 Mmcf, compared to 34,106 Mmcf in the same period in 2022. The decrease was primarily due to significantly warmer weather compared to the same period in 2022. U.S. retail electricity sales volumes were 6,687 GWh in the first half of 2023, compared to 6,219 GWh in the same period in 2022. The increase was primarily due to an increase in commercial customers served by the business.

Three Months Ended June 30

Normalized EBITDA in the Utilities segment was $102 million in the second quarter of 2023, compared to $116 million in the same quarter of 2022. The decrease in normalized EBITDA was mainly due to the impact of the Alaska Utilities Disposition, lower gas margins from WGL's retail marketing business, higher operating and administrative expenses, and warmer weather in Michigan and the District of Columbia where the Utilities do not have weather normalization, partially offset by higher power margins from WGL's retail marketing business, higher revenue from accelerated pipe replacement program spend, the impact of Washington Gas' 2022 Virginia rate case, an impact of approximately $7 million due to movement in foreign exchange rates, and an increase in asset optimization activities at Washington Gas.

The Utilities segment income before income taxes was $105 million in the second quarter of 2023, compared to a loss before income taxes of $9 million in the same quarter of 2022. The increase was mainly due to higher unrealized gains on risk management contracts primarily within the retail marketing business and favourable working capital adjustments related to the Alaska Utilities Disposition, partially offset by the same previously referenced factors impacting normalized EBITDA.

In the second quarter of 2023, the Utilities segment recognized a pre-tax gain on disposition of assets of approximately $10 million due to favourable working capital adjustments related to the Alaska Utilities Disposition.

Six Months Ended June 30

The Utilities segment reported normalized EBITDA of $503 million in the first half of 2023, compared to $523 million in the same period in 2022. The decrease in normalized EBITDA was mainly due to lower gas margins from WGL's retail marketing business, the impact of the Alaska Utilities Disposition, warmer weather in Michigan and the District of Columbia where the Utilities do not have weather normalization, and higher operating and administrative expenses, partially offset by the impact of ongoing investments on behalf of its customers across the network through various accelerated pipe replacement programs, an impact of approximately $34 million due to the change in foreign exchange rates, the impact of Washington Gas' 2022 Virginia rate case, higher power margins from WGL's retail marketing business, the gain resulting from the partial debt defeasance associated with the Alaska Utilities Disposition in the first quarter of 2023, and customer growth.

The Utilities segment income before income taxes was $695 million in the first half of 2023, compared to $416 million in the same period of 2022. The increase was primarily due to the gain on the Alaska Utilities Disposition, partially offset by the same previously referenced factors impacting normalized EBITDA.

In the first half of 2023, the Utilities segment recognized a pre-tax gain on disposition of assets of approximately $304 million due to the gain on the Alaska Utilities Disposition.

Rate Case Updates

Utility/ Jurisdiction	Date Filed	Request	Status	Expected Timing of Decision
Washington Gas - Maryland	May 2023	US$49 million increase in base rates, including US$21 million currently collected through the STRIDE surcharge for system upgrades. Therefore, the incremental amount of the base rate increase requested was approximately US$28 million.	On May 18, 2023, Washington Gas filed an application for authority to increase charges for gas service in Maryland. The requested rates are designed to collect approximately US$49 million in total annual revenues requesting a 10.75 percent return on equity. Of the requested revenue increase, approximately US$21 million represents costs currently collected through the STRIDE surcharge; therefore, the incremental amount of the base rate increase is approximately US$28 million. The PSC of MD has 210 days to consider the application, and a decision is expected around mid-December 2023.	Late 2023.
Washington Gas - District of Columbia	April 2022	US$53 million increase in base rates, including US$5 million currently collected through the PROJECT*pipes* surcharge. Therefore, the incremental amount of the base rate increase requested was approximately US$48 million.	On April 4, 2022, Washington Gas filed an application for authority to increase charges for gas service in the District of Columbia. The requested rates are designed to collect approximately US$53 million in total annual revenues requesting a 10.4 percent rate of return on equity. Of the requested revenue increase, approximately US$5 million represents costs currently collected through the PROJECTpipes surcharge; therefore, the incremental amount of the base rate increase is approximately US$48 million. On June 23, 2023, the PSC of DC amended the procedural schedule. The DC Office of People's Counsel and Intervenor surrebuttal testimony was filed on May 19, 2023, Washington Gas rejoinder testimony was filed on June 28, 2023, and a hearing is tentatively scheduled for September 11, 2023, with briefs to be filed on October 11, 2023. A final decision is expected around the first quarter of 2024.	Timing of decision not yet known; decision could be in the first quarter of 2024.

Utility/ Jurisdiction	Date Filed	Request	Status	Expected Timing of Decision
Washington Gas - Virginia	June 2022	US$48 million increase in base rates, plus the request to transfer an additional US$39 million currently collected in SAVE surcharge into base rates, for a total increase of approximately US$87 million.	On June 29, 2022, Washington Gas filed an application for authority to increase rates in the Commonwealth of Virginia. The requested rates are designed to collect an incremental US$48 million in total annual revenues requesting a 10.75 percent rate of return on equity. In addition to the incremental revenues requested, the base rate increase also includes the transfer of US$39 million in revenues currently collected in the form of a surcharge relating to Washington Gas' SAVE Program. Washington Gas implemented the proposed rates (on an interim basis subject to refund) on the first billing cycle date for December 2022, which was 150 days after its application was filed, as permitted by Virginia law. Intervenors provided their direct testimony on February 10, 2023. The staff testimony was filed on March 10, 2023, Washington Gas' rebuttal testimony was filed on April 7, 2023. On April 23, 2023, Washington Gas, SCC of VA Staff and the Office of the Attorney General filed a proposed stipulation for a settlement that includes a revenue increase of US$73 million and return on equity of 9.65 percent. The evidentiary hearing was held on May 2, 2023, and letters in lieu of briefs were filed on June 9, 2023. On July 17, 2023, the Hearing Examiner report was issued and recommended the SCC of VA approve the proposed stipulation with certain recommendations. Comments on the Hearing Examiner's report are due by August 7, 2023. After comments are filed on the Hearing Examiner's report, the Commission will review.	Timing of decision not yet known. Interim rates went into effect on the first billing cycle for December 2022, subject to refund.

Utility/ Jurisdiction	Date Filed	Request	Status	Expected Timing of Decision
Washington Gas - Maryland	August 2020	US$27 million increase in base rates, including US$6 million currently collected through STRIDE surcharge for system upgrades. Therefore, the incremental amount of the base rate increase requested was approximately US$21 million.	On April 9, 2021, a final order was received from the PSC of MD related to this rate increase application, authorizing Washington Gas to increase its Maryland natural gas distribution rates by approximately US$13 million (including US$6 million currently collected through the STRIDE surcharge), reflecting a return on equity of 9.70 percent. The revenue increase became effective on March 26, 2021. On May 14, 2021, the Maryland Office of People's Counsel (MD OPC) filed a petition for re-hearing of the PSC of MD's finding on merger synergy savings and certain rate base additions. The request was denied and on August 31, 2021, the MD OPC filed an appeal of the PSC of MD's denial of their petition for a re-hearing with the Circuit Court of Baltimore City (Circuit Court). On February 25, 2022, the Circuit Court reversed the July 29, 2021 order from the PSC of MD and remanded two issues back to the PSC of MD. On March 10, 2022, the PSC of MD filed a Motion to Alter or Amend Judgement to the Circuit Court's ruling on the merger synergy savings issue and the MD OPC filed a response. On May 31, 2022, the Circuit Court granted the PSC of MD and Washington Gas' joint motion, determining that the PSC of MD properly permitted Washington Gas' recovery of corporate costs and relieving the PSC of MD of the obligation to rule on merger synergy savings on remand. The Circuit Court did not disturb its ruling on certain rate base additions, and the PSC of MD stated in a subsequent filing that it will address future challenges to rate base in accordance with the Circuit Court's original ruling. On June 30, 2022, the MD OPC appealed the Circuit Court's new order on merger synergy savings to the Appellate Court of Maryland (formerly the Maryland Court of Special Appeals). Washington Gas anticipates a final decision from the Appellate Court during the second half of 2023 or the first half of 2024.	Final order issued April 2021. Decision by Court of Special Appeals expected in the second half of 2023 or first half of 2024.

Midstream

Operating Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
LPG export volumes (Bbls/d) (1)	**115,589**	110,845	**107,562**	99,469
Total inlet gas processed (Mmcf/d) (1)	**1,344**	1,205	**1,358**	1,333
Extracted ethane volumes (Bbls/d) (1)	**24,927**	21,706	**25,081**	26,108
Extracted NGL volumes (Bbls/d) (1) (2)	**35,765**	29,402	**35,081**	32,568
Fractionation volumes (Bbls/d) (1)	**38,364**	28,944	**40,000**	31,006
Frac spread - realized ($/Bbl) (1) (3)	**23.87**	28.70	**25.58**	26.16
Frac spread - average spot price ($/Bbl) (1) (4)	**21.56**	32.97	**24.43**	35.10
Propane Far East Index (FEI) to Mont Belvieu spread (US$/Bbl) (1) (5)	**14.54**	12.94	**17.48**	12.90
Butane FEI to Mont Belvieu spread (US$/Bbl) (1) (6)	**15.29**	11.84	**18.51**	11.39

(1) Average for the period.
(2) NGL volumes refer to propane, butane and condensate.
(3) 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 spread 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.
(4) 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 spread exposed volumes for the period.
(5) Average propane price spread between FEI and Mont Belvieu TET commercial index.
(6) Average butane price spread between FEI and Mont Belvieu TET commercial index.

LPG volumes exported to Asia from RIPET and Ferndale for the three months ended June 30, 2023 averaged 115,589 Bbls/d compared to 110,845 Bbls/d for the same period in 2022. There were 19 full shipments and one partial shipment in the second quarter of 2023 compared to 18 full shipments and one partial shipment in the same period of 2022. Higher export volumes were primarily the result of increased offtake demand, higher available supply, and improved logistics.

LPG volumes exported to Asia from RIPET and Ferndale for the six months ended June 30, 2023 averaged 107,562 Bbls/d compared to 99,469 Bbls/d for the same period in 2022. There were 35 full shipments and one partial shipment in the first half of 2023 compared to 32 full shipments and one partial shipment in the same period of 2022. Higher export volumes and shipments were the result of increased offtake demand, higher available supply, and improved logistics.

Inlet gas processing volumes for the second quarter of 2023 increased by 139 Mmcf/d compared to the same quarter of 2022. Higher inlet gas processing volumes were primarily due to the higher producer volumes at the Townsend complex, higher volumes at the Harmattan raw gas and co-stream facilities and at the Younger facility due to higher seasonal demand, and higher frac exposed volumes, partially offset by the impact of the Aitken Creek sale in the second quarter of 2022.

Inlet gas processing volumes for the first half of 2023 increased by 25 Mmcf/d compared to the same period in 2022. Higher inlet gas processing volumes were primarily a result of higher producer volumes at the Townsend complex, higher volumes at the Harmattan raw gas and co-stream facilities and at the Younger facility due to higher seasonal demand, and higher frac exposed volumes, partially offset by the impact of the Aitken Creek sale in the second quarter of 2022.

Average ethane volumes for the second quarter of 2023 increased by 3,221 Bbls/d, while average extracted NGL volumes increased by 6,363 Bbls/d compared to the same quarter of 2022. Higher ethane volumes were a result of higher raw gas and co-stream production at Harmattan and lower re-injection rates at PEEP, partially offset by higher re-injection rates at JEEP. Higher extracted NGL volumes were a result of increased production at the Townsend complex due to higher demand from third party customers and higher production at Harmattan due to the absence of a turnaround in the second quarter of 2022.

Average ethane volumes for the first half of 2023 decreased by 1,027 Bbls/d, while average extracted NGL volumes increased by 2,513 Bbls/d compared to the same period in 2022. Lower ethane volumes were a result of lower co-stream inlet volumes at Harmattan and higher JEEP and EEEP re-injection rates, partially offset by higher Harmattan raw gas production. Higher extracted NGL volumes were a result of increased production at the Townsend facilities due to higher demand from third party customers and higher production at Harmattan due to the absence of a turnaround in the second quarter of 2022, partially offset by a third party pipeline outage which resulted in the re-injection of NGL volumes at Gordondale in the first quarter of 2023.

Fractionation volumes for the second quarter of 2023 increased by 9,420 Bbls/d compared to the same quarter of 2022. Higher fractionation volumes were a result of higher North Pine volumes and utilization, higher Harmattan trucked-in NGL mix and raw gas volumes, and higher volumes and utilization at the Younger facility.

Fractionation volumes for the first half of 2023 increased by 8,994 Bbls/d compared to the same period in 2022. Higher fractionation volumes were a result of higher North Pine volumes and utilization, higher Harmattan trucked-in NGL mix and raw gas volumes, and higher volumes and utilization at the Younger facility.

Three Months Ended June 30

The Midstream segment reported normalized EBITDA of $134 million in the second quarter of 2023 compared to $163 million in the same quarter of 2022. There were several positive and negative contributors underpinning the year-over-year variance. Positive factors included strong performance from the global exports business as a result of year-over-year tolling and processing volume growth and higher Asian-to-North American propane spreads, AFUDC at MVP as a result of the resumption of construction activities in June 2023, higher power revenue at Harmattan primarily due to higher power prices, and a favourable impact related to the sale of greenhouse gas credits generated by the processing facilities. These were more than offset by a lower impact from the favourable resolution of certain commercial disputes and contingencies compared to the second quarter of 2022, lower marketing margins and volumes, lower inventory withdrawals, lower realized butane margins in the global export business, and the impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022. Other factors negatively impacting normalized EBITDA include the impact of the wildfires at the NEBC facilities which resulted in a declared force majeure of 12.5 days.

Income before income taxes in the Midstream segment was $181 million in the second quarter of 2023, consistent with the same quarter of 2022. Income before income taxes in the quarter was mainly impacted by higher unrealized gains on risk management contracts, offset by the same previously referenced factors impacting normalized EBITDA.

In the second quarter of 2023, the Midstream segment recognized a pre-tax gain on disposition of assets of approximately $1 million due to cash proceeds received from an escrow account related to the 2019 disposition of AltaGas' investment in Meade, which held WGL Midstream's indirect, non-operating interest in the Central Penn. In the second quarter of 2022, the Midstream segment recognized a pre-tax gain on disposition of assets of approximately $1 million related to the sale of AltaGas' interest in the Aitken Creek processing facilities.

Six Months Ended June 30

The Midstream segment reported normalized EBITDA of $317 million in the first half of 2023, compared to $337 million in the same period in 2022. There were several positive and negative contributors underpinning the year-over-year variance. Positive factors included year-over-year tolling and processing volume growth and higher Asian-to-North American propane spreads within the global exports business, AFUDC at Mountain Valley Pipeline as a result of the resumption of construction activities in June 2023, higher fractionation volumes, the favourable resolution of certain commercial disputes and contingencies, higher power revenue at Harmattan primarily due to higher power prices, and a favourable impact related to the sale of greenhouse gas credits generated by the processing facilities. These were more than offset by lower realized butane margins in the global export business, lower marketing margins and volumes, lower inventory withdrawals, and the impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022. Other factors negatively impacting normalized EBITDA include the impact of the wildfires at the NEBC facilities which resulted in a declared force majeure of 12.5 days.

Income before income taxes in the Midstream segment was $320 million in the first half of 2023, compared to $341 million in the first half of 2022. The decrease was mainly due to the same previously referenced factors impacting normalized EBITDA, partially offset by higher unrealized gains on risk management contracts.

In the first half of 2023, the Midstream segment recognized a pre-tax gain on disposition of assets of approximately $1 million due to the previously mentioned Meade escrow proceeds. In the first half of 2022, the Midstream segment recognized pre-tax gains on dispositions of assets of approximately $1 million related to the previously mentioned disposition in the second quarter of 2022.

Midstream Hedges

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Frac spread exposed volumes (Bbls/d)	**9,787**	9,760	**10,662**	10,475
NGL volumes hedged (Bbls/d)	**8,000**	8,000	**7,315**	8,412
Average price of NGL volumes hedged ($/Bbl) (1)	**36**	34	**36**	34
Average export volumes hedged (Bbls/d)	**57,491**	61,143	**60,952**	58,319
Average FEI to North American NGL price spread for volumes hedged (US$/Bbl)	**12**	13	**14**	19

(1) Excludes basis differential.

Corporate/Other

Three Months Ended June 30

In the Corporate/Other segment, normalized EBITDA for the second quarter of 2023 was $3 million, compared to a loss of $3 million in the same quarter of 2022. The increase in normalized EBITDA was mainly due to lower expenses related to employee incentive plans.

Loss before income taxes in the Corporate/Other segment was $104 million in the second quarter of 2023, compared to a loss of $87 million in the same quarter of 2022. The higher loss was mainly due to higher interest expense, costs related to the CEO transition, and lower foreign exchange gains, partially offset by the same previously referenced factors impacting normalized EBITDA.

In the second quarter of 2022, the Corporate/Other segment recognized a pre-tax loss on disposition of assets of approximately $2 million related to the sale of a power plant in Brush, Colorado.

Six Months Ended June 30

In the Corporate/Other segment, normalized EBITDA for the first half of 2023 was $1 million, compared to a loss of $10 million in the same period in 2022. The increase in normalized EBITDA was mainly due to lower expenses related to employee incentive plans as a result of the absence of the increase in share price during the first half of 2022 as well as lower operating and administrative expenses, partially offset by the previously mentioned sale of a power plant in Brush, Colorado.

Loss before income taxes in the Corporate/Other segment was $213 million in the first half of 2023, compared to a loss of $167 million in the same quarter of 2022. The higher loss was mainly due higher interest expense, higher transaction costs on acquisitions and dispositions, and costs related to the CEO transition, partially offset by the same previously referenced factors impacting normalized EBITDA, additional proceeds received due to contract contingencies on the sale of Goleta in the first quarter of 2023, and higher unrealized gains on risk management contracts.

In the first half of 2022, the Corporate/Other segment recognized pre-tax gains on dispositions of assets of approximately $5 million related to the sale of Goleta and the previously mentioned dispositions in the second quarter of 2022. In the first half of 2023, the Corporate/Other segment recognized an additional pre-tax gain of approximately $11 million on the previously mentioned sale of Goleta as a result of an additional payment for the favourable settlement of outstanding contingencies based on contract outcomes.

Net Invested Capital

Net invested capital is a non-GAAP financial measure. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further discussion.

								Three Months Ended June 30, 2023
($ millions)		**Utilities**		**Midstream**		**Corporate/ Other**		**Total**
Invested capital:								
Property, plant and equipment	$	**198**	$	**23**	$	**—**	$	**221**
Intangible assets		**—**		**1**		**—**		**1**
Long-term investments		**—**		**2**		**—**		**2**
Invested capital and net invested capital	$	**198**	$	**26**	$	**—**	$	**224**

								Three Months Ended June 30, 2022
($ millions)		Utilities		Midstream		Corporate/ Other		Total
Invested capital:								
Property, plant and equipment	$	189	$	43	$	—	$	232
Intangible assets		1		1		—		2
Invested capital		190		44		—		234
Disposals:								
Asset dispositions		—		(224)		(1)		(225)
Net invested capital	$	190	$	(180)	$	(1)	$	9

During the second quarter of 2023, AltaGas' invested capital was $224 million, compared to $234 million in the same quarter of 2022. The decrease in invested capital was primarily due to lower additions to property, plant, and equipment as a result of lower Midstream maintenance capital spend, partially offset by higher growth capital spend primarily related to the Harmattan Carbon Capture and Acid Gas Injection well, the REEF project, new business development, and various optimization projects. Utility segment invested capital was higher primarily due to the impact of the higher average Canadian/U.S. dollar exchange rate and higher spend on accelerated pipe replacement programs at Washington Gas, partially offset by lower spend on system betterment. Asset dispositions in the second quarter of 2022 primarily related to proceeds received from the sales of AltaGas' interest in the Aitken Creek processing facilities and a power plant in Brush, Colorado.

Invested capital in the second quarter of 2023 included maintenance capital of $5 million (2022 - $37 million) in the Midstream segment. The decrease in Midstream maintenance capital in the second quarter of 2023 was primarily related to lower turnaround spend.

During the second quarter of 2023, AltaGas' cash flow from investing activities was an outflow of $231 million compared to an inflow of $31 million in the same quarter of 2022. Please refer to the *Non-GAAP Financial Measures* and *Liquidity* sections of this MD&A for further information on AltaGas' cash flow from investing activities.

					Six Months Ended June 30, 2023
($ millions)		**Utilities**	**Midstream**	**Corporate/ Other**	**Total**
Invested capital:					
Property, plant and equipment	$	**349**	$ **42**	$ **3**	$ **394**
Intangible assets		**—**	**2**	**—**	**2**
Long-term investments		**—**	**3**	**—**	**3**
Invested capital		**349**	**47**	**3**	**399**
Disposals:					
Asset dispositions		**(1,059)**	**(2)**	**(11)**	**(1,072)**
Net invested capital	$	**(710)**	$ **45**	$ **(8)**	$ **(673)**

					Six Months Ended June 30, 2022
($ millions)		Utilities	Midstream	Corporate/ Other	Total
Invested capital:					
Property, plant and equipment	$	318	$ 47	$ 8	$ 373
Intangible assets		1	1	—	2
Long-term investments		—	1	—	1
Invested capital		319	49	8	376
Disposals:					
Asset dispositions		—	(225)	(20)	(245)
Net invested capital	$	319	$ (176)	$ (12)	$ 131

In the first half of 2023, AltaGas' invested capital was $399 million, compared to $376 million in the same period of 2022. The increase in invested capital was primarily due to higher additions to property, plant, and equipment as a result of the impact of the higher average Canadian/U.S. dollar exchange rate, higher spend on accelerated pipe replacement programs at Washington Gas, and higher growth capital spend in the Midstream segment primarily related to the Harmattan Carbon Capture and Acid Gas Injection well, the REEF project, new business development, and various optimization projects, partially offset by lower maintenance capital in both the Midstream and Corporate/Other segments as well as lower spend on system betterment. In the first half of 2023, asset dispositions primarily related to the Alaska Utilities Disposition and additional proceeds received for the favourable settlement of outstanding contingencies on the sale of Goleta in the first quarter of 2022. Asset dispositions in the first half of 2022 primarily related to the previously mentioned sale of Goleta and the previously mentioned dispositions in the second quarter of 2022.

Invested capital in the first half of 2023 included maintenance capital of $7 million (2022 - $39 million) in the Midstream segment and $2 million (2022 - $8 million) related to the remaining power assets in the Corporate/Other segment. The decrease in Midstream maintenance capital in the first half of 2023 was primarily related to lower turnaround spend, partially offset by higher maintenance spend at the terminal and storage business. The decrease in maintenance capital in the Corporate/Other segment was primarily due to lower maintenance costs at Blythe.

During the first half of 2023, AltaGas' cash flow from investing activities was an inflow of $638 million, compared to an outflow of $128 million in the first half of 2022. Please refer to the *Non-GAAP Financial Measures* and *Liquidity* sections of this MD&A for further information on AltaGas' cash flow from investing activities.

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.

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2023**	2022	**2023**	2022
Cash from operations	**$ 373**	$ 527	**$ 964**	$ 1,211
Investing activities	**(231)**	31	**638**	(128)
Financing activities	**(163)**	(466)	**(1,592)**	(921)
Increase (decrease) in cash, cash equivalents, and restricted cash	**$ (21)**	$ 92	**$ 10**	$ 162

Cash From Operations

Cash from operations decreased by $247 million for the six months ended June 30, 2023 compared to the same period in 2022, primarily due to lower net income after taxes (after adjusting for non-cash items) as well as unfavourable variances in the net change in operating assets and liabilities. The majority of the variance in net change in operating assets and liabilities was due to lower cash flows from accounts payable and accrued liabilities driven by fluctuations in commodity prices, lower cash flows from customer deposits due to a decrease in collateral received from counterparties as a result of lower commodity prices, and lower cash flows from regulatory liabilities due to warmer weather, partially offset by higher cash flows from accounts receivable and inventory as a result of fluctuations in commodity prices and sales volumes.

Working Capital

($ millions, except working capital ratio)	**June 30, 2023**	December 31, 2022
Current assets	**$ 2,317**	$ 4,638
Current liabilities	**2,324**	3,407
Working capital (deficiency)	**$ (7)**	$ 1,231
Working capital ratio [(1)]	**1.00**	1.36

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

The decrease in the working capital ratio was primarily due to decreases in assets held for sale related to the Alaska Utilities Disposition, accounts receivable, and inventory, as well as an increase in the current portion of long-term debt, partially offset by decreases in accounts payable and accrued liabilities, liabilities associated with assets held for sale, short-term debt, regulatory liabilities, and risk management liabilities. AltaGas' working capital will fluctuate in the normal course of business.

Investing Activities

Cash from investing activities for the six months ended June 30, 2023 was $638 million, compared to cash used in investing activities of $128 million in the same period in 2022. Investing activities for the six months ended June 30, 2023 included proceeds of approximately $1.1 billion primarily related to the Alaska Utilities Disposition and additional proceeds received for the favourable settlement of outstanding contingencies on the sale of Goleta, partially offset by expenditures of approximately $431 million for property, plant and equipment and intangible assets, and approximately $3 million of contributions to equity investments. Investing activities for the six months ended June 30, 2022 included proceeds of approximately $245 million primarily related to the disposition of the interest in the Aitken Creek processing facilities and the sale of Goleta, partially offset by expenditures of approximately $372 million for property, plant and equipment and intangible assets, and approximately $1 million of contributions to equity investments.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2023 was $1.6 billion, compared to $921 million in the same period in 2022. Financing activities for the six months ended June 30, 2023 were primarily comprised of net repayments under credit facilities of $1.3 billion, repayment of long-term debt of $334 million, purchase of marketable securities in connection with debt defeasance of $193 million, dividends of $171 million, and distributions to non-controlling interests of $8 million, partially offset by the issuance of long-term debt (net of debt issuance costs) of $397 million, and proceeds from shares issued on exercise of options of $4 million. Financing activities for the six months ended June 30, 2022 were primarily comprised of net repayments of short-term debt and long-term debt of $162 million, net repayments under credit facilities of $592 million, dividends of $172 million, redemption of preferred shares of $300 million, and distributions to non-controlling interests of $10 million, partially offset by the issuance of subordinated hybrid notes, net of debt issuance costs, of $297 million and proceeds from shares issued on exercise of options of $18 million.

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 and any debt classified as held for sale), and subordinated hybrid notes, 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, except net debt-to-total capitalization)		**June 30, 2023**		December 31, 2022
Short-term debt	**$**	**191**	$	293
Current portion of long-term debt [1]		**559**		334
Long-term debt [2]		**7,068**		8,694
Subordinated hybrid notes [3] [4]		**544**		544
Debt classified as held for sale		**—**		63
Total debt		**8,362**		9,928
Less: cash and cash equivalents		**(64)**		(53)
Net debt	**$**	**8,298**	$	9,875
Shareholders' equity		**7,669**		7,456
Non-controlling interests		**147**		162
Total capitalization	**$**	**16,114**	$	17,493
Net debt-to-total capitalization (%)		**51**		56

(1) Net of debt issuance costs of less than $1 million as at June 30, 2023 (December 31, 2022 - less than $1 million).
(2) Net of debt issuance costs of $38 million as at June 30, 2023 (December 31, 2022 - $41 million).
(3) The $300 million subordinated hybrid notes, Series 1 have a coupon rate of 5.25 percent and are due on January 11, 2082. The $250 million subordinated hybrid notes, Series 2 have a coupon rate of 7.35 percent and are due on August 17, 2082.
(4) Net of debt issuance costs of $6 million as at June 30, 2023 (December 31, 2022 - $6 million).

As at June 30, 2023, AltaGas’ total debt primarily consisted of outstanding medium term notes (MTNs) of $3.9 billion (December 31, 2022 - $3.8 billion), WGL and Washington Gas long-term debt of $2.7 billion (December 31, 2022 - $2.8 billion), reflecting fair value adjustments on acquisition, SEMCO long-term debt of $393 million (December 31, 2022 - $670 million, of which $63 million was classified as held for sale), $448 million drawn under the bank credit facilities (December 31, 2022 - $1.5 billion), $550 million of subordinated hybrid notes (December 31, 2022 - $550 million), and short-term debt of $191 million (December 31, 2022 - $293 million). In addition, AltaGas had $234 million of letters of credit outstanding (December 31, 2022 - $198 million).

As at June 30, 2023, AltaGas’ total market capitalization was approximately $6.7 billion based on approximately 282 million common shares outstanding and a closing trading price on June 30, 2023 of $23.80 per common share.

AltaGas' earnings interest coverage for the rolling twelve months ended June 30, 2023 was 3.0 times (twelve months ended June 30, 2022 – 2.1 times).

Credit Facilities *($ millions)*	Borrowing capacity	**Drawn at June 30, 2023**	Drawn at December 31, 2022
AltaGas demand credit facilities (1) (2)	$ 70	**$ —**	$ —
AltaGas revolving credit facilities (1) (2)	2,500	**—**	861
AltaGas term credit facility (1) (3)	450	**450**	450
SEMCO Energy US$150 million credit facilities (1) (2)	199	**—**	189
WGL US$300 million revolving credit facility (1) (2) (4)	397	**99**	250
Washington Gas US$450 million revolving credit facility (1) (2) (4)	596	**324**	429
	$ 4,212	**$ 873**	$ 2,179

(1) Amount drawn at June 30, 2023 converted at the month-end rate of 1 U.S. dollar = 1.324 Canadian dollar (December 31, 2022 - 1 U.S. dollar = 1.3544 Canadian dollar).

(2) All US$ borrowing capacity was converted at the June 30, 2023 Canadian/U.S. dollar month-end exchange rate.

(3) Draws on the facility can be by way of prime loans, U.S. base-rate loans, SOFR loans, or banker's acceptances where interest is prepaid and netted against the face value repayable at maturity. As at June 30, 2023 the net amount outstanding on the facility is $448 million.

(4) 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$400 million and US$550 million on their respective facilities.

In addition to the facilities listed above, AltaGas has demand letter of credit facilities of $452 million (December 31, 2022 - $461 million). At June 30, 2023, there were letters of credit for $234 million (December 31, 2022 - $198 million) issued on these facilities and an additional less than $1 million (December 31, 2022 - less than $1 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. At June 30, 2023, commercial paper outstanding totaled $423 million for WGL and Washington Gas (December 31, 2022 – $679 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 June 30, 2023 and December 31, 2022.

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

Ratios	Debt covenant requirements	**As at June 30, 2023**
Bank debt-to-capitalization (1) (2)	not greater than 65%	less than 50%
Bank EBITDA-to-interest expense (1) (2)	not less than 2.5x	greater than 3.9x
Bank debt-to-capitalization (SEMCO) (2) (3)	not greater than 60%	less than 39%
Bank EBITDA-to-interest expense (SEMCO) (2) (3)	not less than 2.25x	greater than 4.0x
Bank debt-to-capitalization (WGL) (2) (4)	not greater than 65%	less than 47%
Bank debt-to-capitalization (Washington Gas) (2) (4)	not greater than 65%	less than 49%

(1) Calculated in accordance with the Corporation's $2.3 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 similarly 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 March 31, 2023, a short form base shelf prospectus for the issuance of certain types of future public debt and/or equity issuances was filed to replace the short form base shelf prospectus dated February 22, 2021. This enables AltaGas to access the Canadian capital markets on a timely basis during the 25-month period that the short form base shelf prospectus remains effective.

Related Party Transactions

In the normal course of business, AltaGas transacts with its subsidiaries, affiliates, and joint ventures. There were no significant changes in the nature of the related party transactions described in Note 31 of the 2022 Annual Consolidated Financial Statements.

Risk Management

AltaGas is subject to a variety of risks which could have a material impact on the financial results and operations of the Company. Shareholders and prospective investors should carefully evaluate risk factors noted by the Company before investing in the Company's securities, as each of these risks may negatively affect the trading price of the Company's securities, the amount of dividends paid to shareholders and the ability of the Company to fund its debt obligations, including debt obligations under its outstanding notes and any other debt securities that the Company may issue from time to time. For discussion of the risks and trends that could materially affect the Company's performance please refer to AltaGas' 2022 Annual Information Form, which is available on SEDAR at www.sedar.com.

Risk Management Contracts

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. These contracts do not eliminate AltaGas' exposure to risk associated with fluctuations in commodity prices or foreign exchange rates. 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 June 30, 2023 and December 31, 2022, the fair values of the Corporation's derivatives were as follows:

($ millions)		**June 30, 2023**		December 31, 2022
Natural gas	**$**	**(13)**	$	(203)
Energy exports		**54**		27
NGL frac spread		**17**		(3)
Power		**(54)**		(78)
Crude oil and NGLs		**21**		4
Net derivative asset (liability)	**$**	**25**	$	(253)

AltaGas strives to continuously and systematically de-risk the business in order to drive predictable and durable returns and maximize long-term value for stakeholders. For Midstream, this includes striving to match financial hedges with physical volumes, and for Utilities, this includes purchasing physical gas throughout the year to help shield customers from major cost spikes during peak winter demand.

Commodity Price Contracts

- The average indicative spot NGL frac spread for the six months ended June 30, 2023 was approximately $24/Bbl (2022 - $35/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 six months ended June 30, 2023 was approximately $26/Bbl inclusive of basis differentials (2022 - $26/Bbl).

- AltaGas continues to focus on de-risking its business and managing direct commodity price exposure to drive predictable and durable returns. While the Company does have exposure, it plans to maintain an active hedging program that proactively hedges commodity price and spread risk to mitigate the impact of fluctuations in margins and cash flows. For the remainder of 2023, AltaGas has hedged approximately 85 percent of its expected 2023 frac exposed volumes hedged at approximately US$27/Bbl, prior to transportation costs. In addition, approximately 77 percent of AltaGas' expected export volumes for the remainder of 2023 are either tolled or financially hedged with an average FEI to North American financial hedge price of approximately US$15/Bbl for non-tolled propane and butane volumes. AltaGas is targeting to be highly hedged for the global export business through a combination of tolling agreements and financial hedges.

Weather Instruments

- For the six months ended June 30, 2023, a pre-tax loss of $8 million (six months ended June 30, 2022 - $nil) 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

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

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2023**	2022	**2023**	2022
Natural gas	**$ 56**	$ (42)	**$ 21**	$ 26
Energy exports	**49**	39	**49**	55
Crude oil and NGLs	**14**	2	**10**	7
NGL frac spread	**22**	6	**20**	—
Power	**9**	(10)	**15**	16
	$ 150	$ (5)	**$ 115**	$ 104

Please refer to Note 24 of the 2022 Annual Consolidated Financial Statements and Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2023 for further details regarding AltaGas' risk management activities.

Dividends

AltaGas declares and pays a quarterly dividend to its common shareholders. Dividends on preferred shares are also 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.

The following tables summarize AltaGas' dividend declaration history:

Common Share Dividends

Year ended December 31		
($ per common share)	**2023**	2022
First quarter	**$ 0.280000**	$ 0.265000
Second quarter	**0.280000**	0.265000
Third quarter	**—**	0.265000
Fourth quarter	**—**	0.265000
Total	**$ 0.560000**	$ 1.060000

Series A Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2023**	2022
First quarter	**$ 0.191250**	$ 0.191250
Second quarter	**0.191250**	0.191250
Third quarter	**—**	0.191250
Fourth quarter	**—**	0.191250
Total	**$ 0.382500**	$ 0.765000

Series B Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2023**	2022
First quarter	**$ 0.418750**	$ 0.171920
Second quarter	**0.450260**	0.198020
Third quarter	**—**	0.260690
Fourth quarter	**—**	0.376700
Total	**$ 0.869010**	$ 1.007330

Series C Preferred Share Dividends (1)

Year ended December 31		
(US$ per preferred share)	**2023**	2022
First quarter	**$ —**	$ 0.330625
Second quarter	**—**	0.330625
Third quarter	**—**	0.330625
Total	**$ —**	$ 0.991875

(1) On September 30, 2022, AltaGas redeemed all of its outstanding Series C preferred shares.

Series E Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2023**	2022
First quarter	**$ 0.337063**	$ 0.337063
Second quarter	**0.337063**	0.337063
Third quarter	**—**	0.337063
Fourth quarter	**—**	0.337063
Total	**$ 0.674126**	$ 1.348252

Series G Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2023**	2022
First quarter	**$ 0.265125**	$ 0.265125
Second quarter	**0.265125**	0.265125
Third quarter	**—**	0.265125
Fourth quarter	**—**	0.265125
Total	**$ 0.530250**	$ 1.060500

Series H Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2023**	2022
First quarter	**$ 0.443404**	$ 0.196582
Second quarter	**0.475190**	0.222950
Third quarter	**—**	0.285890
Fourth quarter	**—**	0.401900
Total	**$ 0.918594**	$ 1.107322

Series K Preferred Share Dividends (1)

Year ended December 31		
($ per preferred share)	**2023**	2022
First quarter	**$ —**	$ 0.312500
Total	**$ —**	$ 0.312500

(1) On March 31, 2022, AltaGas redeemed all of its outstanding Series K preferred shares.

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 have remained unchanged and are contained in the notes to the 2022 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. For a full discussion of AltaGas' critical accounting estimates and judgements, refer to Note 2 of the 2022 Annual Consolidated Financial Statements. There have been no material changes to AltaGas' critical estimates and judgements during the six months ended June 30, 2023.

Adoption of New Accounting Standards

Effective January 1, 2023, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In October 2021, FASB issued ASU 2021-08 "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The amendments in this ASU require an entity to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Topic 606. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In March 2022, FASB issued ASU No. 2022-01 "Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method". The amendments in this ASU will allow non-prepayable financial assets to be included in a closed portfolio hedged using the portfolio layer method and promote consistency in single and multiple hedged layers. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In March 2022, FASB issued ASU No. 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures". The amendments in this ASU will eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty, as well as require the disclosure of current-period write offs by year of origination for financing receivables and net investments in leases. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In September 2022, FASB issued ASU No. 2022-04 "Liabilities (Subtopic 405-50) - Supplier Finance Programs". The amendments in this ASU will require a buyer in a supplier finance program to disclose the key terms of the program, the amount outstanding at the end of the period, a roll forward of that obligation during the period, and where the obligation is presented on the balance sheet. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

Future Changes in Accounting Principles

In June 2022, FASB issued ASU No. 2022-03 "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security, and therefore, is not considered in measuring fair value. In addition, an entity cannot, as a separate unit of account, recognize a contractual sale restriction. Equity securities subject to contractual sale restrictions also require certain additional disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023 and should be applied prospectively with adjustments as a result of adopting this ASU being recognized in earnings. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2023, FASB issued ASU No. 2023-01 "Leases (Topic 842): Common Control Arrangements". The relevant amendments in this ASU allow entities to amortize leasehold improvements under common control over the economic life of the leasehold improvements as long as the lessee controlled the use of the leased asset. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and can be applied using one of the following three methods: 1) prospectively to all new leasehold improvements recognized on or after the date the entity applies the amendments, 2) prospectively to all new leasehold improvements recognized on or after the date the entity applies the amendments, with any remaining unamortized balance of existing leasehold improvements amortized over their remaining useful life to the common-control group determined at that date, or 3) retrospectively to the beginning of the period in which the entity first applied Topic 842, with any leasehold improvements that otherwise would not have been amortized or impaired recognized through a cumulative-effect adjustment to opening retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2023, FASB issued ASU No. 2023-02 "Investments - Equity Method and Joint Ventures (Topic 323) - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method". The amendments in this ASU allow entities the option to elect to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and can applied on either a modified prospective or retrospective basis. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

Off-Balance Sheet Arrangements

AltaGas did not enter into any material off-balance sheet arrangements during the six months ended June 30, 2023. Reference should be made to the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2022 for further information on off-balance sheet arrangements.

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

Management, including the Chief Executive Officer and Chief Financial Officer, is 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, has 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 period covered by this MD&A, there were no changes made to AltaGas’ ICFR that materially affected, or are reasonably likely to materially affect, its ICFR.

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.

Share Information

	As at July 21, 2023
Issued and outstanding	
Common shares	281,721,708
Preferred Shares	
Series A	6,746,679
Series B	1,253,321
Series E	8,000,000
Series G	6,885,823
Series H	1,114,177
Issued	
Share options	6,346,204
Share options exercisable	5,750,712

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

($ millions)	**Q2-23**	**Q1-23**	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21
Total revenue	**2,631**	4,048	3,898	3,056	3,241	3,892	3,140	2,339
Normalized EBITDA (2)	**239**	582	454	233	276	574	334	239
Net income (loss) applicable to common shares	**133**	445	54	(48)	35	357	(156)	25
($ per share)	**Q2-23**	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21
Net income (loss) per common share								
Basic	**0.47**	1.58	0.19	(0.17)	0.12	1.27	(0.56)	0.09
Diluted	**0.47**	1.57	0.19	(0.17)	0.12	1.26	(0.56)	0.09
Dividends declared	**0.28**	0.28	0.27	0.27	0.27	0.27	0.25	0.25

(1) Amounts may not add due to rounding.
(2) Non-GAAP financial measure. Prior periods have been revised where applicable to reflect a change in the composition of normalized EBITDA made in the third quarter of 2022. See discussion in the *Non-GAAP Financial Measures* section of this MD&A.

AltaGas' quarter-over-quarter financial results are impacted by seasonality, fluctuations in commodity prices, weather, the Canadian/U.S. 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 impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022; and
- The impact of the Alaska Utilities Disposition in the first quarter of 2023.

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, the 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:

- After-tax transaction costs of approximately $15 million, $4 million, and $6 million incurred in the first half of 2023, throughout 2022, and the last half of 2021, respectively, primarily due to asset sales;
- The after-tax provision on equity investments of approximately $209 million recognized in the fourth quarter of 2021 related to AltaGas' investment in MVP, which includes the Mountain Valley Pipeline and MVP Southgate projects;
- The gain on the sale of Goleta in the first quarter of 2022 as well as an additional gain recorded in the first quarter of 2023 a result of the favourable settlement of outstanding contingencies;
- The loss on the Series K Preferred Shares that were redeemed on March 31, 2022;
- Favourable resolution of certain acquisition related commercial disputes and contingencies in 2022 and in the first half of 2023;
- The loss on the redemption of the U.S. dollar denominated Series C Preferred Shares in September 2022, including the associated foreign exchange impact;
- The gain resulting from the partial defeasance of SEMCO's First Mortgage Bonds in the first quarter of 2023; and
- The gain on the Alaska Utilities Disposition in the first half of 2023.

OTHER INFORMATION

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
CBM	cubic meter
Dth	dekatherm
GJ	gigajoule
GWh	gigawatt-hour
Mbbl	thousands of barrels
Mmcf	million cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
US$	United States dollar

ABOUT ALTAGAS

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

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