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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

**Janet Craig** *Fortis Incorporated - VP of IR*

**Barry Perry** *Fortis Incorporated - President & CEO*

**Karl Smith** *Fortis Incorporated - CFO*

**Phonse Delaney** *Fortis Incorporated - President & CEO FortisAlberta*

**Dave Hutchens** *UNS Energy - President & CEO*

## CONFERENCE CALL PARTICIPANTS

**Linda Ezergailis** *TD Securities - Analyst*

**Paul Lechem** *CIBC World Markets - Analyst*

**Robert Kwan** *RBC Capital Markets - Analyst*

**Matthew Akman** *Scotiabank - Analyst*

**Ben Pham** *BMO Capital Markets - Analyst*

**Andrew Kuske** *Credit Suisse - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. This is the conference call operator. Welcome to the Fortis third-quarter 2015 conference call and webcast.

(Operator Instructions)

At this time, I would like to turn the conference over to Miss Janet Craig, Vice President Investor Relations of Fortis Inc. Please go ahead, Miss Craig.

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**Janet Craig** - *Fortis Incorporated - VP of IR*

Thank you, Jonathan, and good morning, everyone. And welcome to Fortis' third quarter 2015 results webcast and conference call. I'm joined by Barry Perry, President and CEO, and Karl Smith, CFO, as well as other members of the senior management team.

Before we begin today's call, I want to remind you that the discussion will include forward-looking information which is subject to the forward-looking statement contained in the supporting slide show. All non-GAAP financial measures referenced in our prepared remarks are reconciled to the related US GAAP financial measures in the MD&A. Also, unless otherwise specified, all financial information referenced is in Canadian dollars.

I will now turn the call over to Barry.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thank you, and good morning. I know it's a very busy day for everyone, and we appreciate you being on the call.

We continue to have very good year at Fortis, and this quarter is no exception. We completed our exit from the properties business to tighten our focus on our core utilities. We reached a settlement on the Belize expropriation matter, and put this lingering issue behind us.



We have managed a busy regulatory calendar, and we continue to maintain operational excellence at all of our facilities. And provide safe and cost-effective service to our customers. Total shareholder return is very important to us, and we reinforced our commitment in Q3 by increasing our quarterly dividend for the second time this year.

It is now CAD0.375 per common share per quarter, up over 10% from Q1 and over 17% from last year. We also introduced dividend guidance. Our target of 6% annual dividend growth through 2020 really underscores the confidence we have in our business.

This confidence comes from our strategy for growth. Including continued investment in our existing franchises, pursuit of additional opportunities within our service territories, as well as our ability to manage large capital projects like the Waneta expansion.

Our performance in 2015 underscores the strength of our strategy. In the quarter, UNS continued to be a significant contributor to our earnings power, and it is an excellent example of our ability to acquire and integrate regulated utilities. This, combined with the benefits of a diversified asset base and the strength of our other utilities, contributed to our earnings growth. Karl will walk you through this in a bit more detail.

Looking out over the next five years, we see lots of opportunity to invest in our business, which I will speak to in a minute. 2015 will be the biggest CapEx spend in our history, at a forecasted level of CAD2.2 billion.

As is typical for our industry, the period from 2019 through 2020 shows a gradual decline in capital expenditure. We expect these numbers to climb as we get more visibility on the status of projects and new opportunities.

The most important takeaway from our CAD9 billion capital program is the rate base growth it supports. We see our rate base growth climb in at a CAGR of 4.5% per year over the next five years. with the growth being distributed among our businesses. In fact by 2020, we're projecting our rate base to exceed CAD20 billion.

For those of you who attended our investor day, we spoke a lot about growth opportunities, both gas and electric in the US and in Canada. One of the areas of significant interest to us is LNG infrastructure in British Columbia.

FortisBC is well positioned. We operate two of the five existing LNG facilities in Canada, and we believe we are uniquely positioned to take advantage of the LNG infrastructure build out in BC.

Currently, we have three projects that we have talked about. The pipeline expansion to Woodfibre LNG, Tilbury 1A, and Tilbury 1B.

Woodfibre's LNG project continues to progress. Recently, Woodfibre LNG reached two import milestones for the project. Squamish first nation approval of an environmental certificate, and the passage of BC environmental assessment office review.

The project is still pending certain approvals, including federal and environmental assessment. We expect the final decision by Woodfibre LNG in 2016.

The planning of our CAD600 million pipeline expansion to support Woodfibre LNG is also progressing. It is still subject to various approvals, including environmental, and of course its conditional fund, the LNG export facility proceeding.

At our 35-acre Tilbury site, which is zoned for LNG export, the Tilbury 1A project is progressing well. This CAD440 million project will be included in our regulated rate base.

Tilbury 1B, a further Tilbury expansion, is conditional on having long-term energy supply contracts for 70% of additional liquefaction capacity. And has been designed to supply Hawaiian Electric with LNG. We continue to have discussions with ECO about the viability and scope of this project.



LNG remains a strong opportunity for us, and there has been increased activity in terms of discussion around development of LNG in British Columbia. You will notice, though, that we do not have the specific numbers associated with the LNG rate base growth assumptions as we've had in the past. This is a reflection of less visibility around project scope and timing.

To sum things up before turning the call over to Karl, I would describe our overall tone as one of confidence. And this confidence allowed us to initiate dividend guidance for the first time in September. We have a clear line of sight on executing our capital plan, and we continue to pursue investment opportunities in our franchise areas.

As always, we continue to focus on growing the business profitably. Now let me turn things over to Karl.

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**Karl Smith** - *Fortis Incorporated - CFO*

Thanks, Barry, and good morning, everyone.

As Barry mentioned, our financial results were strong in quarter three. Our adjusted earnings for the quarter more than doubled compared to last year, and our earnings per common share grew by two-thirds. The cash flow from operations was CAD358 million in the quarter, and CAD1.3 billion year to date.

Our unused credit facilities today are approximately CAD2.4 billion, providing us with ample liquidity. Our regulated utilities raised almost CAD400 million in debt in the quarter, and we are on track with our CAD2.2 billion capital plan for the year.

Digging into our adjusted earnings in a bit more detail then. As you can see from the waterfall chart, UNS was the biggest contributor to improved adjusted earnings per share.

Last year, our third-quarter reflected just six weeks of UNS results, due to the timing of the close of the acquisition. As a reminder, the earnings at UNS are highly seasonal, with their third quarter typically being the strongest.

We also saw strong contributions from other regulated utilities. But the growth with tempered by timing differences at FortisBC that are expected to reverse in the fourth quarter. Foreign exchange, excluding what has already been captured in UNS, also had a favorable impact.

Our strong financial metrics, including increasing earnings and cash flow, support our financial capacity and strong credit ratings. With a light debt maturity profile, unused credit facilities, and a strong balance sheet we're focused on positioning ourselves to have ample capacity to fund growth through investments or acquisitions.

It has been another busy period on the regulatory front. In August, the US Environmental Protection Agency finalized its clean power plant, which sets targets for the reduction of carbon dioxide emissions from power generation. Individual states must submit their reduction plans by 2018.

The plan is focused on reducing emissions from coal-fired generation, and as a result, will impact UNS. We do believe we have a path towards compliance.

Reforming the energy vision proceedings are ongoing in New York State. These are generic proceedings aimed at reviewing the role of the distribution utilities, and aligning their investments and earnings with state policy goals. The program is included in Central Hudson's proposal in support of these proceedings are currently under review by regulators.

In October, FortisBC Energy, the benchmark utility in British Columbia, filed an application to review the 2016 ROE and common equity component of the capital structure. Generic cost of capital proceedings have also commenced in Alberta to set the allowed ROE and capital structure for 2016 and 2017.

In October, Newfoundland Power filed a general rate application to set new customer rates to be effective July 1, 2016. And Maritime Electric filed a general rate application to set new customer rates to be effective March 1, 2016. In both cases, cost of capital will be reviewed.

Yesterday, Tucson Electric Power filed a general rate application requesting new retail rates to be effective January 1, 2017 based on a June 30, 2015 historical test year. Since its last rate order in 2013, which was based on a 2011 historical test year, the utilities rate base has increased by \$600 million, and its common equity thickness has increased from 43.5% to 50%.

Taking a look at the chart on screen, now can you see the elements of the application. We are seeking a return on equity of 10.35% on a 50% equity thickness, with an original cost rate base of \$2.1 billion. This is obviously an important application that will allow Tucson Electric Power to earn its allowed return in 2017.

Now I will turn the call back over to Barry.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

In closing, 2015 has positioned us well for sustained growth. Our businesses is in good shape, is low risk and diversified. All of our utilities are running well.

Our five-year CAD9 billion capital expenditure plan positions us to have a rate base of over CAD12 billion by 2020. We have the financial strength and flexibility to maintain predictable dividend growth, and to take advantage of opportunities in the market for additional infrastructure investment.

We also have a proven track record for integrating acquisitions, as evidenced by our two recent US acquisitions. We feel very well positioned to deliver good returns to our shareholders over the long term.

That concludes my prepared remarks, and now I'll turn things back to Janet.

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**Janet Craig** - *Fortis Incorporated - VP of IR*

Thanks, Barry. Jonathan, we are ready to open up the lines for Q&A.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions)

Linda Ezergailis, TD Securities.

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**Linda Ezergailis** - *TD Securities - Analyst*

Thank you. Congratulations for a great quarter.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thank you, Linda.



**Linda Ezergailis** - *TD Securities - Analyst*

With respect to Alberta, I just want to make sure I understand what's going on. Obviously, a great quarter in Q3. It doesn't appear to be timing related, but maybe you can just confirm that the revenue seasonality and the expenses for the full year 2015 would be similar to 2014 which would imply a strong Q4 as well?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Let me just jump in here, Linda, it's Barry. Definitely FortisAlberta is having a good year.

Really getting good results now through the PBR process. I will let Phonse jump in here, Phonse Delaney, our President of FortisAlberta, to comment on the comparison of quarter over quarter. Phonse, can you offer anything there?

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**Phonse Delaney** - *Fortis Incorporated - President & CEO FortisAlberta*

Barry, I could offer the fact that we are doing well on our PBR. As well as -- I don't have the exact number in front of me now, but it would be in the document.

A portion of our year-to-date earnings would include a true up of capital tracker revenue from 2014 and 2013 that was recognized in the first quarter. I'm not sure that answers the question. But there was a one time true up of revenue due to the capital tracker decision in Q1 that would have had a positive effect on our year-to-date earnings.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Yes. But no effect on Q3 though.

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**Phonse Delaney** - *Fortis Incorporated - President & CEO FortisAlberta*

No.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Okay. Hopefully, that helps, Linda.

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**Linda Ezergailis** - *TD Securities - Analyst*

Yes, that's very helpful. Thank you. And on a slightly different front, for your Arizona rate application.

The slide was very helpful to understand what exactly a summary of what exactly you are applying for. Can you help us translate that into what the earnings reset or bump might be if you get what you asked for?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Linda, it's hard, obviously, as you go through these rate cases, there are lots of puts and takes through the process. So it's hard to predict what the outcome is. But I think I'm going to let Dave Hutchens jump in here.

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But a simple measure is the rate base growth really. When you look at CAD600 million of rate base, you look at 50% equity thickness, that's CAD300 million of equity to fund that rate base.

And you make an assumption on what you're going to get on cost to capital. You can quickly identify that this is a fairly material change in earnings for TEP coming out of this rate case that we're expecting. I will point out that the equity is in the business.

We funded that equity, and in fact that's arguably a little bit of a drag on our earnings right now because it's equity without rates at this point in time. But that's how it works with these historical test years. David, can you have anything on that?

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**Dave Hutchens** - *UNS Energy - President & CEO*

Yes, Barry, thanks. I wouldn't add too much, other than the USD110 million that we have filed for. If we did get all of that, it would just be a straightforward USD110 million pretax US dollar impact, all else being equal.

Obviously, there's puts and takes by the time you get out into the 2017 timeframe with some of the additional D&A and other expenses that will offset some of that. But just from a clear perspective of the delta due to this rate case, it would be I think as straightforward as that.

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**Linda Ezergailis** - *TD Securities - Analyst*

That's helpful. And just some historical context. Would there be any precedents or arguments put forward by various interveners that might try to rebut or diminish that number? Or it is pretty -- it seems straightforward, but I'm just wondering if there's any other context within the state from various other interveners that might suggest otherwise?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

David, you want to take that one?

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**Dave Hutchens** - *UNS Energy - President & CEO*

Yes. I'll take that. Yes, Linda, there will be plenty of interveners coming with a lot of different opinions on many different topics in this case. Not the least of which is things around rate design changes that we are looking to make, as well as the standard things that folks get in there and argue about. So we won't get 100% of what we request, and there will be some discussion around some of those key categories.

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**Linda Ezergailis** - *TD Securities - Analyst*

Thank you.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thanks, Linda.

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**Operator**

Paul Lechem, CIBC.



**Paul Lechem** - *CIBC World Markets - Analyst*

Thank you, good morning. Just starting on the LNG, Barry, thanks for the update there. Can you discuss your Tilbury 1B a little bit more and the offtake agreement with Hawaiian Electric?

My understanding is that that deal goes for a decision before the Hawaii PUC in the middle of next year in NextEra take out. Is that the next data point we should look for, or could there actually be a deal on your offtake on the LNG prior to that merger being completed?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

It's interesting. Clearly, the NextEra purchase of HECO is being reviewed in Hawaii now by the Hawaiian Public Service Commission. And just recently, I think the discussion of LNG got included with that review. So it's all wrapped up, to certain extent, together from our perspective, Paul.

So I think you have to watch both the NextEra acquisition of HECO, because that file I think is going to contain a lot of information as we go forward here as to whether our project with HECO continues to progress. We are very optimistic. There's a significant benefit for Hawaii to do this transaction.

We're not talking small dollars here, there is some substantial savings in Hawaii for this deal. But it's for Hawaii to decide, obviously.

The governor has made certain statements about his view of this, and those are things that HECO NextEra are working through in Hawaii. And we are hopeful that they will be successful in convincing the regulator and the governor that this is the right thing to do for Hawaii. So we are supporting wherever we can those efforts.

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**Paul Lechem** - *CIBC World Markets - Analyst*

So in the meantime, are you advancing any discussions with any other parties on an offtake here?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

We continue to have a number of discussions on LNG, generally I would say, given our position in British Columbia with our pipelines there and our expertise in British Columbia. But with regards to Tilbury 1B, our real focus is getting this transaction or opportunity done with HECO NextEra, frankly.

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**Paul Lechem** - *CIBC World Markets - Analyst*

Okay, fair enough. Thanks. Now, just on Belize, now that an agreement is being reached there.

Can you discuss a little bit about the state of the operations there? Is that an area that you will be putting incremental capital into, or are you going to take a very cautious stance there?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

I think we will be cautious. We have still our non-regulated hydroelectric generation there, which generally generates say CAD20 million to CAD25 million a year in earnings for the Company. We did get certain assurances from the government in our discussions to settle the Belize electricity expropriation matter around no interference in that business. So we were happy with that.

But over time, I could see us possibly participating in a very small way in the further investments on the renewable side in Belize, for example. Applying our expertise and helping the utility there progress. But it's early.



And it's a government owned business now, which the majority are owned by the government. We own one-third. We have a member Earl Ludlow on that Board for us and a couple other people.

So we will see how it goes. But I could see down the road, maybe doing some small further investments there.

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**Paul Lechem** - *CIBC World Markets - Analyst*

Thanks, Barry.

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**Operator**

Robert Kwan, RBC Capital Markets.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Morning. If I can come back to the TEP rate case. We've talked about the whole cost of capital side of things. And as referenced earlier, you've got other proposals on the table or things you would like to change, including rate design.

So if you think about where the priorities are, particularly with it being a good region for distributed generation. You've requested an ROE that's higher as well, but the fair value rate of return is higher. So how are you looking at the asks in terms of your priorities of what's most important to you?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Robert, clearly, you put forward your best position in these rate cases. There are number things we want to achieve, but I wouldn't rank anything at this point in time. David and his team are going to, I'm sure, be working with the various participants in this rate case to try to come up with a reasonable outcome.

So clearly, cost of capital is very important, and making headway on cost allocation is also very important. But I would say that we believe we've put together a very comprehensive proposal. This historical test year is somewhat new to us in terms of now refreshing things after 2011.

It's been a long time. So a lot has happened in the business.

We've spent CAD1.3 billion since that time, so the business has changed materially since the last time rates were set. So really optimistic that we will make headway on a lot of the things that we've put forward in that case. David, anything that you can add to that?

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**Dave Hutchens** - *UNS Energy - President & CEO*

No, Barry. They are all number one priorities for us going into the process.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

I guess just as part of that too. One of the things you've been successful with in other jurisdictions are findings things that maybe don't necessarily have a big impact your bottom line, but have been ways to creatively manage the rate increase to customers which is obviously important.



Are there some things here that as you've gotten into the business that you think you can do to help keep the rate increase manageable? Yet earn the fair return and recover the new costs on rate base and (inaudible - microphone inaccessible)?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Robert, again, we are always focused on operating costs in our business. That's part of the Fortis approach to doing business. We're always very aware of when we're going in front of our regulators that we had to show a good track record on controlling operating costs.

And David and his team have done that since the last time rates were set. They have also made some strategic investments in purchasing Gila River generating plant for a very, very low price. It's bringing significant benefits to customers.

So all of these things are helping mitigate the impact on rates. When you look at the rate increase that's probably coming out of there, it's in the installation area level for the period of time that we've been -- since we last set rates.

So I think that that in itself, suggests the team there has done a very reasonable job in running the business. Again, David, anything else?

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**Dave Hutchens** - *UNS Energy - President & CEO*

The only thing I would add, Barry, is that we do always look for some fuel offsets. And as natural gas stays cheap, if it stays cheap during this process, there can be some additional offsets to our customer bill increases from our purchase power and fuel adjustments clause pass through. So that's always nice to have at the time that you put new rates into effect.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Okay. Got it. If I could just ask one more question. Turning to Alberta and the generic cost of capital hearing, maybe I'm reading too much into the wording.

But you've got some wording around that which will impact FortisAlberta. Is that because you have some early reads as to where this is going, given it actually only impacts a relatively small component of the capital tracker at this point?

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**Karl Smith** - *Fortis Incorporated - CFO*

Robert, it's Karl. We're not trying to predict the outcome of that all. So I wouldn't suggest that you're reading too much into it, but the way we expressed that was that any change to the cost of capital will have an impact on FortisAlberta. I think it's too early yet to suggest what that outcome might be, and we're obviously very keen and very involved in that whole process.

What I will say is that it's a very cohesive approach to cost of capital in Alberta, and that the other utilities that operate there. We are all doing this together. So we will just have to wait and see what comes out of that, Robert.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

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

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thanks, Robert.

**Operator**

Matthew Akman, Scotiabank.

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**Matthew Akman - Scotiabank - Analyst**

Good morning. On the LNG comments, hello, Barry. The Woodfibre facility, you talked more about Tilbury, it looks like there's some decent progress on permitting and local stakeholder relations there recently. But are you getting more pessimistic on the timing of that due to something commercial on the other side?

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**Barry Perry - Fortis Incorporated - President & CEO**

Well the timing has flipped, as you can tell. The final investment decision now of the proponent that's building the actual export terminal is not until 2016. So this is not unusual, Matthew, as you know, a lot of the projects, the larger ones especially, have been pushed back.

So it's almost to be expected. But I would say the last quarter in terms of the progress that have made there has been substantial, with the Squamish first nation support for the project and with the BC province environmental approval for the proponent to move forward, those are significant milestones. And it does give us confidence that this project continues to move forward nicely at this point in time.

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**Matthew Akman - Scotiabank - Analyst**

Okay, thank you. Regarding Belize, I guess first of all, was hydrology there normal in the quarter, or how would you describe hydrology?

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**Barry Perry - Fortis Incorporated - President & CEO**

It was a little better than normal for the quarter. But frankly, the fourth quarter here is looking really below normal. So they have had very little rain for a while, they're not getting any benefits of El Nino.

So overall this year, will likely be a slightly lower year for that operation. We've had a bunch of good years, but this year, the water levels overall for the year are definitely going to be below average.

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**Matthew Akman - Scotiabank - Analyst**

And finally, maybe this is for Karl. On Belize Electric, now that you've settled there. There wasn't any mention of whether there were any earnings booked for the -- I'm talking about the wires and pulls company now.

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**Karl Smith - Fortis Incorporated - CFO**

There was nothing booked in the quarter, the third quarter, Matthew. We will start booking earnings in the fourth quarter. And because of our minority position there, we are going to be a couple of months lagging when we book our earnings. So expect to see earnings for the first time in quarter four.

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**Matthew Akman - Scotiabank - Analyst**

Okay. Thank you, guys. Those were my questions.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thank you, Matthew.

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**Operator**

Ben Pham, BMO.

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**Ben Pham** - *BMO Capital Markets - Analyst*

Good morning. I had a question about the UNS and the earnings in the quarter, the CAD97 million. I wonder if there's any meaningful seasonality in that earnings number? It seems -- it's been hard in the last few years, and I'm just wondering if there was any one-time off items in there?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

David, do you want to jump in there and provide an answer to that?

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**Dave Hutchens** - *UNS Energy - President & CEO*

Yes. As far seasonality, there was probably just a couple million dollars of net income due to a hotter than normal summer down here. As far as seasonality it wasn't that significant.

The other things that year over year that were a bit different was higher transmission and wholesale revenues. So nothing really remarkable.

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**Ben Pham** - *BMO Capital Markets - Analyst*

Okay. There's commentary about Q2, Q3 being 75% of the annual earnings. And now that we have seen both the numbers for those two quarters, is that a good gauge to think about the earnings upside for UNS for this year on an annual basis?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

I don't understand your question, Ben. That ratio that we provided, it's just to give a sense of the how much of the earnings of UNS are concentrated in Q2 and Q3. But that should remain consistent going forward.

Those kind of allocations. So I don't know if that answers your question.

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**Ben Pham** - *BMO Capital Markets - Analyst*

I guess I'm just trying to if you look at Q2, you did CAD52 million and then this quarter you did CAD95 million, CAD97 million. And then when you add that up and you divide it out, you get about CAD200 million of earnings for the year.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

We are definitely not going to get the CAD200 million of earnings. So that math is not right. David, the fourth quarter is generally -- what percentage of annual earnings?

**Karl Smith** - *Fortis Incorporated - CFO*

Sorry, David, it's Karl dropping in. Ben, to think about second and third quarters combined, it was between 75% to 80%. So the first and last quarter will be between 20% and 25% typically in any given year combined.

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**Ben Pham** - *BMO Capital Markets - Analyst*

Combined, okay. Well those were my questions. Thanks, everybody.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thank you.

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**Operator**

(Operator Instructions)

Andrew Kuske, Credit Suisse.

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**Andrew Kuske** - *Credit Suisse - Analyst*

Thank you, good morning. Given the fact that you've got distribution utilities in Prince Edward Island and also Alberta. And clearly, a lot of the generation dynamics in both of those areas are changing.

And may be very pronounced in Alberta, when we look out at the next 5, 10 years. As the utility owner there on the distribution side, how do you think about future changes, how it affects your businesses? And how engaged have you been with the governments in both those regions?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Andrew, I think it presents some opportunities for us. In Alberta, we're primarily a wires business, distribution only. If you thinking about some of the changes that could come around coal plants, around more renewable generation, I think you'll find that Fortis going forward is going to try to play a greater role in the province of Alberta in some of these investment areas.

We are already trying to do some consolidation in Rural Electric Associations. But I think we will be looking at things like renewable power, we will look at transmission if we can compete with some of the other players there.

So I think that it's longer term. I think it presents more opportunities for the Company.

In PEI, the small jurisdiction, clearly, generates CAD12 million a year in net income for the Company. It's a good business. We are continuing to work with the government on philosophy there, the government tends to want to own assets in that jurisdiction.

We obviously are not -- that is not our business model. So we continue to work with the province to really do a good job, and earn our keep there to make sure the province understands what we bring to the table. I'm optimistic that over time, we'll find further investment opportunities in that jurisdiction as well.

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**Andrew Kuske** - *Credit Suisse - Analyst*

That's great. And just on Alberta, maybe for a bit more clarity on the potential renewable investments. How would you think about renewable investments in that jurisdiction?

Is it more just connecting up other people's equipment with some transmission maybe within your service territories? Or is it actually owning the extra renewable generation and under what construct? Or would it be really rate base driven?

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Clearly, it's probably both. Our business is primarily wires there, so that's where we would like to be. I've said in investor day and many times now in the last year that we are also interested in building our renewables portfolio.

Ideally, that is with contracted arrangements. I'm not that interested in merchant just bidding in on daily basis for prices. That's not the model we are pursuing.

So hopefully, we will find some of these opportunities. It's very competitive out there, clearly.

But with our advantages and cost of capital and our footprint in these jurisdictions, we do believe over time, we will find opportunities. Whether it be say solar in Arizona, or wind in Alberta, or Hydro in Alberta. These are things we will pursue, and hopefully, we will achieve some of them over our business planning period.

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**Andrew Kuske** - *Credit Suisse - Analyst*

Okay. That's great. Thank you.

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thank you, Andrew.

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**Operator**

Thank you. And as there are no further questions, I would like to turn the call back to Mr. Perry for any closing remarks

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**Barry Perry** - *Fortis Incorporated - President & CEO*

Thank you very much. Again, we are having a very strong year at the Company, and we thank you for your support. Have great day. Thank you.

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**Operator**

Thank you for participating. Ladies and gentlemen, this concludes today's conference. You may disconnect.

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