Interim Management Discussion and Analysis

For the three and six months ended June 30, 2020
Dated July 29, 2020

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This Interim MD&A has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*. It should be read in conjunction with the Interim Financial Statements, the 2019 Annual Financial Statements and the 2019 Annual MD&A and is subject to the cautionary statement and disclaimer provided under "Forward-Looking Information" on page 24. Further information about Fortis, including its Annual Information Form filed on SEDAR, can be accessed at www.fortisinc.com, www.sedar.com, or www.sec.gov.

Financial information herein has been prepared in accordance with US GAAP (except for indicated Non-US GAAP Financial Measures) and, unless otherwise specified, is presented in Canadian dollars based, as applicable, on the following US-to-Canadian dollar exchange rates: (i) average of 1.39 and 1.34 for the quarters ended June 30, 2020 and 2019, respectively; (ii) average of 1.37 and 1.33 year-to-date June 30, 2020 and 2019, respectively; (iii) 1.36 and 1.31 as at June 30, 2020 and 2019, respectively; (iv) 1.30 as at December 31, 2019; and (v) 1.32 for all forecast periods. Certain terms used in this Interim MD&A are defined in the "Glossary" on page 25.

ABOUT FORTIS

Fortis (TSX/NYSE: FTS) is a well-diversified leader in the North American regulated electric and gas utility industry, with 2019 revenue of $8.8 billion and total assets of $56 billion as at June 30, 2020. The Corporation's 9,000 employees serve 3.3 million utility customers in five Canadian provinces, nine US states and three Caribbean countries.

For additional information on the Corporation's operations, reportable segments and strategy, refer to the "About Fortis" section of the 2019 Annual MD&A and Note 1 to the Interim Financial Statements.

SIGNIFICANT ITEM

COVID-19 Pandemic

The Corporation's utilities continue to reliably deliver an essential service during the COVID-19 Pandemic. Developments are continuously monitored with commensurate measures being taken. The Corporation's utilities have prioritized capital expenditures to mitigate supply chain risk and other potential impacts of the pandemic to ensure that they continue providing safe, reliable service while supporting public health. To date, capital expenditures and supply chains have not been materially impacted.

The ongoing uncertainty surrounding the evolution of the pandemic makes it difficult to predict the ultimate operational and financial impacts on Fortis. Potential impacts are discussed under "Business Risks" on page 20. Depending on the severity and length of the pandemic, such impacts could have Material Adverse Effects and affect the Corporation's ability to execute business strategies and initiatives in the expected time frames. Excluding the impact of the delayed rate case at TEP (see "Regulatory Highlights" on page 12), the impacts on Fortis have not been material and relate primarily to reduced sales at the Caribbean utilities as well as higher direct expenses, including credit losses, driven by Central Hudson.

The potential key impact areas could include revenue, capital expenditures, liquidity, regulatory matters and pension plans. The Corporation's current assessment of these areas is summarized below.

Revenue
Energy sales across all of the Corporation's utilities have been impacted by the temporary closure, and subsequent reopening, of non-essential businesses along with stay-at-home orders and other economic impacts related to the COVID-19 Pandemic. Generally, work-from-home practices have caused an increase in residential sales while commercial and industrial sales have decreased.

Regulatory mechanisms function to protect approximately 63% of the Corporation's annual revenue from changes in sales. Of the remaining 37%, principally at UNS Energy and the Other Electric segment, approximately 19% is residential and 18% is commercial and industrial, and revenue from industrial customers typically has a low contribution margin. Overall, approximately 82% of revenues are either protected by regulatory mechanisms or derived from residential sales.

The estimated annual impact on EPS of a 1% change in sales at UNS Energy and the Other Electric segment is summarized below.

Sensitivity Analysis	1% change in annual sales	
(absolute annual EPS impact)	UNS Energy	Other Electric
Residential	$0.008	$0.006
Commercial and Industrial	$0.008	$0.004

During the second quarter of 2020, residential sales at UNS Energy increased approximately 24%, due mainly to warmer temperatures and work-from-home practices, while commercial and industrial sales decreased approximately 3%, due mainly to the temporary closure of non-essential businesses, resulting in an overall increase of approximately 9%, driven by weather. Excluding weather, retail sales increased 2%.

During the second quarter of 2020, sales at the Other Electric segment decreased 3%. Residential sales increased approximately 4% while commercial sales decreased approximately 11%, due largely to reduced tourism-related activities in the Caribbean.

On a consolidated basis, earnings were not materially impacted by the effect of the COVID-19 Pandemic on sales.

Capital Expenditures
While the Corporation currently does not expect the COVID-19 Pandemic to impact its overall five-year capital plan, it is possible that certain capital expenditures planned for 2020 may be shifted to subsequent years within the five-year plan period. See "Capital Plan" on page 19.

Liquidity
Fortis is well positioned with strong liquidity due, in part, to a $1.2 billion common equity offering and the sale of the Waneta Expansion in 2019. As at June 30, 2020, total consolidated credit facilities were $5.9 billion with $4.8 billion unutilized.

Fortis continues to be successful in accessing capital markets with approximately $2 billion of long-term debt issued since March 2020. See "Liquidity and Capital Resources" on page 14.

The ongoing economic impact of the pandemic may affect customers' ability to pay their energy bills with commensurate short-term working capital impacts. On a consolidated basis, unfavourable impacts on cash flow associated with the slower collection of older balances from customers have been tempered by other working capital variances. The Corporation's utilities have instituted various customer relief initiatives, including the suspension of non-payment disconnects and late fees for certain customer classes, and payment deferral programs. As at June 30, 2020, the Corporation's allowance for credit losses was not materially impacted. See Note 6 in the Interim Financial Statements.

Regulatory Matters
Regulator and other stakeholder work schedule disruptions are causing delays or postponements for various regulatory proceedings. See "Regulatory Highlights" on page 12.

Pension Plans
The Corporation's exposure to changes in pension expense is limited by regulatory mechanisms which cover approximately 80% of defined benefit plan assets. The remaining 20% relates primarily to UNS Energy and its exposure is largely attributable to the use of a historical test year in setting rates.

Pension expense and funding is based on asset valuations as of December 31. Therefore, the ultimate impact of changes in pension asset values on future pension expense and funding is uncertain at this time. As at June 30, 2020, pension asset values had substantially recovered from the temporary decline experienced earlier in 2020.

PERFORMANCE AT A GLANCE

Key Financial Metrics						
Periods ended June 30	**Quarter**			**Year-to-Date**		
($ millions, except as indicated)	**2020**	2019	**Variance**	**2020**	2019	**Variance**
Revenue	**2,077**	1,970	107	**4,468**	4,406	62
Common Equity Earnings						
Actual	**274**	720	(446)	**586**	1,031	(445)
Adjusted [(1)]	**258**	235	23	**573**	551	22
Basic EPS *($)*						
Actual	**0.59**	1.66	(1.07)	**1.26**	2.39	(1.13)
Adjusted [(1)]	**0.56**	0.54	0.02	**1.23**	1.28	(0.05)
Dividends Paid per Common Share *($)*	**0.4775**	0.4500	0.0275	**0.9550**	0.9000	0.0550
Weighted Average Number of Common Shares Outstanding *(# millions)*	**464.6**	433.1	31.5	**464.2**	431.3	32.9
Operating Cash Flow	**725**	631	94	**1,315**	1,172	143
Capital Expenditures	**827**	843	(16)	**2,001**	1,583	418

(1) *See "Non-US GAAP Financial Measures" on page 11.*

Revenue
The $107 million increase in revenue for the quarter was due primarily to: (i) favourable foreign exchange of $48 million; (ii) a $40 million favourable base ROE adjustment reflecting the reversal of liabilities established in prior years as a result of the May 2020 FERC Order (see "Regulatory Highlights" on page 12); (iii) Rate Base growth at the regulated utilities; and (iv) the impact of favourable weather in Arizona. The increase was partially offset by: (i) lower short-term wholesale sales at UNS Energy; and (ii) lower revenue contribution from the Energy Infrastructure segment, due primarily to the disposition of the Waneta Expansion in April 2019.

The $62 million increase in year-to-date revenue was due primarily to: (i) favourable foreign exchange of $64 million; (ii) Rate Base growth at the regulated utilities; (iii) the $40 million favourable base ROE adjustment as a result of the May 2020 FERC Order, discussed above; and (iv) the impact of favourable weather in Arizona. The increase was partially offset by: (i) lower short-term wholesale sales at UNS Energy; and (ii) lower revenue contribution from the Energy Infrastructure segment, discussed above.

Earnings and EPS

Earnings for the quarter and year to date reflect significant one-time items: (i) a $484 million gain on the disposition of the Waneta Expansion in April 2019; and (ii) the reversal of a $13 million tax recovery, originally recognized in 2019, due to the finalization in April 2020 of anti-hybrid regulations associated with US tax reform; partially offset by (iii) a $27 million favourable base ROE adjustment as a result of the May 2020 FERC Order reflecting the reversal of liabilities accrued in prior years (see "Regulatory Highlights" on page 12).

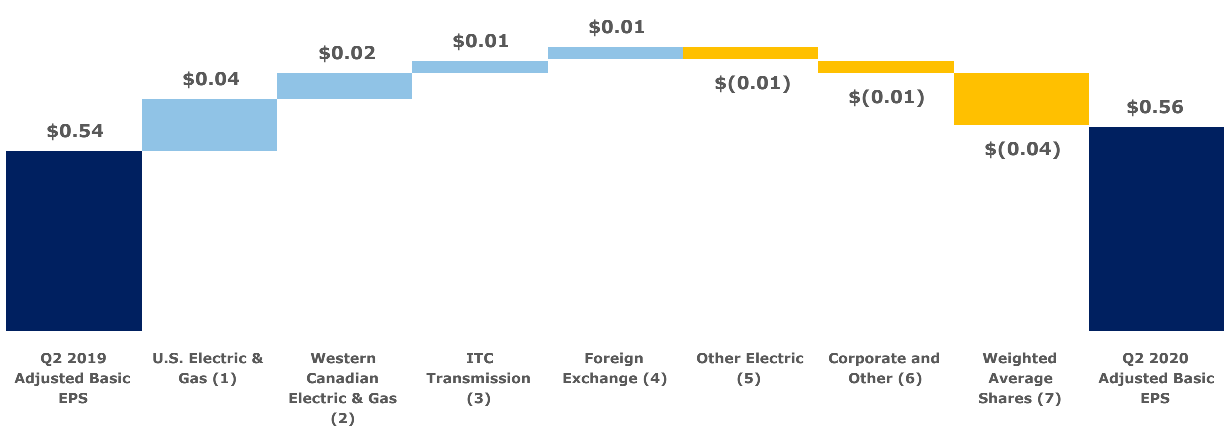
Notwithstanding the significant one-time items, the regulated utilities delivered improved financial results during the second quarter of 2020 reflecting: (i) Rate Base growth; (ii) increased retail sales at UNS Energy, driven largely by weather; (iii) favourable foreign exchange; and (iv) timing of operating expenses at FortisBC Energy. This growth was tempered by lower sales in the Caribbean due to a decline in tourism-related activities and higher COVID-related expenses, including credit losses, driven by Central Hudson.

On a year-to-date basis, earnings reflect the same factors discussed above for the quarter but were further tempered by lower earnings at UNS Energy, which reflect higher costs associated with approximately $1 billion of utility infrastructure investments spent over the past few years that have not yet been reflected in customer rates, and a decline in the market value of certain investments that support retirement benefits caused by financial market volatility. While later than expected, new rates at TEP that recover the above noted investments are anticipated to be approved prior to the end of 2020.

An increase in the weighted average number of common shares outstanding, mainly associated with the Corporation's $1.2 billion common equity issuance in the fourth quarter of 2019, resulted in a decrease in basic EPS for the quarter and year to date of $0.04 and $0.09, respectively.

For the quarter and year to date: (i) Adjusted Common Equity Earnings increased by $23 million and $22 million, respectively; and (ii) Adjusted Basic EPS increased by $0.02 and decreased by $0.05, respectively. Refer to "Non-US GAAP Financial Measures" on page 11 for a reconciliation of these measures. The changes in Adjusted Basic EPS are illustrated in the charts below.

Second Quarter 2020 Adjusted Basic EPS Drivers



(1) *UNS Energy and Central Hudson. Higher earnings due to higher retail sales driven by favourable weather in Arizona, partially offset by negative impacts of the COVID-19 Pandemic at Central Hudson*

(2) *FortisBC Energy, FortisBC Electric and FortisAlberta. Primarily reflects Rate Base/customer growth and timing of operating expenses at FortisBC Energy*

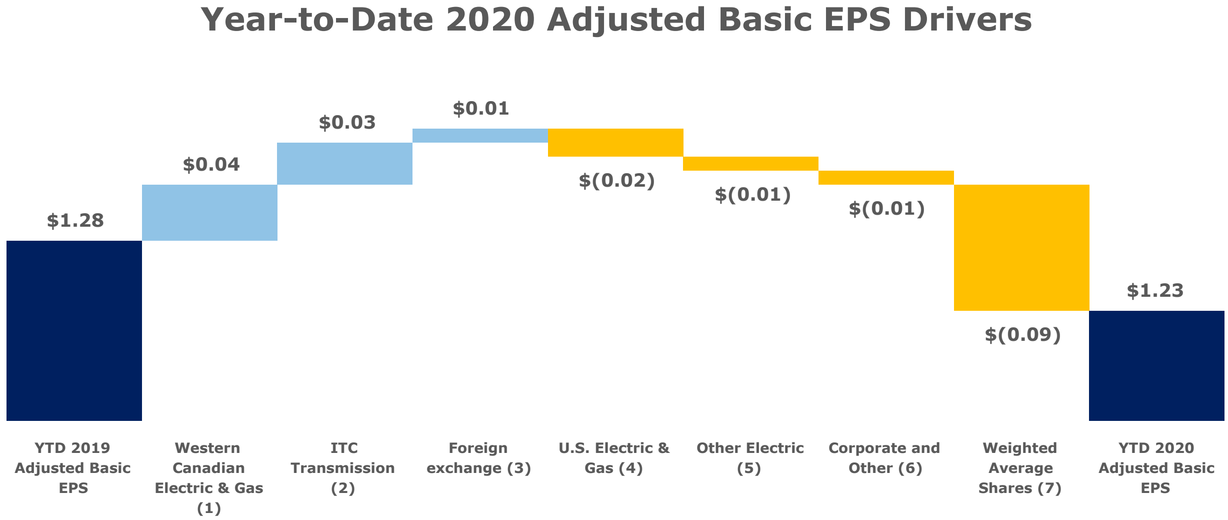
(3) *Primarily reflects Rate Base growth and lower business development costs*

(4) *Average FX of $1.39 in 2020 compared to $1.34 in 2019*

(5) *Primarily reflects lower sales and higher operating expenses in the Caribbean due to the impacts of the COVID-19 Pandemic, partially offset by higher equity income from Belize Electricity*

(6) *Primarily reflects gain on repayment of debt recognized in 2019, partially offset by lower finance charges*

(7) *Weighted average shares of 464.6 million in 2020 compared to 433.1 million in 2019*



(1) FortisBC Energy, FortisBC Electric and FortisAlberta. Primarily reflects Rate Base/customer growth and lower operating expenses, partly due to timing at FortisBC Energy.
(2) Primarily reflects Rate Base growth and lower business development costs, partially offset by a lower ROE compared to 2019
(3) Average FX of $1.37 in 2020 compared to $1.33 in 2019
(4) UNS Energy and Central Hudson. Earnings at UNS Energy reflect higher costs associated with Rate Base growth not yet reflected in customer rates and a decline in the market value of certain retirement-benefit investments due to financial market volatility, partially offset by higher retail sales driven by favourable weather in Arizona. The negative earnings impacts of the COVID-19 Pandemic at Central Hudson were largely offset by Rate Base growth.
(5) Primarily reflects lower sales and higher operating expenses, mainly in the Caribbean due to the impacts of the COVID-19 Pandemic, partially offset by higher equity income from Belize Electricity
(6) Primarily reflects gain on repayment of debt recognized in 2019, partially offset by lower finance charges
(7) Weighted average shares of 464.2 million in 2020 compared to 431.3 million in 2019

Dividends and TSR

Dividends paid per common share in the second quarter of 2020 were $0.4775, up 6% from the same period in 2019.

Fortis has increased its common share dividend for 46 consecutive years. The Corporation's targeted average annual dividend growth of approximately 6% through 2024 remains unchanged.

Growth of dividends and the market price of the Corporation's common shares have together yielded 1-year, 5-year, 10-year and 20-year annualized TSRs of 3.3%, 12.1%, 10.7% and 13.8%, respectively.

Operating Cash Flow

The $94 million and $143 million increases in Operating Cash Flow for the quarter and year to date, respectively, reflect overall higher net cash earnings, driven by Rate Base growth at the regulated utilities and favourable changes in long-term regulatory deferrals, due primarily to the normal operation of rate stabilization accounts at ITC. The increases were partially offset by unfavourable changes in working capital reflecting slower collections from customers and timing differences related to current regulatory deferrals, tempered by the deferred payment of carbon and provincial sales tax at FortisBC Energy.

Capital Expenditures

Capital expenditures were $2.0 billion year-to-date 2020, up $0.4 billion compared to the same period in 2019, representing 47% of the 2020 annual capital plan of $4.3 billion.

Depending on the length and severity of the COVID-19 Pandemic, it is possible that certain capital expenditures planned for the remainder of 2020 could be delayed. However, the Corporation currently expects no overall change to its $18.8 billion five-year capital plan. See "Significant Item" on page 1, "Capital Plan" on page 19, and "Business Risks" on page 20.

BUSINESS UNIT PERFORMANCE

Common Equity Earnings	Quarter				Year-to-Date			
Periods Ended June 30			Variance				Variance	
($ millions)	**2020**	2019	FX [1]	Other	**2020**	2019	FX [1]	Other
Regulated Utilities								
ITC	**138**	101	5	32	**239**	193	6	40
UNS Energy	**85**	60	3	22	**113**	115	3	(5)
Central Hudson	**2**	7	—	(5)	**37**	39	—	(2)
FortisBC Energy	**16**	10	—	6	**122**	110	—	12
FortisAlberta	**33**	34	—	(1)	**65**	61	—	4
FortisBC Electric	**17**	15	—	2	**32**	31	—	1
Other Electric [2]	**24**	29	—	(5)	**47**	52	—	(5)
	315	256	8	51	**655**	601	9	45
Non-Regulated								
Energy Infrastructure [3]	**3**	8	—	(5)	**12**	16	—	(4)
Corporate and Other [4]	**(44)**	456	(2)	(498)	**(81)**	414	(4)	(491)
Common Equity Earnings	**274**	720	6	(452)	**586**	1,031	5	(450)

(1) *The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI and BECOL is the US dollar. The reporting currency of Belize Electricity is the Belizean dollar, which is pegged to the US dollar at BZ$2.00=US$1.00. The Corporate and Other segment includes certain transactions denominated in US dollars.*

(2) *Comprised of the utility operations in eastern Canada and the Caribbean: Newfoundland Power; Maritime Electric; FortisOntario; Wataynikaneyap Partnership; Caribbean Utilities; FortisTCI; and Belize Electricity*

(3) *Primarily comprised of long-term contracted generation assets in Belize, Aitken Creek in British Columbia and, until its April 16, 2019 disposition, the Waneta Expansion*

(4) *Includes Fortis net corporate expenses and non-regulated holding company expenses*

ITC	Quarter				Year-to-Date			
Periods Ended June 30			Variance				Variance	
($ millions)	**2020**	2019	FX	Other	**2020**	2019	FX	Other
Revenue [1]	**477**	428	17	32	**910**	836	22	52
Earnings [1]	**138**	101	5	32	**239**	193	6	40

(1) *Revenue represents 100% of ITC. Earnings represent the Corporation's 80.1% controlling ownership interest in ITC and reflect consolidated purchase price accounting adjustments.*

Revenue

The increases in revenue for the quarter and year to date, net of foreign exchange, were due primarily to: (i) a $40 million favourable base ROE adjustment related to prior periods as a result of the May 2020 FERC Order, partially offset by a reduction in the base ROE established for 2020, in the same order, as compared to the base ROE in effect for the corresponding periods last year (see "Regulatory Highlights" on page 12); and (ii) growth in Rate Base. The increases were partially offset by lower recoverable operating expenses due to cost saving measures implemented as a result of the COVID-19 Pandemic.

Earnings

The increases in earnings for the quarter and year to date, net of foreign exchange, reflect a $27 million favourable base ROE adjustment related to prior periods as a result of the May 2020 FERC Order, partially offset by a lower base ROE as compared to last year, discussed above. Growth in Rate Base and lower business development costs also contributed to the increase in earnings.

UNS ENERGY Periods Ended June 30	Quarter				Year-to-Date			
			Variance				Variance	
	2020	2019	FX	Other	**2020**	2019	FX	Other
Retail electricity sales *(GWh)*	**2,735**	2,503	—	232	**4,903**	4,713	—	190
Wholesale electricity sales *(GWh)* [(1)]	**1,201**	1,729	—	(528)	**2,531**	3,948	—	(1,417)
Gas volumes *(PJ)*	**2**	2	—	—	**8**	9	—	(1)
Revenue *($ millions)*	**546**	500	20	26	**1,019**	1,043	27	(51)
Earnings *($ millions)*	**85**	60	3	22	**113**	115	3	(5)

[(1)] *Primarily short-term wholesale sales*

Sales

The increases in retail electricity sales for the quarter and year to date were due primarily to higher air conditioning load as a result of warmer temperatures in 2020 as compared to unseasonably cool temperatures in 2019. The COVID-19 Pandemic has not had a material impact on sales as the decrease in consumption by commercial and industrial customers, due to the temporary closure of non-essential businesses, was more than offset by an increase in consumption by residential customers, due to work-from-home practices.

The decreases in wholesale electricity sales for the quarter and year to date were due primarily to the expiration of a short-term capacity sales transaction, which was established to offset costs associated with a Gila River Unit 2 tolling PPA during 2019. The capacity sales transaction ended in December 2019 with the purchase of Gila River Unit 2. Revenue from short-term wholesale sales is primarily returned to customers through regulatory deferral mechanisms and, therefore, does not materially impact earnings.

Gas volumes for the quarter and year to date were comparable to the same periods in 2019.

Revenue

The increase in revenue, net of foreign exchange, for the quarter was due primarily to higher retail sales and higher revenue related to the recovery of fuel and non-fuel costs through the normal operation of regulatory mechanisms, partially offset by lower short-term wholesale sales.

The decrease in revenue, net of foreign exchange, year to date was due primarily to lower short-term wholesale sales, partially offset by higher retail sales and higher revenue related to the recovery of fuel and non-fuel costs through the normal operation of regulatory mechanisms.

Earnings

The increase in earnings, net of foreign exchange, for the quarter was due primarily to higher retail sales, higher recovery of non-fuel costs, and a partial recovery of the market value of certain investments that support retirement benefits. The increase was partially offset by higher costs associated with Rate Base growth not yet reflected in customer rates. New customer rates at TEP were expected to be effective May 1, 2020 but were delayed due to the pandemic (see "Regulatory Highlights" on page 12).

The decrease in earnings, net of foreign exchange, year to date was due primarily to: (i) higher costs associated with Rate Base growth not yet reflected in customer rates, due in part to the delay in TEP's general rate application discussed above; and (ii) an overall reduction in the market value of certain investments that support retirement benefits. The decrease was partially offset by higher retail sales and the recovery of non-fuel costs.

Changes in the market value of investments that support retirement benefits in the quarter and year to date were driven by financial market volatility associated with the COVID-19 Pandemic.

CENTRAL HUDSON	**Quarter**				**Year-to-Date**			
Periods Ended June 30			Variance				Variance	
	2020	2019	FX	Other	**2020**	2019	FX	Other
Electricity sales *(GWh)*	**1,105**	1,112	—	(7)	**2,348**	2,401	—	(53)
Gas volumes *(PJ)*	**4**	3	—	1	**12**	13	—	(1)
Revenue *($ millions)*	**206**	199	8	(1)	**486**	476	11	(1)
Earnings *($ millions)*	**2**	7	—	(5)	**37**	39	—	(2)

Sales
The decrease in electricity sales for the quarter was due primarily to lower average consumption by commercial customers associated with the impact of the COVID-19 Pandemic. The decrease in electricity sales year to date was due primarily to reduced heating load in the first quarter as a result of warmer temperatures compared to 2019.

Gas volumes for the quarter were comparable to the same period in 2019. The decrease in gas volumes year to date was due primarily to reduced heating load in the first quarter as a result of warmer temperatures compared to 2019.

Changes in electricity sales and gas volumes at Central Hudson are subject to regulatory revenue decoupling mechanisms and, therefore, do not materially impact earnings.

Revenue
Revenue, net of foreign exchange, was comparable to the same periods in 2019. An increase due to Rate Base growth, as reflected in the increase in gas and electric delivery rates effective July 1, 2019, was offset by the flow through of lower energy supply costs.

Earnings
The decreases in earnings for the quarter and year to date were due primarily to higher operating expenses associated with the COVID-19 Pandemic, including a year-to-date increase in the allowance for credit losses, partially offset by Rate Base growth, discussed above. Timing of operating expenses related to vegetation management and storm restoration costs in the second quarter of 2020 also contributed to the decrease in earnings.

FORTISBC ENERGY	**Quarter**			**Year-to-Date**		
Periods Ended June 30	**2020**	2019	Variance	**2020**	2019	Variance
Gas volumes *(PJ)*	**41**	40	1	**123**	123	—
Revenue *($ millions)*	**249**	235	14	**715**	720	(5)
Earnings *($ millions)*	**16**	10	6	**122**	110	12

Sales
Gas sales for the quarter and year to date were comparable to the same periods in 2019. Higher heating load in the second quarter of 2020, due to cooler temperatures compared to the same period in 2019, was offset by lower average consumption by industrial customers, due partly to the impact of the COVID-19 Pandemic.

Revenue
The increase in revenue for the quarter was due primarily to the normal operation of regulatory deferrals, a higher cost of natural gas recovered from customers, and Rate Base growth.

The decrease in revenue year to date was due primarily to a lower cost of natural gas recovered from customers, partially offset by Rate Base growth and the normal operation of regulatory deferrals.

Earnings
The increases in earnings for the quarter and year to date were due primarily to Rate Base growth and the timing of operating expenses, mainly associated with the MRP decision (see "Regulatory Highlights" on page 12).

FortisBC Energy earns approximately the same margin regardless of whether a customer contracts for the purchase and delivery of natural gas or only for the delivery. Due to regulatory deferral mechanisms, changes in consumption levels and commodity costs do not materially impact earnings.

FORTISALBERTA	**Quarter**			**Year-to-Date**		
Periods Ended June 30	**2020**	2019	Variance	**2020**	2019	Variance
Energy deliveries *(GWh)*	**3,628**	3,969	(341)	**8,181**	8,611	(430)
Revenue *($ millions)*	**150**	150	—	**302**	295	7
Earnings *($ millions)*	**33**	34	(1)	**65**	61	4

Deliveries
The decreases in energy deliveries for the quarter and year to date were due to lower average consumption by oil and gas and commercial customers, largely associated with the impact of the COVID-19 Pandemic but also due to the downturn in the oil and gas sector.

As more than 85% of FortisAlberta's revenue is derived from fixed or largely fixed billing determinants, changes in quantities of energy delivered are not entirely correlated with changes in revenue. Revenue is a function of numerous variables, many of which are independent of actual energy deliveries.

Revenue
Revenue for the quarter was comparable to the same period in 2019. The increase due to Rate Base growth and customer additions was offset by lower energy deliveries, discussed above, and the recognition of revenue in 2019 associated with the PBR efficiency carry-over mechanism.

The increase in revenue year to date was due primarily to Rate Base growth and customer additions, partially offset by lower energy deliveries and the impact of the PBR efficiency carry-over mechanism.

Earnings
The decrease in earnings for the quarter was due primarily to a higher effective tax rate associated with lower current period deductions related to AESO contributions and the impact of the PBR efficiency carry-over mechanism, discussed above. The decrease was partially offset by Rate Base growth.

The increase in earnings year to date was due primarily to Rate Base growth and the timing of operating expenses, partially offset by a higher effective tax rate and the impact of the PBR efficiency carry-over mechanism.

FORTISBC ELECTRIC	**Quarter**			**Year-to-Date**		
Periods Ended June 30	**2020**	2019	Variance	**2020**	2019	Variance
Electricity sales *(GWh)*	**691**	725	(34)	**1,606**	1,674	(68)
Revenue *($ millions)*	**91**	90	1	**205**	209	(4)
Earnings *($ millions)*	**17**	15	2	**32**	31	1

Sales
The decreases in electricity sales for the quarter and year to date were due primarily to lower average consumption by commercial and industrial customers due, in part, to the impact of the COVID-19 Pandemic and higher heating load in the first quarter of 2019 as a result of colder temperatures compared to 2020.

Revenue
The increase in revenue for the quarter was due primarily to Rate Base growth. The decrease due to lower electricity sales was tempered by the normal operation of regulatory deferrals.

The decrease in revenue year to date was due primarily to: (i) lower electricity sales, tempered by the normal operation of regulatory deferrals; (ii) the absence of revenue associated with the provision of operating, maintenance and management services to the Waneta Expansion, which was sold in April 2019; and (iii) lower surplus power sales. The decrease was partially offset by Rate Base growth.

Earnings
The increases in earnings for the quarter and year to date were due primarily to Rate Base growth. The year-to-date increase was partially offset by the sale of the Waneta Expansion.

Due to regulatory deferral mechanisms, changes in consumption levels do not materially impact earnings.

OTHER ELECTRIC	Quarter				Year-to-Date			
Periods Ended June 30			Variance				Variance	
	2020	2019	FX	Other	**2020**	2019	FX	Other
Electricity sales *(GWh)*	**2,109**	2,174	—	(65)	**5,047**	5,157	—	(110)
Revenue *($ millions)*	**345**	343	3	(1)	**793**	769	4	20
Earnings *($ millions)*	**24**	29	—	(5)	**47**	52	—	(5)

Sales
The decreases in electricity sales for the quarter and year to date were due primarily to overall lower average consumption, partially offset by customer additions. Electricity sales for the second quarter were negatively impacted by the COVID-19 Pandemic, reflecting the temporary closure of non-essential businesses and border closures affecting tourism-related sales in the Caribbean.

Revenue
The decrease in revenue, net of foreign exchange, for the quarter was primarily due to lower sales, partially offset by the flow through of overall higher energy supply costs.

The increase in revenue, net of foreign exchange, year to date was due primarily to the flow through of overall higher energy supply costs, partially offset by lower sales.

Earnings
The decreases in earnings for the quarter and year to date were due primarily to: (i) the impact of the COVID-19 Pandemic, particularly lower sales and higher operating expenses in the Caribbean; and (ii) the timing of purchased power costs at Newfoundland Power. The decreases were partially offset by higher equity income from Belize Electricity.

ENERGY INFRASTRUCTURE	Quarter			Year-to-Date		
Periods Ended June 30	**2020**	2019	Variance	**2020**	2019	Variance
Energy sales *(GWh)*	**34**	69	(35)	**50**	119	(69)
Revenue *($ millions)*	**13**	25	(12)	**38**	61	(23)
Earnings *($ millions)*	**3**	8	(5)	**12**	16	(4)

Sales
The Waneta Expansion disposition decreased sales by 54 GWh and 80 GWh for the quarter and year to date, respectively. The remaining increase reflects increased hydroelectric production in Belize due to higher rainfall levels.

Revenue and Earnings
The decreases in revenue and earnings for the quarter and year to date reflect: (i) the noted sales reduction; and (ii) lower realized margins at Aitken Creek, tempered by higher volumes of natural gas sold. The decreases were partially offset by: (i) the favourable changes in the mark-to-market accounting of natural gas derivatives at Aitken Creek, with unrealized gains of $2 million during the second quarter of 2020 compared to $1 million during the second quarter of 2019 and unrealized losses of $1 million year to date compared to $4 million in 2019; and (ii) increased hydroelectric production in Belize.

Aitken Creek is subject to commodity price risk, as it purchases and holds natural gas in storage to earn a profit margin from its ultimate sale. Aitken Creek mitigates this risk by using derivatives to materially lock in the profit margin that will be realized upon the sale of natural gas. The fair value accounting of these derivatives creates timing differences and the resultant earnings volatility can be significant.

CORPORATE AND OTHER	Quarter				Year-to-Date			
Periods Ended June 30			Variance				Variance	
($ millions)	**2020**	2019	FX	Other	**2020**	2019	FX	Other
Net (expenses) income	**(44)**	456	(2)	(498)	**(81)**	414	(4)	(491)

The increases in net expenses, net of foreign exchange, for the quarter and year to date were driven primarily by: (i) the net after-tax gain of $484 million on the April 2019 disposition of the Waneta Expansion; (ii) a gain on the repayment of debt recognized in 2019; and (iii) the 2020 reversal of a $13 million tax recovery, originally recognized in 2019, due to the finalization of anti-hybrid tax regulations associated with US tax reform. The increases were partially offset by lower finance charges.

NON-US GAAP FINANCIAL MEASURES

Adjusted Common Equity Earnings and Adjusted Basic EPS are Non-US GAAP Financial Measures and may not be comparable with similar measures used by other entities. They are presented because management and external stakeholders use them in evaluating the Corporation's financial performance and prospects.

Net earnings attributable to common equity shareholders (i.e., Common Equity Earnings) and basic EPS are the most directly comparable US GAAP measures to Adjusted Common Equity Earnings and Adjusted Basic EPS, respectively.

Adjusted Common Equity Earnings and Adjusted Basic EPS reflect items that management excludes in its key decision-making processes and evaluation of operating results, and are reconciled as follows.

Non-US GAAP Reconciliation						
Periods Ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2020**	2019	Variance	**2020**	2019	Variance
Common Equity Earnings	**274**	720	(446)	**586**	1,031	(445)
Adjusting items:						
May 2020 FERC Order [(1)]	**(27)**	—	(27)	**(27)**	—	(27)
Anti-hybrid tax regulations [(2)]	**13**	—	13	**13**	—	13
Unrealized (gain) loss on mark-to market of derivatives [(3)]	**(2)**	(1)	(1)	**1**	4	(3)
Gain on disposition [(4)]	**—**	(484)	484	**—**	(484)	484
Adjusted Common Equity Earnings	**258**	235	23	**573**	551	22
Adjusted Basic EPS *($)*	**0.56**	0.54	0.02	**1.23**	1.28	(0.05)

(1) *See "Regulatory Highlights" on page 12, included in the ITC segment*
(2) *Reversal of a tax recovery, originally recognized in 2019, due to the finalization of anti-hybrid tax regulations in April 2020 associated with US Tax Reform, included in the Corporate and Other segment*
(3) *Represents timing differences related to the accounting of natural gas derivatives at Aitken Creek, included in the Energy Infrastructure segment*
(4) *Gain on sale of the Waneta Expansion, net of expenses, in April 2019, included in the Corporate and Other segment*

REGULATORY HIGHLIGHTS

COVID-19 Pandemic Impacts

The COVID-19 Pandemic has resulted in several customer relief initiatives as well as the delay of several regulatory proceedings, as discussed below.

Customer Relief Initiatives

<u>UNS Energy</u>
Pursuant to the ACC's approval of the utility's customer relief initiatives, TEP refunded to customers approximately US$8 million of collected demand side management funds in excess of program costs.

<u>Central Hudson</u>
In March 2020, as agreed to with the PSC, Central Hudson postponed until July 1, 2021 the collection in customer rates of approximately US$3 million of deferred costs related mainly to environmental remediation.

<u>FortisBC Energy and FortisBC Electric</u>
In April 2020, pursuant to the BCUC's approval of the utilities' customer relief initiatives, FortisBC Energy and FortisBC Electric implemented three-month bill deferrals for certain customer classes, the repayment of which is expected to commence in the third quarter of 2020. The BCUC also authorized the deferral of otherwise uncollectible revenue associated with providing the customer relief initiatives, the recovery of which will be determined through a future rate filing once the financial impact of the pandemic is known.

Delayed Regulatory Proceedings

<u>UNS Energy</u>
General Rate Application: In the first half of 2020, as part of TEP's general rate application, hearings were held to address the inclusion in customer rates of Gila River Unit 2 and ten RICE Units. Prior to the COVID-19 Pandemic, a decision had been expected earlier in 2020 with new rates effective May 1, 2020. TEP currently expects a decision approving new rates prior to the end of 2020.

<u>Central Hudson</u>
2020 Rates: In May 2020 the PSC approved Central Hudson's request to postpone scheduled electric and gas delivery rate increases, reflecting an increase in the equity component of its capital structure from 49% to 50%, from July 1, 2020 to October 1, 2020. The deferred revenue will be collected over the nine-month period from October 1, 2020 to June 30, 2021.

COVID-19 Proceeding: In June 2020 the PSC initiated a generic proceeding to identify and address the effects of the COVID-19 Pandemic. The outcome of this proceeding and potential impacts, if any, are unknown at this time.

<u>FortisAlberta</u>
Generic Cost of Capital Proceeding: In December 2018 the AUC initiated a generic cost of capital proceeding and expert evidence was filed in January 2020. In March 2020, due to the COVID-19 Pandemic, this proceeding was suspended indefinitely. In June 2020 the AUC provided five options to Alberta utilities to set the approved ROE and capital structure for 2021 in lieu of resuming the proceeding. In July 2020 FortisAlberta elected an option that provides for the extension of the currently approved ROE and capital structure quarterly. This method will remain in effect until the AUC issues a decision on this proceeding and any resulting changes to ROE and/or capital structure will be implemented prospectively at the start of the following quarter.

<u>Other Electric</u>
Caribbean Utilities: In June 2020 Caribbean Utilities requested the postponement of its scheduled annual rate adjustment effective June 1, 2020 to January 1, 2021, to provide customer relief from the effects of the COVID-19 Pandemic.

FortisTCI: In February 2020 the Government of the Turks and Caicos Islands approved a 6.8% average increase in FortisTCI's electricity rates, effective April 1, 2020, including the recovery of hurricane-related costs incurred in 2017. In March 2020, to provide customer relief from the effects of the COVID-19 Pandemic, the effective date was postponed to July 2020 and new rates became effective July 22, 2020.

Other Regulatory Matters

ITC

ROE Complaints: In May 2020 FERC issued an order on rehearing of its November 2019 decision on the MISO transmission owner ROE complaints and set the base ROE for the periods of November 2013 through February 2015 and from September 2016 onward at 10.02%, up to a maximum of 12.62% with incentive adders. Including incentive adders, the May 2020 FERC Order implies an all-in ROE for ITC's MISO Subsidiaries of 10.77%, up from 10.63% based on a November 2019 decision but down from 11.07% based on a September 2016 decision which was recognized during the first nine months of 2019.

A regulatory liability of $91 million (US$70 million) was recorded at December 31, 2019 to reflect the amounts due to customers under the terms of the November 2019 decision. The May 2020 FERC Order, in addition to the refund of $27 million (US$20 million) to customers in the first half of 2020, resulted in: (i) the reduction of the regulatory liability to $22 million (US$16 million) as at June 30, 2020; and (ii) an increase in revenue and a decrease in interest expense resulting in an increase in net earnings of $37 million of which Fortis' share was $29 million. The earnings increase was comprised of: (i) $27 million related to the reversal of liabilities established in prior periods; and (ii) $2 million related to the year-to-date impact of a higher ROE as compared to the ROE approved in November 2019.

Review of Transmission Incentives Policy: In March 2020 FERC issued a NOPR proposing to update its transmission incentives policy for transmission owners, including ITC, to grant incentives to projects based upon benefits to customers regarding reliability and cost savings through the reduction of transmission congestion. The NOPR follows a Notice of Inquiry, issued in March 2019, on FERC's transmission incentives policies. FERC proposed total ROE incentives of up to 250 basis points that would not be limited by the upper end of the base ROE zone of reasonableness. Comments from stakeholders, including ITC, were provided to FERC through July 1, 2020. The outcome may impact future incentive adders that are included in transmission rates charged by transmission owners, including ITC.

FortisBC Energy and FortisBC Electric

MRP Applications: In June 2020 the BCUC issued a decision on FortisBC Energy's and FortisBC Electric's MRP applications for 2020 to 2024. The decision sets the rate-setting framework for the next five years, including: (i) the level of operation and maintenance expense and capital to be included in customer rates, subject to an incentive formula; (ii) the level of investment in gas innovation initiatives to be included in customer rates; and (iii) a 50/50 sharing between customers and the utilities of variances from the allowed ROE. During the third quarter of 2020, FortisBC Energy and FortisBC Electric will provide the BCUC with updated 2020 rate filings reflecting the terms of this decision. Current interim rates will remain in effect pending a final determination of 2020 rates by the BCUC.

FortisAlberta

2018 Alberta Independent System Operator Tariff Application: In September 2019 the AUC issued a decision that addressed a proposal to change how the AESO's customer contribution policy functions between distribution facility owners, such as FortisAlberta, and transmission facility owners. Implementation of the order was suspended in October 2019 and in May 2020 the AUC confirmed that outstanding matters on the order will be determined through a written hearing. In July 2020 FortisAlberta filed expert evidence requested by the AUC and a decision is expected in the fourth quarter of 2020. The likely outcome of this process and potential impacts, if any, cannot be determined at this time.

Performance-Based Regulation: In May 2020 FortisAlberta filed an application for anomaly adjustments to rates based on new criteria established by the AUC in January 2020. A decision is expected in the fourth quarter of 2020.

FINANCIAL POSITION

Significant Changes between June 30, 2020 and December 31, 2019

Balance Sheet Account	Increase/(Decrease) FX ($ millions)	Increase/(Decrease) Other ($ millions)	Explanation
Regulatory assets (including current and long-term)	57	65	Due to deferred income taxes, the operation of rate stabilization accounts at ITC, and higher manufactured gas plant site remediation deferrals at Central Hudson, partially offset by lower derivative loss deferrals at UNS Energy.
Property, plant and equipment, net	955	1,162	Due primarily to capital expenditures, partially offset by depreciation.
Goodwill	478	—	
Short-term borrowings	23	(510)	Due primarily to the repayment of commercial paper at ITC and short-term borrowings at UNS Energy.
Accounts payable and other current liabilities	51	(473)	Due to the timing of the declaration of common share dividends, seasonal fluctuations in the amounts owing for energy supply costs and timing of transmission cost payments at FortisAlberta.
Deferred income tax liabilities	76	176	Due primarily to timing differences related to capital expenditures.
Long-term debt (including current portion)	667	1,693	Due to debt issuances at the regulated utilities, primarily ITC and UNS Energy, and higher net borrowings under committed credit facilities, partially offset by debt repayments at ITC.
Shareholders' equity	586	408	Due primarily to: (i) Common Equity Earnings for the six months ended June 30, 2020, less dividends declared on common shares; and (ii) the issuance of common shares.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW REQUIREMENTS

At the subsidiary level, it is expected that operating expenses and interest costs will be paid from Operating Cash Flows, with varying levels of residual cash flows available for capital expenditures and/or dividend payments to Fortis. Capital expenditures are expected to be financed primarily from borrowings under credit facilities, long-term debt offerings and equity injections from Fortis. Borrowings under credit facilities may be required periodically to support seasonal working capital requirements and there could be higher-than-normal working capital deficiencies in the short-term, as the ongoing impacts of the COVID-19 Pandemic affects customers' ability to pay their energy bills. See "Business Risks" on page 20.

Cash required of Fortis to support subsidiary capital expenditures is generally derived from borrowings under the Corporation's committed credit facility, proceeds from the DRIP and issuances of common shares, preference shares and long-term debt. The ability to access cash through capital markets may be impacted by the COVID-19 Pandemic. Depending on the timing of subsidiary dividend receipts, borrowings under the Corporation's committed credit facility may be required periodically to support debt servicing and payment of dividends.

Within this dynamic, the subsidiaries pay dividends to Fortis and receive equity injections from Fortis when required, and both Fortis and its subsidiaries initially borrow through their committed credit facilities and periodically replace these borrowings with long-term debt. Financing needs also arise periodically for acquisitions.

The Corporation's ability to service debt and pay dividends is dependent on the financial results of, and the related cash payments from, its subsidiaries. Certain regulated subsidiaries are subject to restrictions that limit their ability to distribute cash to Fortis, including restrictions by certain regulators limiting annual dividends and restrictions by certain lenders limiting debt to total capitalization. There are also practical limitations on using the net assets of the regulated subsidiaries to pay dividends, based on management's intent to maintain the subsidiaries' regulator-approved capital structures. Fortis does not expect that maintaining such capital structures will impact its ability to pay dividends in the foreseeable future.

As at June 30, 2020: (i) consolidated fixed-term debt maturities/repayments are expected to average $943 million annually over the next five years; (ii) approximately 80% of the Corporation's consolidated long-term debt, excluding credit facility borrowings, had maturities beyond five years; and (iii) available credit facilities were $5.9 billion with $4.8 billion unutilized.

Credit facilities are syndicated primarily with large banks in Canada and the US, with no one bank holding more than 25% of the total facilities. Approximately $5.6 billion of the total credit facilities are committed with maturities ranging from 2021 through 2025. Available credit facilities are summarized in the following table.

Credit Facilities			**As at**	
($ millions)	Regulated Utilities	Corporate and Other	**June 30, 2020**	December 31, 2019
Total credit facilities [1]	3,982	1,881	**5,863**	5,590
Credit facilities utilized:				
Short-term borrowings	(25)	—	**(25)**	(512)
Long-term debt (including current portion)	(909)	—	**(909)**	(640)
Letters of credit outstanding	(83)	(53)	**(136)**	(114)
Credit facilities unutilized	2,965	1,828	**4,793**	4,324

[1] *See Note 15 in the 2019 Annual Financial Statements for a description of the credit facilities as at December 31, 2019.*

In January 2020 Caribbean Utilities amended its unsecured revolving committed credit facility resulting in an increase of US$20 million and an extension of the maturity date to January 2025.

In March 2020 FortisBC Energy entered into a $55 million two-year uncommitted letter of credit facility and FortisAlberta entered into a $150 million one-year non-revolving committed credit facility.

In April 2020 the Corporation entered into an unsecured $500 million one-year revolving term committed credit facility and UNS Energy terminated its US$225 million unsecured non-revolving uncommitted credit facility due to mature in December 2020.

In May 2020 and July 2020 Central Hudson's US$10 million uncommitted credit facility and its US $50 million unsecured revolving committed credit facility, respectively, expired and were not renewed.

While the ultimate impact of the COVID-19 Pandemic on the Corporation's cash flows remains uncertain, Fortis is well positioned with strong liquidity due, in part, to its $1.2 billion common equity offering and sale of the Waneta Expansion in 2019.

In December 2018 Fortis filed a short-form base shelf prospectus with a 25-month life under which it may issue common or preference shares, subscription receipts or debt securities in an aggregate principal amount of up to $2.5 billion. As at June 30, 2020, $1.1 billion remained available under the short-form base shelf prospectus.

Fortis and its subsidiaries were in compliance with debt covenants as at June 30, 2020 and are expected to remain compliant throughout 2020.

CASH FLOW SUMMARY

Summary of Cash Flows						
Periods Ended June 30	**Quarter**			**Year-to-Date**		
($ millions)	**2020**	2019	Variance	**2020**	2019	Variance
Cash, beginning of period	**272**	233	39	**370**	332	38
Cash provided by (used in):						
Operating activities	**725**	631	94	**1,315**	1,172	143
Investing activities	**(808)**	99	(907)	**(1,997)**	(633)	(1,364)
Financing activities	**201**	(776)	977	**687**	(682)	1,369
Foreign exchange	**(10)**	(5)	(5)	**5**	(13)	18
Change in cash associated with assets held for sale	**—**	9	(9)	**—**	15	(15)
Cash, end of period	**380**	191	189	**380**	191	189

Operating Activities
See "Performance at a Glance - Operating Cash Flow" on page 5.

Investing Activities
Cash used in investing activities reflects a higher capital spending level in 2020. See "Performance at a Glance - Capital Expenditures" on page 5 and "Capital Plan" on page 19. Cash used in investing activities in 2019, for the quarter and year to date, were partially offset by proceeds from the Waneta Expansion disposition.

Financing Activities
Cash flows related to financing activities fluctuate largely as a result of changes in the subsidiaries' capital expenditures and the amount of Operating Cash Flows available to fund those capital expenditures, which together impact the amount of funding required from debt and common equity issuances. See "Cash Flow Requirements" on page 14.

In 2019 net proceeds from the Waneta Expansion disposition were used to repay credit facility borrowings and repurchase US$400 million of Corporate debt.

Debt Financing

Long-Term Debt Issuances Year-to-date June 30, 2020 *($ millions, except %)*	**Month Issued**	**Interest Rate (%)**	**Maturity**	**Amount**		**Use of Proceeds**
ITC						
Unsecured term loan credit agreement	January	(1)	2021	US	75	(2)(3)
Unsecured term loan credit agreement (4)	January	(5)	2021	US	200	(4)
Unsecured senior notes	May	2.95	2030	US	700	(2)(3)(6)
UNS Energy						
Unsecured senior notes	April	4.00	2050	US	350	(2)(3)
Central Hudson						
Unsecured senior notes	May	3.42	2050	US	30	(3)
FortisBC Electric						
Unsecured debentures	May	3.12	2050		75	(2)
Newfoundland Power						
First mortgage sinking fund bonds	April	3.61	2060		100	(2)(3)
FortisTCI						
Unsecured senior notes (7)	June	5.30	2035	US	15	(8)(9)

(1) *Floating rate of a one-month LIBOR plus a spread of 0.45%*
(2) *Repay credit facility borrowings*
(3) *General corporate purposes*
(4) *Maximum amount of borrowings under this agreement of US$400 million has been drawn; current period borrowings were used to repay an outstanding commercial paper balance.*
(5) *Floating rate of a two-month LIBOR plus a spread of 0.60%*
(6) *Early redemption of unsecured term loan credit agreement of US$400 million*
(7) *Maximum amount of borrowings under this agreement is US$30 million.*
(8) *Repay maturing long-term debt*
(9) *Finance capital expenditures*

In July 2020 ITC issued 31-year US$180 million first mortgage bonds at 3.13%. The net proceeds were used to repay credit facility borrowings, finance capital expenditures and for general corporate purposes.

In July 2020 Central Hudson issued 40-year US$30 million unsecured senior notes at 3.62%. The net proceeds were used to finance capital expenditures and for general corporate purposes.

In July 2020 FortisBC Energy issued 30-year $200 million unsecured debentures at 2.54%. The net proceeds were used to finance capital expenditures.

Common Equity Financing

Common Equity Issuances and Dividends Paid						
Periods Ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2020**	2019	Variance	**2020**	2019	Variance
Common shares issued:						
Cash [(1)]	**10**	164	(154)	**44**	196	(152)
Non-cash [(2)]	**10**	77	(67)	**19**	153	(134)
Total common shares issued	**20**	241	(221)	**63**	349	(286)
Number of common shares issued *(# millions)*	**0.4**	4.9	(4.5)	**1.3**	7.3	(6.0)
Common share dividends paid:						
Cash	**(211)**	(118)	(93)	**(424)**	(236)	(188)
Non-cash [(3)]	**(10)**	(76)	66	**(18)**	(151)	133
Total common share dividends paid	**(221)**	(194)	(27)	**(442)**	(387)	(55)
Dividends paid per common share *($)*	**0.4775**	0.4500	0.0275	**0.955**	0.900	0.055

(1) *Common shares issued under stock options, employee share purchase plans and in 2019 the ATM program.*
(2) *Common shares issued under the DRIP. Effective March 1, 2020, the 2% discount offered on common share issuances under the DRIP was terminated. See "Cash Flow Requirements" on page 14 for further information.*
(3) *Common share dividends reinvested under the DRIP.*

On February 12, 2020 and July 29, 2020, Fortis declared a dividend of $0.4775 per common share payable on June 1, 2020 and September 1, 2020, respectively. The payment of dividends is at the discretion of the Board of Directors and depends on the Corporation's financial condition and other factors.

CONTRACTUAL OBLIGATIONS

There were no material changes to the contractual obligations disclosed in the 2019 Annual MD&A, except issuances of long-term debt and credit facility utilization. See "Cash Flow Summary" on page 16.

Off-Balance Sheet Arrangements

There were no significant changes to off-balance sheet arrangements from those disclosed in the 2019 Annual MD&A.

CAPITAL STRUCTURE AND CREDIT RATINGS

Fortis requires ongoing access to capital and, therefore, targets a consolidated long-term capital structure that will enable it to maintain investment-grade credit ratings. The regulated utilities maintain their own capital structures in line with those reflected in customer rates.

Consolidated Capital Structure	As at	
(%)	**June 30, 2020**	December 31, 2019
Debt [(1)]	**53.8**	53.1
Preference shares	**3.5**	3.8
Common shareholders' equity and minority interest [(2)]	**42.7**	43.1
	100.0	100.0

(1) *Includes long-term debt and finance leases, including current portion, and short-term borrowings, net of cash*
(2) *Includes minority interest of 3.6% as at June 30, 2020 (December 31, 2019 - 3.7%)*

Outstanding Share Data
As at July 29, 2020, the Corporation had issued and outstanding 464.6 million common shares; and the following First Preference Shares: 5.0 million Series F; 9.2 million Series G; 7.7 million Series H; 2.3 million Series I; 8.0 million Series J; 10.0 million Series K; and 24.0 million Series M.

Only the common shares of the Corporation have voting rights. The Corporation's first preference shares do not have voting rights unless and until Fortis fails to pay eight quarterly dividends, whether or not consecutive or declared.

If all outstanding stock options were converted as at July 29, 2020, an additional 3.4 million common shares would be issued and outstanding.

Credit Ratings
The Corporation's credit ratings shown below reflect its low-risk profile, diversity of operations, stand-alone nature and financial separation of each regulated subsidiary, and level of holding company debt.

Credit Ratings As at June 30, 2020	**Rating**	**Type**	**Outlook**
S&P	A-	Corporate	Negative
	BBB+	Unsecured debt	
DBRS Morningstar	BBB (high)	Corporate	Positive
	BBB (high)	Unsecured debt	
Moody's	Baa3	Issuer	Stable
	Baa3	Unsecured debt	

In March 2020 S&P affirmed the Corporation's credit ratings and outlook, recognizing the steps the Corporation took in 2019 to strengthen its financial position. The continued negative outlook reflects uncertainty due to the COVID-19 Pandemic. The negative outlook is consistent with S&P's outlook for the North American regulated utility industry.

In March 2020 S&P also revised its outlook on Caribbean Utilities to negative from stable due to the severe impact that the COVID-19 Pandemic could have on tourism-related activities.

In May 2020 DBRS Morningstar affirmed the Corporation's credit ratings and revised its trend to positive from stable, also recognizing the Corporation's steps to strengthen its financial position in 2019 and its continued strong business risk profile.

CAPITAL PLAN

Currently, the Corporation does not expect any material change in the 2020 annual capital plan. While certain of the Corporation's utilities are experiencing some slight delays in construction related to the impact of the COVID-19 Pandemic, the amount is not expected to be material on a consolidated basis and it is largely offset by favourable foreign exchange. The composition of the 2020 annual capital plan remains unchanged with 25% related to growth, 62% sustaining and 13% for other areas.

The impact of the COVID-19 Pandemic on forecast capital expenditures will continue to be evaluated and, depending on the length and severity of the pandemic, any change in 2020 capital expenditures is expected to be shifted to subsequent years. The Corporation expects no material changes to the overall expected level, nature and timing of the Corporation’s five-year capital plan from that disclosed in the 2019 Annual MD&A. See "Performance at a Glance - Capital Expenditures" on page 5, "Business Risks" on page 20 and "Outlook" on page 23.

2020 Capital Plan
Of the $4.3 billion annual capital plan, $2.0 billion has been spent year to date.

Consolidated Capital Expenditures [(1)] Year-to-date June 30, 2020 ($ millions)										
	Regulated							Total		
	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	Regulated Utilities	Non-Regulated [(2)]	Total
Total	481	685	164	216	204	58	186	**1,994**	**7**	**2,001**

(1) *Reflects cash outlay for property, plant and equipment and intangible assets as shown on the consolidated statements of cash flows in the Interim Financial Statements, as well as Fortis' share of development costs and capital spending for the Wataynikaneyap Transmission Power Project of $64 million included in the Other Electric segment.*

(2) *Includes Energy Infrastructure and Corporate and Other segments*

Five-Year Capital Plan

The Corporation's five-year 2020-2024 capital plan is targeted at $18.8 billion, which includes $4.3 billion in 2020 and an average of $3.6 billion in each of the remaining four years of the plan. The capital plan is low risk and highly executable, with 99% of planned expenditures to occur at the regulated utilities and only 20% relating to Major Capital Projects.

Planned capital expenditures are based on detailed forecasts of energy sales, labour and material costs, general economic conditions, foreign exchange rates and other factors. These could change for many reasons, including the COVID-19 Pandemic, and cause actual expenditures to differ from forecast.

Major Capital Projects Updates

Eagle Mountain Woodfibre Gas Line Project

This project consists of a pipeline expansion to a proposed LNG site in Squamish, British Columbia. In March 2020 Woodfibre LNG Limited, the owner of the proposed LNG facility, requested an extension to its British Columbia Environmental Assessment Certificate due to production and supply chain disruptions resulting, in part, from the COVID-19 Pandemic.

FortisBC Energy's proposed pipeline expansion remains contingent on Woodfibre LNG Limited making a final decision to proceed with construction of the LNG facility. At this time, should the project proceed, the earliest construction start date expected is mid-2021.

Tilbury 1B Project

This project consists of construction of additional liquefaction and dispensing in support of optimizing the existing investment in Tilbury Phase 1A Expansion Project at FortisBC Energy. In February 2020 an initial project scope was filed with regulators to begin the federal impact assessment and provincial environmental assessment required to further expand the Tilbury site.

BUSINESS RISKS

The Corporation's business risks remain substantially unchanged from those disclosed in its 2019 Annual MD&A, except as described below. Also see "Regulatory Highlights" on page 12 and "Capital Structure and Credit Ratings" on page 18 for applicable updates.

Pandemics and Public Health Crises, including the COVID-19 Pandemic

The Corporation could be negatively impacted by the widespread outbreak of communicable diseases or other public health crises that cause economic and/or other disruptions. The COVID-19 Pandemic is an evolving situation that has caused volatility in capital markets and adversely impacted economic activity and conditions around the world, including the Corporation's service territories. Efforts to reduce the health impacts and control the spread of the virus have led many jurisdictions around the world, including Canada, the US and Caribbean, to institute restrictions on travel, public gatherings and business operations. Certain risks and uncertainties that could be expected as a result of the COVID-19 Pandemic are outlined in the "Business Risks" section of the 2019 Annual MD&A. The Corporation is monitoring the "General Economic Conditions" business risk, which states that a "severe and prolonged economic downturn could have a Material Adverse Effect despite compensatory regulatory measures, including making it more difficult for customers to pay their bills". While the Corporation and its utilities have been subjected to government and regulatory action in response to the COVID-19 Pandemic, including restrictions on business operations, customer deferrals and suspension of disconnections, other potential impacts on the Corporation's operations are currently unknown but may include reduced labour availability and productivity, disruptions to capital markets leading to share price volatility and liquidity issues, supply chain disruptions, and a prolonged reduction in economic activity. An extended slowdown of economic activity and growth will likely reduce electricity sales and adversely impact the ability of customers, contractors and suppliers to fulfill their obligations and could disrupt operations and capital expenditure programs or cause impairment of goodwill.

The ultimate impact of the COVID-19 Pandemic on the Corporation's operational and financial performance, including the ability to execute business strategies and initiatives in the expected time frames, remains uncertain. Despite the Corporation's efforts to manage these impacts, including the activation of business continuity plans by it and each of its subsidiaries, the overall impact will depend on the duration and severity of the pandemic, potential government actions to mitigate public health effects or aid economic recovery, and other factors beyond the Corporation's control. An extended period of economic disruption could have a Material Adverse Effect.

ACCOUNTING MATTERS

New Accounting Policies

The Interim Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the 2019 Annual Financial Statements, except as described below.

Financial Instruments

Effective January 1, 2020, the Corporation adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires the use of reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. The new guidance also requires quantitative and qualitative disclosures regarding the activity in the allowance for credit losses for financial assets within the scope of the guidance. Adoption did not have a material impact on the Interim Financial Statements.

Fortis and each subsidiary recognize an allowance for credit losses to reduce accounts receivable for amounts estimated to be uncollectible. The allowance is estimated based on historical collection patterns, sales, and current and forecast economic and other conditions. Accounts receivable are written off in the period in which they are deemed uncollectible.

Future Accounting Pronouncements

Income Taxes

ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, issued in December 2019, is effective for Fortis January 1, 2021, with early adoption permitted. Principally, it improves consistent application of, and clarifies, existing income tax guidance. Adoption will not have a material impact on the consolidated financial statements and related disclosures.

Critical Accounting Estimates

The preparation of the Interim Financial Statements requires management to make estimates and judgments that affect the reported amounts of, and disclosures related to, assets, liabilities, revenues, expenses and contingencies. Actual results could differ materially from estimates.

There were no material changes to the nature of the Corporation's critical accounting estimates or contingencies, notwithstanding the impact of the COVID-19 Pandemic, from that disclosed in the 2019 Annual MD&A. See "Business Risks" on page 20.

Allowance for Credit Losses

The amount of estimation and judgment involved in the Corporation's allowance for expected credit losses has increased as the impact that the COVID-19 Pandemic has on forecast economic and other conditions continues to evolve. However, the overall impact to date has not been material.

Goodwill Impairment

As at June 30, 2020, the Corporation performed a qualitative assessment of its reporting units due to the COVID-19 Pandemic, and determined it is not more-likely-than-not that goodwill is impaired. Therefore, a quantitative assessment was not required.

FINANCIAL INSTRUMENTS

Long-Term Debt and Other
As at June 30, 2020, the carrying value of long-term debt, including current portion, was $24.7 billion (December 31, 2019 - $22.3 billion) compared to an estimated fair value of $28.9 billion (December 31, 2019 - $25.3 billion). Since Fortis does not intend to settle long-term debt prior to maturity, the excess of fair value over carrying value does not represent an actual liability.

The consolidated carrying value of the remaining financial instruments, other than derivatives, approximates fair value, reflecting their short-term maturity, normal trade credit terms and/or nature.

Derivatives
Derivatives are recorded at fair value, with certain exceptions including those derivatives that qualify for the normal purchase and normal sale exception.

There were no material changes with respect to the nature and purpose, methodologies for fair value determination, and carrying values of the Corporation's derivatives from that disclosed in the 2019 Annual MD&A. Additional details are provided in Note 15 to the Interim Financial Statements.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue *($ millions)*	Common Equity Earnings *($ millions)*	Basic EPS *($)*	Diluted EPS *($)*
June 30, 2020	**2,077**	**274**	**0.59**	**0.59**
March 31, 2020	2,391	312	0.67	0.67
December 31, 2019	2,326	346	0.77	0.77
September 30, 2019	2,051	278	0.64	0.63
June 30, 2019	1,970	720	1.66	1.66
March 31, 2019	2,436	311	0.72	0.72
December 31, 2018	2,206	261	0.61	0.61
September 30, 2018	2,040	276	0.65	0.65

Generally, within each calendar year, quarterly results fluctuate primarily in accordance with seasonality. Given the diversified nature of the Corporation's subsidiaries, seasonality varies. Most of the annual earnings of the gas utilities are realized in the first and fourth quarters due to space-heating requirements. Earnings of the electric distribution utilities in the US are generally highest in the second and third quarters due to the use of air conditioning and other cooling equipment.

Generally, from one calendar year to the next, quarterly results reflect: (i) continued organic growth driven by the Corporation's capital plan; (ii) acquisitions and dispositions; (iii) any significant temperature fluctuations from seasonal norms; (iv) the timing and significance of any regulatory decisions; (v) for revenue, the flow through in customer rates of commodity costs; and (vi) for EPS, increases in the weighted average number of common shares outstanding.

June 2020/June 2019:
See "Performance at a Glance" on page 3.

March 2020/March 2019:
Common Equity Earnings were comparable with 2019. Rate Base growth at the regulated utilities, lower non-recoverable operating expenses at ITC, and lower expenses in the Corporate and Other segment were tempered by: (i) higher costs associated with Rate Base growth at UNS Energy not yet reflected in rates; (ii) financial market volatility that caused a decline in the market value of certain investments that support retirement benefits at UNS Energy; and (iii) unrealized losses on foreign exchange contracts in the Corporate and Other segment. The decrease in EPS was due primarily to an increase in the weighted average number of common shares outstanding, mainly associated with the Corporation's $1.2 billion common equity offering in the fourth quarter of 2019.

December 2019/December 2018:
Common Equity Earnings increased by $85 million and basic EPS increased by $0.16 due primarily to the November 2019 FERC Order at ITC and Rate Base growth at the regulated utilities. The increase in EPS was tempered by a 19.6 million increase in the weighted average number of common shares outstanding associated with the Corporation's $1.2 billion common equity offering in the fourth quarter of 2019, DRIP and ATM Program.

September 2019/September 2018:
Common Equity Earnings increased by $2 million and basic EPS decreased by $0.01, due mainly to Rate Base growth at the regulated utilities, led by ITC, tempered by: (i) the unfavourable impact of the mark-to-market accounting of natural gas derivatives at Aitken Creek; (ii) lower hydroelectric production in Belize; and (iii) for EPS, an 11.8 million increase in the weighted average number of common shares outstanding due to the ATM Program and DRIP.

RELATED-PARTY AND INTER-COMPANY TRANSACTIONS

Related-party transactions are in the normal course of operations and are measured at the amount of consideration agreed to by the related parties. There were no material related-party transactions for the three and six months ended June 30, 2020 and 2019.

The Corporation periodically provides short-term financing to subsidiaries to support capital expenditures, acquisitions and seasonal working capital requirements. As at June 30, 2020, there were inter-segment loans outstanding of $69 million (December 31, 2019 - $279 million), payable on demand with a weighted average interest rate of 1.1%. Total interest charged was $1 million and $2 million for the three and six months ended June 30, 2020, respectively (three and six months ended June 30, 2019 - less than $1 million).

Additional details are provided in Note 5 to the Interim Financial Statements.

OUTLOOK

While uncertainty exists due to the COVID-19 Pandemic, the Corporation's long-term outlook is unchanged. Fortis continues to be well positioned to enhance shareholder value through the execution of its capital plan, the balance and strength of its diversified portfolio of utility businesses, and growth opportunities within and proximate to its service territories.

The Corporation's $18.8 billion five-year capital plan is expected to increase Rate Base from $28.0 billion in 2019 to $34.5 billion by 2022 and $38.4 billion by 2024, translating into three- and five-year CAGRs of 7.2% and 6.5%, respectively. The capital plan reflects the continuation of key industry trends including grid modernization and the delivery of cleaner energy, which Fortis believes will continue to be drivers of investment over the planning period. Beyond the base capital plan, Fortis continues to pursue additional energy infrastructure opportunities. Key opportunities not yet included in the five-year capital plan include: further expansion of LNG infrastructure in British Columbia; the fully permitted, cross-border, Lake Erie Connector electric transmission project in Ontario; and the acceleration of cleaner energy goals in Arizona.

Fortis expects long-term growth in Rate Base to support continuing growth in earnings and dividends. As such, the Corporation's dividend guidance targeting average annual dividend growth of approximately 6% through 2024 remains unchanged. The continuation of dividend growth guidance is premised on the assumptions listed under "Forward-Looking Information" below, including the continued good performance of the Corporation's utilities, no material impact from the COVID-19 Pandemic, the expectation of reasonable outcomes for regulatory proceedings, and the successful execution of the five-year capital plan.

FORWARD-LOOKING INFORMATION

Fortis includes forward-looking information in the MD&A within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: the expectation that depending on the severity and length of the pandemic, potential impacts could have Material Adverse Effects and affect the Corporation's ability to execute business strategies and initiatives in the expected time frames; the expectation that any change in 2020 capital expenditures associated with the COVID-19 Pandemic is expected to be shifted to subsequent years with no material change to the five-year capital plan; targeted average annual dividend growth through 2024; forecast capital expenditures for 2020 and the period 2020 through 2024; expected timing, outcome and impact of regulatory filings and decisions, including the expectation that new rates will be approved at TEP prior to the end of 2020; expected or potential funding sources for operating expenses, interest costs and capital plans; the expectation that there could be higher-than-normal working capital deficiencies in the short-term as the ongoing impacts of the COVID-19 Pandemic affects customers' ability to pay their energy bills; the expectation that the ability to access cash through capital markets may be impacted by the COVID-19 Pandemic; the expectation that maintaining existing capital structures will not impact the Corporation's ability to pay dividends; forecast debt maturities for the period 2020 through 2024; the expectation that the Corporation and its subsidiaries will remain compliant with debt covenants throughout 2020; the nature, timing, benefits and expected costs of certain capital projects including the Eagle Mountain Woodfibre Gas Line Project; the expectation that the adoption of future accounting pronouncements will not have a material impact on the consolidated financial statements and related disclosures; forecast Rate Base for 2022 and 2024; and the expectation that long-term growth in Rate Base will support continuing growth in earnings and dividends.

Forward-looking information involves significant risks, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking information, including, without limitation: no material impact from the COVID-19 Pandemic; reasonable outcomes for regulatory proceedings and the expectation of regulatory stability; the successful execution of the five-year capital plan; no material capital project or financing cost overrun; sufficient human resources to deliver service and execute the capital plan; the realization of additional opportunities; no significant variability in interest rates; the Board exercising its discretion to declare dividends, taking into account the financial performance and condition of the Corporation; no significant operational disruptions or environmental liability or upset; the continued ability to maintain the performance of the electricity and gas systems; no severe and prolonged economic downturn; sufficient liquidity and capital resources; the ability to hedge exposures to fluctuations in foreign exchange rates, natural gas prices and electricity prices; the continued availability of natural gas, fuel, coal and electricity supply; continuation of power supply and capacity purchase contracts; no significant changes in government energy plans, environmental laws and regulations that could have a material negative impact; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; no significant changes in tax laws and the continued tax deferred treatment of earnings from the Corporation's foreign operations; continued maintenance of information technology infrastructure and no material breach of cybersecurity; continued favourable relations with Indigenous Peoples; and favourable labour relations.

Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from those discussed or implied in the forward-looking information. These factors should be considered carefully and undue reliance should not be placed on the forward-looking information. Risk factors which could cause results or events to differ from current expectations are detailed under the heading "Business Risks" in this Interim MD&A, in the 2019 Annual MD&A and in other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and the Securities and Exchange Commission.

All forward-looking information herein is given as of July 29, 2020. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

GLOSSARY

2019 Annual Financial Statements: the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2019

2019 Annual MD&A: the Corporation's management discussion and analysis for the year ended December 31, 2019

ACC: Arizona Corporation Commission

Adjusted Basic EPS: Adjusted Common Equity Earnings divided by the basic weighted average number of common shares outstanding

Adjusted Common Equity Earnings: net earnings attributable to common equity shareholders adjusted as shown under "Non-US GAAP Financial Measures" on page 11

AESO: Alberta Electric System Operator

ACGS: Aitken Creek Gas Storage ULC, and indirect wholly owned subsidiary of Fortis

Aitken Creek: Aitken Creek natural gas storage facility in which Fortis holds a 93.8% ownership interest through ACGS

ASU: Accounting Standards Update

ATM Program: at-the-market common equity program utilized in 2019

AUC: Alberta Utilities Commission

BCUC: British Columbia Utilities Commission

BECOL: Belize Electric Company Limited, an indirect wholly owned subsidiary of Fortis

Belize Electricity: Belize Electricity Limited, in which Fortis indirectly holds a 33% equity interest

CAGR(s): compound average growth rate of a particular item. CAGR = $(EV/BV)^{1-N}$ -1, where: (i) EV is the ending value of the item; (ii) BV is the beginning value of the item; and (iii) N is the number of periods

Caribbean Utilities: Caribbean Utilities Company, Ltd., an indirect approximately 60%-owned (as at March 31, 2020) subsidiary of Fortis, together with its subsidiary

Central Hudson: CH Energy Group Inc., an indirect wholly owned subsidiary of Fortis, together with its subsidiaries, including Central Hudson Gas & Electric Corporation

Common Equity Earnings: net earnings attributable to common equity shareholders

Corporation: Fortis Inc.

COVID-19 Pandemic: declared by the World Health Organization in March 2020 as a result of a novel coronavirus

DBRS Morningstar: DBRS Limited

DRIP: dividend reinvestment plan

EPS: earnings per common share

FERC: Federal Energy Regulatory Commission

Fortis: Fortis Inc.

FortisAlberta: FortisAlberta Inc., an indirect wholly owned subsidiary of Fortis

FortisBC Electric: FortisBC Inc., an indirect wholly owned subsidiary of Fortis, together with its subsidiaries

FortisBC Energy: FortisBC Energy Inc., an indirect wholly owned subsidiary of Fortis, together with its subsidiaries

FortisOntario: FortisOntario Inc., a direct wholly owned subsidiary of Fortis, together with its subsidiaries

FortisTCI: FortisTCI Limited, an indirect wholly owned subsidiary of Fortis, together with its subsidiary

FX: foreign exchange associated with the translation of US dollar-denominated amounts

GWh: gigawatt hour(s)

Gila River Unit 2: UNS Energy's Gila River natural gas generation station unit 2

Interim Financial Statements: the Corporation's unaudited condensed consolidated interim financial statements and notes thereto for the three and six months ended June 30, 2020

Interim MD&A: the Corporation's management discussion and analysis for the three and six months ended June 30, 2020

ITC: ITC Investment Holdings Inc., an indirect 80.1%-owned subsidiary of Fortis, together with its subsidiaries, including International Transmission Company, Michigan Electric Transmission Company, LLC, ITC Midwest LLC, and ITC Great Plains, LLC

ITC's MISO Subsidiaries: International Transmission Company, Michigan Electric Transmission Company, LLC, and ITC Midwest LLC

LIBOR: London Interbank Offered Rate

LNG: liquefied natural gas

Major Capital Projects: projects, other than ongoing maintenance projects, individually costing $200 million or more

Maritime Electric: Maritime Electric Company, Limited, an indirect wholly owned subsidiary of Fortis

Material Adverse Effect: a material adverse effect on the Corporation's business, results of operations, financial position or liquidity, on a consolidated basis

May 2020 FERC Order: a FERC order issued in May 2020, on rehearing of the FERC's November 2019 decision, increasing the base ROE for ITC's MISO Subsidiaries from that determined in November 2019

MISO: Midcontinent Independent System Operator, Inc.

MRP: Multi-Year Rate Plan

Moody's: Moody's Investor Services, Inc.

Newfoundland Power: Newfoundland Power Inc., a direct wholly owned subsidiary of Fortis

Non-US GAAP Financial Measures: financial measures that do not have a standardized meaning prescribed by US GAAP

NOPR: notice of proposed rulemaking

NYSE: New York Stock Exchange

Operating Cash Flow(s): cash from operating activities

PBR: performance-based rate-setting

PJ: petajoule(s)

PPA: power purchase agreement

PSC: New York Public Service Commission

Rate Base: the stated value of property on which a regulated utility is permitted to earn a specified return in accordance with its regulatory construct

RICE Units: natural gas reciprocating internal combustion engine units

ROE: return on common equity

S&P: Standard & Poor's Financial Services LLC

SEDAR: Canadian System for Electronic Document Analysis and Retrieval

TEP: Tucson Electric Power Company, a direct wholly owned subsidiary of UNS Energy

TSR: total shareholder return, which is a measure of the return to common equity shareholders in the form of share price appreciation and dividends (assuming reinvestment) over a specified time period in relation to the share price at the beginning of the period

TSX: Toronto Stock Exchange

UNS Energy: UNS Energy Corporation, an indirect wholly owned subsidiary of Fortis, together with its subsidiaries, including TEP, UNS Electric, Inc. and UNS Gas, Inc.

US: United States of America

US GAAP: accounting principles generally accepted in the US

Waneta Expansion: Waneta Expansion hydroelectric generation facility, in which Fortis held a 51% controlling interest prior to April 2019

Wataynikaneyap Partnership: Wataynikaneyap Power Limited Partnership, in which Fortis indirectly holds a 39% equity interest

FORTIS INC.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2020 and 2019
(Unaudited)

FORTIS INC.
Condensed Consolidated Interim Balance Sheets (Unaudited)
As at
(in millions of Canadian dollars)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 380	$ 370
Accounts receivable and other current assets (Note 6)	1,229	1,297
Prepaid expenses	68	88
Inventories	409	394
Regulatory assets (Note 7)	395	425
Total current assets	2,481	2,574
Other assets	686	620
Regulatory assets (Note 7)	3,110	2,958
Property, plant and equipment, net	36,105	33,988
Intangible assets, net	1,341	1,260
Goodwill	12,482	12,004
Total assets	$ 56,205	$ 53,404
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (Note 8)	$ 25	$ 512
Accounts payable and other current liabilities	1,956	2,378
Regulatory liabilities (Note 7)	428	572
Current installments of long-term debt (Note 8)	990	690
Current installments of finance leases	100	24
Total current liabilities	3,499	4,176
Other liabilities	1,524	1,446
Regulatory liabilities (Note 7)	2,891	2,786
Deferred income taxes	3,221	2,969
Long-term debt (Note 8)	23,561	21,501
Finance leases	326	413
Total liabilities	35,022	33,291
Commitments and contingencies (Note 16)		
Equity		
Common shares [(1)]	13,708	13,645
Preference shares (Note 9)	1,623	1,623
Additional paid-in capital	10	11
Accumulated other comprehensive income	905	336
Retained earnings	3,279	2,916
Shareholders' equity	19,525	18,531
Non-controlling interests	1,658	1,582
Total equity	21,183	20,113
Total liabilities and equity	$ 56,205	$ 53,404

[(1)] *No par value. Unlimited authorized shares; 464.6 million and 463.3 million issued and outstanding as at June 30, 2020 and December 31, 2019, respectively*

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Earnings (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars, except per share amounts)

	Quarter Ended		Year-to-Date	
	2020	2019	**2020**	2019
Revenue	**$ 2,077**	$ 1,970	**$ 4,468**	$ 4,406
Expenses				
Energy supply costs	**514**	496	**1,264**	1,329
Operating expenses	**599**	603	**1,225**	1,219
Depreciation and amortization	**366**	338	**723**	672
Total expenses	**1,479**	1,437	**3,212**	3,220
Gain on disposition (Note 11)	**—**	577	**—**	577
Operating income	**598**	1,110	**1,256**	1,763
Other income, net (Note 12)	**47**	43	**56**	81
Finance charges	**263**	263	**519**	532
Earnings before income tax expense	**382**	890	**793**	1,312
Income tax expense	**58**	125	**116**	191
Net earnings	**$ 324**	$ 765	**$ 677**	$ 1,121
Net earnings attributable to:				
Non-controlling interests	**$ 33**	$ 28	**$ 58**	$ 56
Preference equity shareholders	**17**	17	**33**	34
Common equity shareholders	**274**	720	**586**	1,031
	$ 324	$ 765	**$ 677**	$ 1,121
Earnings per common share (Note 13)				
Basic	**$ 0.59**	$ 1.66	**$ 1.26**	$ 2.39
Diluted	**$ 0.59**	$ 1.66	**$ 1.26**	$ 2.39

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars)

	Quarter Ended		Year-to-Date	
	2020	2019	**2020**	2019
Net earnings	**$ 324**	$ 765	**$ 677**	$ 1,121
Other comprehensive (loss) income				
Unrealized foreign currency translation (losses) gains [(1)]	**(545)**	(257)	**657**	(523)
Other [(2)]	**(1)**	—	**(22)**	—
	(546)	(257)	**635**	(523)
Comprehensive (loss) income	**$ (222)**	$ 508	**$ 1,312**	$ 598
Comprehensive (loss) income attributable to:				
Non-controlling interests	**$ (26)**	$ (2)	**$ 124**	$ (7)
Preference equity shareholders	**17**	17	**33**	34
Common equity shareholders	**(213)**	493	**1,155**	571
	$ (222)	$ 508	**$ 1,312**	$ 598

[(1)] Net of hedging activities and income tax (expense) recovery of $(6) million and $6 million for the three and six months ended June 30, 2020, respectively (three and six months ended June 30, 2019 - $(4) million and $(9) million, respectively)

[(2)] Net of income tax recovery of $nil and $9 million for the three and six months ended June 30, 2020, respectively (three and six months ended June 30, 2019 - $nil and $nil, respectively)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars)

	Quarter Ended		Year-to-Date	
	2020	2019	**2020**	2019
Operating activities				
Net earnings	**$ 324**	$ 765	**$ 677**	$ 1,121
Adjustments to reconcile net earnings to net cash from operating activities:				
Depreciation - property, plant and equipment	**329**	297	**650**	595
Amortization - intangible assets	**34**	34	**66**	64
Amortization - other	**3**	7	**7**	13
Deferred income tax expense	**60**	88	**119**	111
Equity component, allowance for funds used during construction (Note 12)	**(21)**	(19)	**(35)**	(37)
Gain on disposition (Note 11)	**—**	(583)	**—**	(583)
Other	**23**	40	**70**	74
Change in long-term regulatory assets and liabilities	**—**	(36)	**(58)**	(86)
Change in working capital (Note 14)	**(27)**	38	**(181)**	(100)
Cash from operating activities	**725**	631	**1,315**	1,172
Investing activities				
Capital expenditures - property, plant and equipment	**(725)**	(814)	**(1,836)**	(1,526)
Capital expenditures - intangible assets	**(50)**	(29)	**(101)**	(57)
Contributions in aid of construction	**16**	23	**33**	49
Proceeds on disposition (Note 11)	**—**	995	**—**	995
Other	**(49)**	(76)	**(93)**	(94)
Cash (used in) from investing activities	**(808)**	99	**(1,997)**	(633)
Financing activities				
Proceeds from long-term debt, net of issuance costs	**1,685**	320	**2,044**	392
Repayments of long-term debt, net of extinguishment costs, and finance leases	**(585)**	(922)	**(602)**	(939)
Borrowings under committed credit facilities	**1,251**	2,221	**3,007**	3,684
Repayments under committed credit facilities	**(1,491)**	(2,545)	**(2,754)**	(3,963)
Net change in short-term borrowings	**(394)**	144	**(526)**	261
Issue of common shares, net of costs and dividends reinvested	**10**	164	**44**	196
Dividends				
Common shares, net of dividends reinvested	**(211)**	(118)	**(424)**	(236)
Preference shares	**(17)**	(17)	**(33)**	(34)
Subsidiary dividends paid to non-controlling interests	**(9)**	(19)	**(34)**	(51)
Other	**(38)**	(4)	**(35)**	8
Cash from (used in) financing activities	**201**	(776)	**687**	(682)
Effect of exchange rate changes on cash and cash equivalents	**(10)**	(5)	**5**	(13)
Change in cash and cash equivalents	**108**	(51)	**10**	(156)
Cash and change in cash associated with assets held for sale	**—**	9	**—**	15
Cash and cash equivalents, beginning of period	**272**	233	**370**	332
Cash and cash equivalents, end of period	**$ 380**	$ 191	**$ 380**	$ 191

Supplementary Cash Flow Information (Note 14)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars, except share numbers)

	Common Shares (# millions)	Common Shares	Preference Shares (Note 9)	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total Equity
As at March 31, 2020	**464.2**	**$ 13,688**	**$ 1,623**	**$ 10**	**$ 1,392**	**$ 3,005**	**$ 1,701**	**$21,419**
Net earnings	**—**	**—**	**—**	**—**	**—**	**291**	**33**	**324**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(487)**	**—**	**(59)**	**(546)**
Common shares issued	**0.4**	**20**	**—**	**—**	**—**	**—**	**—**	**20**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(9)**	**(9)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(17)**	**—**	**(17)**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**(8)**	**(8)**
As at June 30, 2020	**464.6**	**$ 13,708**	**$ 1,623**	**$ 10**	**$ 905**	**$ 3,279**	**$ 1,658**	**$21,183**
As at March 31, 2019	430.9	$ 11,997	$ 1,623	$ 12	$ 695	$ 2,200	$ 1,893	$ 18,420
Net earnings	—	—	—	—	—	737	28	765
Other comprehensive loss	—	—	—	—	(227)	—	(30)	(257)
Common shares issued	4.9	241	—	(2)	—	—	—	239
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(19)	(19)
Dividends on preference shares	—	—	—	—	—	(17)	—	(17)
Disposition (Note 11)	—	—	—	—	—	—	(318)	(318)
Other	—	—	—	1	—	(1)	1	1
As at June 30, 2019	435.8	$ 12,238	$ 1,623	$ 11	$ 468	$ 2,919	$ 1,555	$ 18,814

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars, except share numbers)

	Common Shares *(# millions)*	Common Shares	Preference Shares *(Note 9)*	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total Equity
As at December 31, 2019	463.3	$ 13,645	$ 1,623	$ 11	$ 336	$ 2,916	$ 1,582	$20,113
Net earnings	—	—	—	—	—	619	58	677
Other comprehensive income	—	—	—	—	569	—	66	635
Common shares issued	1.3	63	—	(2)	—	—	—	61
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(34)	(34)
Dividends declared on common shares ($0.4775 per share)	—	—	—	—	—	(223)	—	(223)
Dividends on preference shares	—	—	—	—	—	(33)	—	(33)
Other	—	—	—	1	—	—	(14)	(13)
As at June 30, 2020	464.6	$ 13,708	$ 1,623	$ 10	$ 905	$ 3,279	$ 1,658	$21,183
As at December 31, 2018	428.5	$ 11,889	$ 1,623	$ 11	$ 928	$ 2,082	$ 1,923	$ 18,456
Net earnings	—	—	—	—	—	1,065	56	1,121
Other comprehensive loss	—	—	—	—	(460)	—	(63)	(523)
Common shares issued	7.3	349	—	(4)	—	—	—	345
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(51)	(51)
Dividends declared on common shares ($0.45 per share)	—	—	—	—	—	(194)	—	(194)
Dividends on preference shares	—	—	—	—	—	(34)	—	(34)
Disposition (Note 11)	—	—	—	—	—	—	(318)	(318)
Other	—	—	—	4	—	—	8	12
As at June 30, 2019	435.8	$ 12,238	$ 1,623	$ 11	$ 468	$ 2,919	$ 1,555	$ 18,814

See accompanying Notes to Condensed Consolidated Interim Financial Statements

1. DESCRIPTION OF BUSINESS

Nature of Operations

Fortis Inc. ("Fortis" or the "Corporation") is a well-diversified North American regulated electric and gas utility holding company.

Earnings for interim periods may not be indicative of annual results due to the impact of seasonal weather conditions on customer demand and market pricing and the timing and recognition of regulatory decisions. Earnings of the gas utilities tend to be highest in the first and fourth quarters due to space-heating requirements. Earnings of the electric distribution utilities in the United States tend to be highest in the second and third quarters due to the use of air conditioning and other cooling equipment.

Entities within the reporting segments that follow operate with substantial autonomy.

Regulated Utilities

ITC: Comprised of ITC Investment Holdings Inc., ITC Holdings Corp. and the electric transmission operations of its regulated operating subsidiaries, which include International Transmission Company, Michigan Electric Transmission Company, LLC, ITC Midwest LLC and ITC Great Plains, LLC, all operating in the United States. Fortis owns 80.1% of ITC and an affiliate of GIC Private Limited owns a 19.9% minority interest.

UNS Energy: Comprised of UNS Energy Corporation, which primarily includes Tucson Electric Power Company ("TEP"), UNS Electric, Inc. and UNS Gas, Inc., all operating in the United States.

Central Hudson: Represents Central Hudson Gas & Electric Corporation, operating in the United States.

FortisBC Energy: Represents FortisBC Energy Inc., operating in Canada.

FortisAlberta: Represents FortisAlberta Inc., operating in Canada.

FortisBC Electric: Represents FortisBC Inc., operating in Canada.

Other Electric: Comprised of utilities in Eastern Canada and the Caribbean as follows: Newfoundland Power Inc. ("Newfoundland Power"); Maritime Electric Company, Limited; FortisOntario Inc.; a 39% equity investment in Wataynikaneyap Power Limited Partnership; an approximate 60% controlling interest in Caribbean Utilities Company, Ltd. ("Caribbean Utilities"); FortisTCI Limited and Turks and Caicos Utilities Limited (collectively "FortisTCI"); and a 33% equity investment in Belize Electricity Limited ("Belize Electricity").

Non-Regulated

Energy Infrastructure: Primarily comprised of long-term contracted generation assets in Belize and the Aitken Creek natural gas storage facility ("Aitken Creek") in British Columbia. The long-term contracted generation assets in British Columbia were sold on April 16, 2019 (Note 11).

Corporate and Other: Captures expenses and revenues not specifically related to any reportable segment and those business operations that are below the required threshold for segmented reporting, including net corporate expenses of Fortis.

2. REGULATORY MATTERS

Regulation of the Corporation's utilities is generally consistent with that disclosed in the "Regulatory Matters" section of its 2019 annual audited consolidated financial statements ("2019 Annual Financial Statements"). A summary of significant regulatory developments year-to-date 2020 follows.

COVID-19 Pandemic Impacts

The novel coronavirus ("COVID-19") pandemic has resulted in several customer relief initiatives as well as the delay of several regulatory proceedings, as discussed below.

Customer Relief Initiatives

UNS Energy
Pursuant to the Arizona Corporation Commission's approval of the utility's customer relief initiatives, TEP refunded to customers approximately US$8 million of collected demand side management funds in excess of program costs.

Central Hudson
In March 2020, as agreed to with the New York Public Service Commission ("PSC"), Central Hudson postponed until July 1, 2021 the collection in customer rates of approximately US$3 million of deferred costs related mainly to environmental remediation.

FortisBC Energy and FortisBC Electric
In April 2020, pursuant to the British Columbia Utilities Commission's ("BCUC") approval of the utilities' customer relief initiatives, FortisBC Energy and FortisBC Electric implemented three-month bill deferrals for certain customer classes, the repayment of which is expected to commence in the third quarter of 2020. The BCUC also authorized the deferral of otherwise uncollectible revenue associated with providing the customer relief initiatives, the recovery of which will be determined through a future rate filing once the financial impact of the pandemic is known.

Delayed Regulatory Proceedings

UNS Energy
General Rate Application: In the first half of 2020, as part of TEP's general rate application, hearings were held to address the inclusion in customer rates of the Gila River natural gas generation station unit 2 and ten natural gas reciprocating internal combustion engine units. Prior to the COVID-19 pandemic, a decision had been expected earlier in 2020 with new rates effective May 1, 2020. TEP currently expects a decision approving new rates prior to the end of 2020.

Central Hudson
2020 Rates: In May 2020 the PSC approved Central Hudson's request to postpone scheduled electric and gas delivery rate increases, reflecting an increase in the equity component of its capital structure from 49% to 50%, from July 1, 2020 to October 1, 2020. The deferred revenue will be collected over the nine-month period from October 1, 2020 to June 30, 2021.

COVID-19 Proceeding: In June 2020 the PSC initiated a generic proceeding to identify and address the effects of the COVID-19 pandemic. The outcome of this proceeding and potential impacts, if any, are unknown at this time.

FortisAlberta
Generic Cost of Capital Proceeding: In December 2018 the Alberta Utilities Commission ("AUC") initiated a generic cost of capital proceeding and expert evidence was filed in January 2020. In March 2020, due to the COVID-19 pandemic, this proceeding was suspended indefinitely. In June 2020 the AUC provided five options to Alberta utilities to set the approved return on equity ("ROE") and capital structure for 2021 in lieu of resuming the proceeding. In July 2020 FortisAlberta elected an option that provides for the extension of the currently approved ROE and capital structure quarterly. This method will remain in effect until the AUC issues a decision on this proceeding and any resulting changes to ROE and/or capital structure will be implemented prospectively at the start of the following quarter.

Other Electric
Caribbean Utilities: In June 2020 Caribbean Utilities requested the postponement of its scheduled annual rate adjustment effective June 1, 2020 to January 1, 2021, to provide customer relief from the effects of the COVID-19 pandemic.

FortisTCI: In February 2020 the Government of the Turks and Caicos Islands approved a 6.8% average increase in FortisTCI's electricity rates, effective April 1, 2020, including the recovery of hurricane-related costs incurred in 2017. In March 2020, to provide customer relief from the effects of the COVID-19 pandemic, the effective date was postponed to July 2020 and new rates became effective July 22, 2020.

Other Regulatory Matters

ITC
ROE Complaints: In May 2020 the Federal Energy Regulatory Commission ("FERC") issued an order on rehearing of its November 2019 decision on the MISO transmission owner ROE complaints ("May 2020 FERC Order") and set the base ROE for the periods of November 2013 through February 2015 and from September 2016 onward at 10.02%, up to a maximum of 12.62% with incentive adders. Including incentive adders, the May 2020 FERC Order implies an all-in ROE for ITC's subsidiaries operating in the Midcontinent Independent System Operator's region of 10.77%, up from 10.63% based on a November 2019 decision but down from 11.07% based on a September 2016 decision which was recognized during the first nine months of 2019.

A regulatory liability of $91 million (US$70 million) was recorded at December 31, 2019 to reflect the amounts due to customers under the terms of the November 2019 decision. The May 2020 FERC Order, in addition to the refund of $27 million (US$20 million) to customers in the first half of 2020, resulted in: (i) the reduction of the regulatory liability to $22 million (US$16 million) as at June 30, 2020; and (ii) an increase in revenue and a decrease in interest expense resulting in an increase in net earnings of $37 million of which Fortis' share was $29 million. The earnings increase was comprised of: (i) $27 million related to the reversal of liabilities established in prior periods; and (ii) $2 million related to the year-to-date impact of a higher ROE as compared to the ROE approved in November 2019.

Review of Transmission Incentives Policy: In March 2020 FERC issued a notice of proposed rulemaking ("NOPR") proposing to update its transmission incentives policy for transmission owners, including ITC, to grant incentives to projects based upon benefits to customers regarding reliability and cost savings through the reduction of transmission congestion. The NOPR follows a Notice of Inquiry, issued in March 2019, on FERC's transmission incentives policies. FERC proposed total ROE incentives of up to 250 basis points that would not be limited by the upper end of the base ROE zone of reasonableness. Comments from stakeholders, including ITC, were provided to FERC through July 1, 2020. The outcome may impact future incentive adders that are included in transmission rates charged by transmission owners, including ITC.

FortisBC Energy and FortisBC Electric
Multi-Year Rate Plan Applications: In June 2020 the BCUC issued a decision on FortisBC Energy's and FortisBC Electric's multi-year rate plan applications for 2020 to 2024. The decision sets the rate-setting framework for the next five years, including: (i) the level of operation and maintenance expense and capital to be included in customer rates, subject to an incentive formula; (ii) the level of investment in gas innovation initiatives to be included in customer rates; and (iii) a 50/50 sharing between customers and the utilities of variances from the allowed ROE. During the third quarter of 2020, FortisBC Energy and FortisBC Electric will provide the BCUC with updated 2020 rate filings reflecting the terms of this decision. Current interim rates will remain in effect pending a final determination of 2020 rates by the BCUC.

FortisAlberta
2018 Alberta Independent System Operator Tariff Application: In September 2019 the AUC issued a decision that addressed a proposal to change how the Alberta Independent System Operator's customer contribution policy functions between distribution facility owners, such as FortisAlberta, and transmission facility owners. Implementation of the order was suspended in October 2019 and in May 2020 the AUC confirmed that outstanding matters on the order will be determined through a written

hearing. In July 2020 FortisAlberta filed expert evidence requested by the AUC and a decision is expected in the fourth quarter of 2020. The likely outcome of this process and potential impacts, if any, cannot be determined at this time.

Performance-Based Regulation: In May 2020 FortisAlberta filed an application for anomaly adjustments to rates based on new criteria established by the AUC in January 2020. A decision is expected in the fourth quarter of 2020.

3. ACCOUNTING POLICIES

These condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States of America for rate-regulated entities and are in Canadian dollars unless otherwise noted.

The Interim Financial Statements are comprised of the accounts of Fortis and its wholly owned subsidiaries and controlling ownership interests. All inter-company balances and transactions have been eliminated on consolidation, except as disclosed in Note 5.

These Interim Financial Statements do not include all of the disclosures required in the annual financial statements and should be read in conjunction with the Corporation's 2019 Annual Financial Statements. In management's opinion, these Interim Financial Statements include all adjustments that are of a normal recurring nature, necessary for fair presentation.

The preparation of the Interim Financial Statements requires management to make estimates and judgments, including those related to regulatory decisions, that affect the reported amounts of, and disclosures related to, assets, liabilities, revenues and expenses. Actual results could differ from estimates.

The accounting policies applied herein are consistent with those outlined in the Corporation's 2019 Annual Financial Statements, except as described below.

New Accounting Policies

Financial Instruments
Effective January 1, 2020, the Corporation adopted Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires the use of reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. The new guidance also requires quantitative and qualitative disclosures regarding the activity in the allowance for credit losses for financial assets within the scope of the guidance. Adoption did not have a material impact on the Interim Financial Statements.

Fortis and each subsidiary recognize an allowance for credit losses to reduce accounts receivable for amounts estimated to be uncollectible. The allowance is estimated based on historical collection patterns, sales, and current and forecast economic and other conditions. Accounts receivable are written off in the period in which they are deemed uncollectible (Note 6).

4. FUTURE ACCOUNTING PRONOUNCEMENTS

Income Taxes
ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, issued in December 2019, is effective for Fortis January 1, 2021, with early adoption permitted. Principally, it improves consistent application of, and clarifies, existing income tax guidance. Adoption will not have a material impact on the consolidated financial statements and related disclosures.

5. SEGMENTED INFORMATION

General

Fortis segments its business based on regulatory jurisdiction and service territory, as well as the information used by its President and Chief Executive Officer in deciding how to allocate resources. Segment performance is evaluated principally on net earnings attributable to common equity shareholders.

Related-Party and Inter-Company Transactions

Related-party transactions are in the normal course of operations and are measured at the amount of consideration agreed to by the related parties. There were no material related-party transactions for the three and six months ended June 30, 2020 and 2019.

Inter-company balances, transactions and profit are eliminated on consolidation, except for certain inter-company transactions between non-regulated and regulated entities in accordance with accounting standards for rate-regulated entities, which are summarized below.

	Quarter Ended June 30		**Year-to-Date June 30**	
($ millions)	**2020**	2019	**2020**	2019
Lease of gas storage capacity and gas sales from Aitken Creek to FortisBC Energy	**5**	6	**12**	12
Sale of capacity from Waneta Expansion to FortisBC Electric [(1)]	**—**	1	**—**	17

[(1)] *Reflects amounts to the April 16, 2019 disposition of the Waneta Expansion hydroelectric generating facility ("Waneta Expansion") (Note 11)*

As at June 30, 2020, accounts receivable included approximately $13 million due from Belize Electricity (December 31, 2019 - $8 million).

The Corporation periodically provides short-term financing to subsidiaries to support capital expenditures, acquisitions and seasonal working capital requirements. As at June 30, 2020, there were inter-segment loans outstanding of $69 million (December 31, 2019 - $279 million), payable on demand with a weighted average interest rate of 1.1%. Total interest charged was $1 million and $2 million for the three and six months ended June 30, 2020, respectively (three and six months ended June 30, 2019 - less than $1 million).

Quarter Ended June 30, 2020 *($ millions)*	REGULATED								NON-REGULATED			
	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	**Energy Infra-structure**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Revenue	477	546	206	249	150	91	345	**2,064**	**13**	**—**	**—**	**2,077**
Energy supply costs	—	184	51	66	—	15	198	**514**	**—**	**—**	**—**	**514**
Operating expenses	113	157	125	76	34	26	49	**580**	**7**	**12**	**—**	**599**
Depreciation and amortization	75	85	24	59	56	15	47	**361**	**4**	**1**	**—**	**366**
Operating income	289	120	6	48	60	35	51	**609**	**2**	**(13)**	**—**	**598**
Other income, net	13	16	8	2	—	1	2	**42**	**—**	**5**	**—**	**47**
Finance charges	79	34	12	35	25	18	21	**224**	**—**	**39**	**—**	**263**
Income tax expense	55	17	—	(2)	2	1	6	**79**	**(1)**	**(20)**	**—**	**58**
Net earnings	168	85	2	17	33	17	26	**348**	**3**	**(27)**	**—**	**324**
Non-controlling interests	30	—	—	1	—	—	2	**33**	**—**	**—**	**—**	**33**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**17**	**—**	**17**
Net earnings attributable to common equity shareholders	138	85	2	16	33	17	24	**315**	**3**	**(44)**	**—**	**274**
Goodwill	8,332	1,876	612	913	228	235	259	**12,455**	**27**	**—**	**—**	**12,482**
Total assets	21,251	11,252	3,967	7,291	4,918	2,377	4,272	**55,328**	**740**	**226**	**(89)**	**56,205**
Capital expenditures	232	176	91	95	83	30	65	**772**	**3**	**—**	**—**	**775**
Quarter Ended June 30, 2019 *($ millions)*												
Revenue	428	500	199	235	150	90	343	1,945	25	—	—	1,970
Energy supply costs	—	164	58	63	—	15	195	495	1	—	—	496
Operating expenses	132	161	107	78	36	27	46	587	9	7	—	603
Depreciation and amortization	68	74	19	59	53	15	44	332	5	1	—	338
Gain on disposition	—	—	—	—	—	—	—	—	—	577	—	577
Operating income	228	101	15	35	61	33	58	531	10	569	—	1,110
Other income, net	12	5	4	3	—	1	—	25	1	17	—	43
Finance charges	79	33	11	34	27	18	19	221	(1)	43	—	263
Income tax expense	39	13	1	(6)	—	1	6	54	1	70	—	125
Net earnings	122	60	7	10	34	15	33	281	11	473	—	765
Non-controlling interests	21	—	—	—	—	—	4	25	3	—	—	28
Preference share dividends	—	—	—	—	—	—	—	—	—	17	—	17
Net earnings attributable to common equity shareholders	101	60	7	10	34	15	29	256	8	456	—	720
Goodwill	8,037	1,809	591	913	228	235	252	12,065	27	—	—	12,092
Total assets	19,533	9,884	3,574	6,885	4,732	2,267	4,085	50,960	671	187	(119)	51,699
Capital expenditures	301	156	78	104	95	26	68	828	7	8	—	843

Year-to-Date June 30, 2020 *($ millions)*	REGULATED ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	NON-REGULATED **Energy Infra-structure**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Revenue	910	1,019	486	715	302	205	793	**4,430**	**38**	**—**	**—**	**4,468**
Energy supply costs	—	351	129	226	—	54	503	**1,263**	**1**	**—**	**—**	**1,264**
Operating expenses	231	315	259	158	72	53	100	**1,188**	**15**	**22**	**—**	**1,225**
Depreciation and amortization	148	166	46	119	111	30	93	**713**	**8**	**2**	**—**	**723**
Operating income	531	187	52	212	119	68	97	**1,266**	**14**	**(24)**	**—**	**1,256**
Other income, net	17	13	17	3	1	2	5	**58**	**—**	**(2)**	**—**	**56**
Finance charges	159	62	24	71	51	36	40	**443**	**—**	**76**	**—**	**519**
Income tax expense	98	25	8	21	4	2	10	**168**	**2**	**(54)**	**—**	**116**
Net earnings	291	113	37	123	65	32	52	**713**	**12**	**(48)**	**—**	**677**
Non-controlling interests	52	—	—	1	—	—	5	**58**	**—**	**—**	**—**	**58**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**33**	**—**	**33**
Net earnings attributable to common equity shareholders	239	113	37	122	65	32	47	**655**	**12**	**(81)**	**—**	**586**
Goodwill	8,332	1,876	612	913	228	235	259	**12,455**	**27**	**—**	**—**	**12,482**
Total assets	21,251	11,252	3,967	7,291	4,918	2,377	4,272	**55,328**	**740**	**226**	**(89)**	**56,205**
Capital expenditures	481	685	164	216	204	58	122	**1,930**	**7**	**—**	**—**	**1,937**

Year-to-Date June 30, 2019 *($ millions)*	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	Sub Total	Energy Infra-structure	Corporate and Other	Inter-segment eliminations	Total
Revenue	836	1,043	476	720	295	209	769	4,348	61	—	(3)	4,406
Energy supply costs	—	396	150	244	—	55	482	1,327	2	—	—	1,329
Operating expenses	256	313	225	161	77	52	93	1,177	23	22	(3)	1,219
Depreciation and amortization	131	148	39	118	105	31	86	658	13	1	—	672
Gain on disposition	—	—	—	—	—	—	—	—	—	577	—	577
Operating income	449	186	62	197	113	71	108	1,186	23	554	—	1,763
Other income, net	22	14	8	6	1	2	1	54	2	25	—	81
Finance charges	156	66	22	69	52	36	39	440	—	92	—	532
Income tax expense	81	19	9	24	1	6	11	151	1	39	—	191
Net earnings	234	115	39	110	61	31	59	649	24	448	—	1,121
Non-controlling interests	41	—	—	—	—	—	7	48	8	—	—	56
Preference share dividends	—	—	—	—	—	—	—	—	—	34	—	34
Net earnings attributable to common equity shareholders	193	115	39	110	61	31	52	601	16	414	—	1,031
Goodwill	8,037	1,809	591	913	228	235	252	12,065	27	—	—	12,092
Total assets	19,533	9,884	3,574	6,885	4,732	2,267	4,085	50,960	671	187	(119)	51,699
Capital expenditures	537	323	142	174	202	51	124	1,553	13	17	—	1,583

6. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses balance (Note 3), which is netted against accounts receivable and other current assets, changed from December 31, 2019 as follows.

	June 30, 2020	
($ millions)	**Quarter ended**	**Year-to-Date**
Beginning of period	**(44)**	**(35)**
Credit loss expensed	**(5)**	**(14)**
Credit loss deferred [(1)] (Note 2)	**(8)**	**(8)**
Write-offs, net of recoveries	**3**	**6**
Foreign exchange	**1**	**(2)**
End of period	**(53)**	**(53)**

(1) *Comprised of FortisBC Energy and FortisBC Electric*

The allowance for doubtful accounts balance, which was netted against accounts receivable and other current assets, changed from December 31, 2018 as follows.

	June 30, 2019	
($ millions)	Quarter ended	Year-to-Date
Beginning of period	(33)	(33)
Bad debts expensed	(4)	(9)
Write-offs, net of recoveries	4	8
Foreign exchange	—	1
End of period	(33)	(33)

7. REGULATORY ASSETS AND LIABILITIES

Detailed information about the Corporation's regulatory assets and liabilities is provided in Note 9 to the 2019 Annual Financial Statements. A summary follows.

	As at	
($ millions)	**June 30, 2020**	December 31, 2019
Regulatory assets		
Deferred income taxes	**1,619**	1,556
Employee future benefits	**530**	530
Deferred energy management costs	**305**	279
Rate stabilization and related accounts	**237**	208
Deferred lease costs	**119**	116
Manufactured gas plant site remediation deferral	**116**	81
Generation early retirement costs	**87**	88
Derivatives	**86**	119
Other regulatory assets	**406**	406
Total regulatory assets	**3,505**	3,383
Less: Current portion	**(395)**	(425)
Long-term regulatory assets	**3,110**	2,958

	As at	
($ millions)	**June 30, 2020**	December 31, 2019
Regulatory liabilities		
Deferred income taxes	**1,483**	1,440
Asset removal cost provision	**1,235**	1,187
Renewable energy surcharge	**101**	94
Rate stabilization and related accounts	**100**	166
Energy efficiency liability	**95**	101
Electric and gas moderator account	**40**	45
Employee future benefits	**33**	45
ROE complaints liability	**22**	91
Other regulatory liabilities	**210**	189
Total regulatory liabilities	**3,319**	3,358
Less: Current portion	**(428)**	(572)
Long-term regulatory liabilities	**2,891**	2,786

8. LONG-TERM DEBT

	As at	
($ millions)	**June 30, 2020**	December 31, 2019
Long-term debt	**23,656**	21,547
Fair value adjustment - ITC acquisition	**133**	133
Credit facility borrowings	**909**	640
Total long-term debt	**24,698**	22,320
Less: Deferred financing costs and debt discounts	**(147)**	(129)
Less: Current installments of long-term debt	**(990)**	(690)
	23,561	21,501

The long-term debt issuances for the six months ended June 30, 2020 are summarized below.

($ millions, except %)	**Month Issued**	**Interest Rate (%)**	**Maturity**		**Amount**	**Use of Proceeds**
ITC						
Unsecured term loan credit agreement	January	(1)	2021	US	75	(2)(3)
Unsecured term loan credit agreement (4)	January	(5)	2021	US	200	(4)
Unsecured senior notes	May	2.95	2030	US	700	(2)(3)(6)
UNS Energy						
Unsecured senior notes	April	4.00	2050	US	350	(2)(3)
Central Hudson						
Unsecured senior notes	May	3.42	2050	US	30	(3)
FortisBC Electric						
Unsecured debentures	May	3.12	2050		75	(2)
Newfoundland Power						
First mortgage sinking fund bonds	April	3.61	2060		100	(2)(3)
FortisTCI						
Unsecured senior notes (7)	June	5.30	2035	US	15	(8)(9)

(1) *Floating rate of a one-month LIBOR plus a spread of 0.45%*
(2) *Repay credit facility borrowings*
(3) *General corporate purposes*
(4) *Maximum amount of borrowings under this agreement of US$400 million has been drawn; current period borrowings were used to repay an outstanding commercial paper balance.*
(5) *Floating rate of a two-month LIBOR plus a spread of 0.60%*
(6) *Early redemption of unsecured term loan credit agreement of US$400 million*
(7) *Maximum amount of borrowings under this agreement is US$30 million.*
(8) *Repay maturing long-term debt*
(9) *Finance capital expenditures*

In July 2020 ITC issued 31-year US$180 million first mortgage bonds at 3.13%. The net proceeds were used to repay credit facility borrowings, finance capital expenditures and for general corporate purposes.

In July 2020 Central Hudson issued 40-year US$30 million unsecured senior notes at 3.62%. The net proceeds were used to finance capital expenditures and for general corporate purposes.

In July 2020 FortisBC Energy issued 30-year $200 million unsecured debentures at 2.54%. The net proceeds were used to finance capital expenditures.

Credit Facilities

			As at	
($ millions)	Regulated Utilities	Corporate and Other	**June 30, 2020**	December 31, 2019
Total credit facilities	3,982	1,881	**5,863**	5,590
Credit facilities utilized:				
Short-term borrowings [1]	(25)	—	**(25)**	(512)
Long-term debt (including current portion) [2]	(909)	—	**(909)**	(640)
Letters of credit outstanding	(83)	(53)	**(136)**	(114)
Credit facilities unutilized	2,965	1,828	**4,793**	4,324

(1) *The weighted average interest rate was approximately 1.9% (December 31, 2019 - 3.2%).*
(2) *The weighted average interest rate was approximately 1.1% (December 31, 2019 - 2.4%). The current portion was $371 million (December 31, 2019 - $252 million).*

Credit facilities are syndicated primarily with large banks in Canada and the United States, with no one bank holding more than 25% of the total facilities. Approximately $5.6 billion of the total credit facilities are committed facilities with maturities ranging from 2021 through 2025.

See Note 15 in the 2019 Annual Financial Statements for a description of the credit facilities as at December 31, 2019.

In January 2020 Caribbean Utilities amended its unsecured revolving committed credit facility resulting in an increase of US$20 million and an extension of the maturity date to January 2025.

In March 2020 FortisBC Energy entered into a $55 million two-year uncommitted letter of credit facility and FortisAlberta entered into a $150 million one-year non-revolving committed credit facility.

In April 2020 the Corporation entered into an unsecured $500 million one-year revolving term committed credit facility and UNS Energy terminated its US$225 million unsecured non-revolving uncommitted credit facility due to mature in December 2020.

In May 2020 and July 2020 Central Hudson's US$10 million uncommitted credit facility and its US $50 million unsecured revolving committed credit facility, respectively, expired and were not renewed.

9. PREFERENCE SHARES

On June 1, 2020, 267,341 First Preference Shares, Series H were converted on a one-for-one basis into First Preference Shares, Series I and 907,577 First Preference Shares, Series I were converted on a one-for-one basis into First Preference Shares, Series H.

Also on June 1, 2020, the annual fixed dividend per share for the First Preference Shares, Series H was reset from $0.6250 to $0.45875 for the five-year period up to but excluding June 1, 2025.

10. EMPLOYEE FUTURE BENEFITS

The Corporation and its subsidiaries each maintain one or a combination of defined benefit pension plans and defined contribution pension plans, including group Registered Retirement Savings Plans and group 401(k) plans, for employees. The Corporation and certain subsidiaries also offer other post-employment benefit ("OPEB") plans for qualifying employees. The net benefit cost is detailed below.

	Defined Benefit Pension Plans		**OPEB Plans**	
($ millions)	**2020**	2019	**2020**	2019
Quarter Ended June 30				
Components of net benefit cost				
Service costs	**25**	19	**8**	7
Interest costs	**29**	32	**5**	7
Expected return on plan assets	**(44)**	(40)	**(5)**	(4)
Amortization of actuarial losses (gains)	**9**	6	**(2)**	(1)
Amortization of past service credits/plan amendments	**(1)**	(1)	**—**	(2)
Regulatory adjustments	**(1)**	—	**1**	1
Net benefit cost	**17**	16	**7**	8
Year-to-Date June 30				
Components of net benefit cost				
Service costs	**50**	38	**16**	14
Interest costs	**57**	63	**11**	13
Expected return on plan assets	**(88)**	(80)	**(10)**	(8)
Amortization of actuarial losses (gains)	**17**	12	**(3)**	(2)
Amortization of past service credits/plan amendments	**(1)**	(1)	**(1)**	(4)
Regulatory adjustments	**(2)**	1	**2**	3
Net benefit cost	**33**	33	**15**	16

Defined contribution pension plan expense for the three and six months ended June 30, 2020 was $9 million and $22 million, respectively (three and six months ended June 30, 2019 - $10 million and $22 million, respectively).

11. DISPOSITION

On April 16, 2019, Fortis sold its 51% ownership interest in the 335-megawatt Waneta Expansion for proceeds of $995 million. A gain on disposition of $577 million ($484 million after tax), net of expenses, was recognized in the Corporate and Other segment, and the related non-controlling interest was removed from equity.

For the three and six months ended June 30, 2019, excluding the gain on disposition, Waneta Expansion contributed $7 million and $17 million, respectively, to earnings before income tax expense, of which Fortis' share was 51%.

12. OTHER INCOME, NET

	Quarter ended June 30		Year-to-Date June 30	
($ millions)	**2020**	2019	**2020**	2019
Equity component, allowance for funds used during construction	**21**	19	**35**	37
Derivative gains	**11**	6	**—**	13
Interest income	**3**	4	**8**	8
Gain on repayment of debt	**—**	11	**—**	11
Other	**12**	3	**13**	12
	47	43	**56**	81

13. EARNINGS PER COMMON SHARE

Diluted earnings per share ("EPS") was calculated using the treasury stock method for stock options.

	2020			2019		
	Net Earnings to Common Shareholders *($ millions)*	**Weighted Average Shares *(# millions)***	**EPS *($)***	Net Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(# millions)*	EPS *($)*
Quarter Ended June 30						
Basic EPS	**274**	**464.6**	**0.59**	720	433.1	1.66
Potential dilutive effect of stock options	**—**	**0.6**		—	0.6	
Diluted EPS	**274**	**465.2**	**0.59**	720	433.7	1.66
Year-to-Date June 30						
Basic EPS	**586**	**464.2**	**1.26**	1,031	431.3	2.39
Potential dilutive effect of stock options	**—**	**0.6**		—	0.6	
Diluted EPS	**586**	**464.8**	**1.26**	1,031	431.9	2.39

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Quarter Ended June 30		Year-to-Date June 30	
($ millions)	**2020**	2019	**2020**	2019
Change in working capital				
Accounts receivable and other current assets	**69**	237	**107**	135
Prepaid expenses	**29**	21	**25**	18
Inventories	**(45)**	(7)	**(1)**	16
Regulatory assets - current portion	**14**	(10)	**28**	(16)
Accounts payable and other current liabilities	**14**	(199)	**(194)**	(256)
Regulatory liabilities - current portion	**(108)**	(4)	**(146)**	3
	(27)	38	**(181)**	(100)
Non-cash investing and financing activities				
Accrued capital expenditures	**367**	329	**367**	329
Common share dividends reinvested	**10**	76	**18**	151
Contributions in aid of construction	**8**	12	**8**	12
Exercise of stock options into common shares	**—**	2	**2**	4
Right-of-use assets obtained in exchange for operating lease liabilities	**—**	2	**1**	48

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivatives

The Corporation generally limits the use of derivatives to those that qualify as accounting, economic or cash flow hedges, or those that are approved for regulatory recovery.

The Corporation records all derivatives at fair value, with certain exceptions including those derivatives that qualify for the normal purchase and normal sale exception. Fair values reflect estimates based on current market information about the derivatives as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Corporation's future consolidated earnings or cash flows.

Cash flows associated with the settlement of all derivatives are included in operating activities on the condensed consolidated interim statements of cash flows.

Energy Contracts Subject to Regulatory Deferral
UNS Energy holds electricity power purchase contracts, customer supply contracts and gas swap contracts to reduce its exposure to energy price risk. Fair values were measured primarily under the market approach using independent third-party information, where possible. When published prices are not available, adjustments are applied based on historical price curve relationships, transmission costs and line losses.

Central Hudson holds swap contracts for electricity and natural gas to minimize price volatility by fixing the effective purchase price. Fair values were measured using forward pricing provided by independent third-party information.

FortisBC Energy holds gas supply contracts to fix the effective purchase price of natural gas. Fair values reflect the present value of future cash flows based on published market prices and forward natural gas curves. All commodity swaps expired in the first quarter of 2020.

Unrealized gains or losses associated with changes in the fair value of these energy contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the regulators. As at June 30, 2020, unrealized losses of $86 million (December 31, 2019 - $119 million) were recognized as regulatory assets.

Energy Contracts Not Subject to Regulatory Deferral
UNS Energy holds wholesale trading contracts to fix power prices and realize potential margin, of which 10% of any realized gains are shared with customers through rate stabilization accounts. Fair values were measured using a market approach incorporating, where possible, independent third-party information.

Aitken Creek holds gas swap contracts to manage its exposure to changes in natural gas prices, capture natural gas price spreads, and manage the financial risk posed by physical transactions. Fair values were measured using forward pricing from published market sources.

Unrealized gains or losses associated with changes in the fair value of these energy contracts are recognized in revenue and were not material for the three and six months ended June 30, 2020 and 2019.

Total Return Swaps
The Corporation holds total return swaps to manage the cash flow risk associated with forecasted future cash settlements of certain stock-based compensation obligations. The swaps have a combined notional amount of $113 million and terms of one to three years expiring in January 2021, 2022 and 2023. Fair value was measured using an income valuation approach based on forward pricing curves. Unrealized gains and losses associated with changes in the fair value of the total return swaps are recognized in other income, net and were not material for the three and six months ended June 30, 2020 and 2019.

Foreign Exchange Contracts
The Corporation holds US dollar foreign exchange contracts to help mitigate exposure to volatility of foreign exchange rates. The contracts expire between 2020 and 2022 and have a combined notional amount of $380 million. Fair value was measured using independent third-party information. Unrealized gains and losses associated with changes in fair value are recognized in other income, net and were not material for the three and six months ended June 30, 2020 and 2019.

Interest Rate Swaps
ITC entered into forward-starting interest rate swaps to manage the interest rate risk associated with planned borrowings. The swaps, which had a combined notional value of $611 million, were terminated in May 2020 with the issuance of US$700 million senior notes and realized losses of $31 million were recognized in other comprehensive income, which will be reclassified to earnings as a component of interest expense over five years.

Other Investments
ITC, UNS Energy and Central Hudson hold investments in trust associated with supplemental retirement benefit plans for select employees. These investments consist of mutual funds and money market accounts, which are recorded at fair value based on quoted market prices in active markets. Gains and losses on these funds are recognized in other income, net and were not material for the three and six months ended June 30, 2020 and 2019.

Recurring Fair Value Measures

The following table presents the fair value of assets and liabilities that are accounted for at fair value on a recurring basis.

($ millions)	**Level 1** [1]	**Level 2** [1]	**Level 3** [1]	**Total**
As at June 30, 2020				
Assets				
Energy contracts subject to regulatory deferral [2] [3]	**—**	**32**	**—**	**32**
Energy contracts not subject to regulatory deferral [2]	**—**	**12**	**—**	**12**
Foreign exchange contracts and total return swaps [2]	**7**	**—**	**—**	**7**
Other investments [4]	**129**	**—**	**—**	**129**
	136	**44**	**—**	**180**
Liabilities				
Energy contracts subject to regulatory deferral [3] [5]	**—**	**(109)**	**—**	**(109)**
Energy contracts not subject to regulatory deferral [5]	**—**	**(16)**	**—**	**(16)**
	—	**(125)**	**—**	**(125)**

($ millions)	Level 1 [1]	Level 2 [1]	Level 3 [1]	Total
As at December 31, 2019				
Assets				
Energy contracts subject to regulatory deferral [2] [3]	—	22	—	22
Energy contracts not subject to regulatory deferral [2]	—	8	—	8
Foreign exchange contracts, interest rate and total return swaps [2]	14	4	—	18
Other investments [4]	121	—	—	121
	135	34	—	169
Liabilities				
Energy contracts subject to regulatory deferral [3] [5]	(1)	(138)	—	(139)
Energy contracts not subject to regulatory deferral [5]	—	(12)	—	(12)
	(1)	(150)	—	(151)

(1) *Under the hierarchy, fair value is determined using: (i) level 1 - unadjusted quoted prices in active markets; (ii) level 2 - other pricing inputs directly or indirectly observable in the marketplace; and (iii) level 3 - unobservable inputs, used when observable inputs are not available. Classifications reflect the lowest level of input that is significant to the fair value measurement.*

(2) *Included in accounts receivable and other current assets or other assets*

(3) *Unrealized gains and losses arising from changes in fair value of these contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates as permitted by the regulators, with the exception of long-term wholesale trading contracts and certain gas swap contracts.*

(4) *Included in other assets*

(5) *Included in accounts payable and other current liabilities or other liabilities*

The Corporation has elected gross presentation for its derivative contracts under master netting agreements and collateral positions, which apply only to its energy contracts. The following table presents the potential offset of counterparty netting.

Energy Contracts *($ millions)*	**Gross Amount Recognized on Balance Sheet**	**Counterparty Netting of Energy Contracts**	**Cash Collateral Received/ Posted**	**Net Amount**
As at June 30, 2020				
Derivative assets	**44**	**30**	**10**	**4**
Derivative liabilities	**(125)**	**(30)**	**—**	**(95)**
As at December 31, 2019				
Derivative assets	30	22	10	(2)
Derivative liabilities	(151)	(22)	(2)	(127)

Volume of Derivative Activity

As at June 30, 2020, the Corporation had various energy contracts that will settle on various dates through 2029. The volumes related to electricity and natural gas derivatives are outlined below.

	As at	
	June 30, 2020	December 31, 2019
Energy contracts subject to regulatory deferral [(1)]		
Electricity swap contracts *(GWh)*	**341**	628
Electricity power purchase contracts *(GWh)*	**3,172**	3,198
Gas swap contracts *(PJ)*	**143**	168
Gas supply contract premiums *(PJ)*	**231**	241
Energy contracts not subject to regulatory deferral [(1)]		
Wholesale trading contracts *(GWh)*	**2,559**	1,855
Gas swap contracts *(PJ)*	**35**	43

(1) *GWh means gigawatt hours and PJ means petajoules.*

Credit Risk

For cash equivalents, accounts receivable and other current assets, and long-term other receivables, credit risk is generally limited to the carrying value on the consolidated balance sheets. The Corporation's subsidiaries generally have a large and diversified customer base, which minimizes the concentration of credit risk. Policies in place to minimize credit risk include requiring customer deposits, prepayments and/or credit checks for certain customers, performing disconnections and/or using third-party collection agencies for overdue accounts. As a result of the impact of the COVID-19 pandemic, certain of the Corporation's utilities have temporarily suspended non-payment disconnects.

ITC has a concentration of credit risk as approximately 65% of its revenue is derived from three customers. The customers have investment-grade credit ratings and credit risk is further managed by requiring a letter of credit or cash deposit equal to the credit exposure, which is determined by a credit-scoring model and other factors.

FortisAlberta has a concentration of credit risk as distribution service billings are to a relatively small group of retailers. Credit risk is managed by obtaining from the retailers either a cash deposit, letter of credit, an investment-grade credit rating, or a financial guarantee from an entity with an investment-grade credit rating.

UNS Energy, Central Hudson, FortisBC Energy, Aitken Creek and the Corporation may be exposed to credit risk in the event of non-performance by counterparties to derivatives. Credit risk is managed by net settling payments, when possible, and dealing only with counterparties that have investment-grade credit ratings. At UNS Energy and Central Hudson, certain contractual arrangements require counterparties to post collateral.

The value of derivatives in net liability positions under contracts with credit risk-related contingent features that, if triggered, could require the posting of a like amount of collateral was $109 million as at June 30, 2020 (December 31, 2019 - $161 million).

As at June 30, 2020 the impact of the COVID-19 pandemic on the carrying values of accounts receivable and other current assets, and long-term other receivables or the fair value of derivatives was not material.

Hedge of Foreign Net Investments

The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI and Belize Electric Company Limited and Belize Electricity is, or is pegged to, the US dollar. The earnings and cash flow from, and net investments in, these entities are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has limited this exposure through hedging.

As at June 30, 2020, US$2.2 billion (December 31, 2019 - US$2.2 billion) of corporately issued US dollar-denominated long-term debt has been designated as an effective hedge of net investments, leaving approximately US$10.0 billion (December 31, 2019 - US$9.7 billion) unhedged. Exchange rate fluctuations associated with the hedged net investment in foreign subsidiaries and the debt serving as the hedge are recognized in accumulated other comprehensive income.

Financial Instruments Not Carried at Fair Value

Excluding long-term debt, the consolidated carrying value of the Corporation's remaining financial instruments approximates fair value, reflecting their short-term maturity, normal trade credit terms and/or nature.

As at June 30, 2020, the carrying value of long-term debt, including current portion, was $24.7 billion (December 31, 2019 - $22.3 billion) compared to an estimated fair value of $28.9 billion (December 31, 2019 - $25.3 billion).

16. COMMITMENTS AND CONTINGENCIES

Commitments

There were no material changes in commitments from that disclosed in the Corporation's 2019 Annual Financial Statements.

Contingencies

In April 2013 FHI and Fortis were named as defendants in an action in the Supreme Court of British Columbia by the Coldwater Indian Band ("Band") regarding interests in a pipeline right of way on reserve lands. The pipeline was transferred by FHI (then Terasen Inc.) to Kinder Morgan Inc. in April 2007. The Band seeks cancellation of the right of way and damages for wrongful interference with the Band's use and enjoyment of reserve lands. In May 2016 the Federal Court dismissed the Band's application for judicial review of the ministerial consent. In September 2017 the Federal Court of Appeal set aside the minister's consent and returned the matter to the minister for redetermination. No amount has been accrued in the Interim Financial Statements as the outcome cannot yet be reasonably determined.