FORTIS INC.

St. John's, NL - October 29, 2021

FORTIS INC. RELEASES THIRD QUARTER 2021 RESULTS AND NEW FIVE-YEAR CAPITAL OUTLOOK

Fortis Inc. ("Fortis" or the "Corporation") (TSX/NYSE: FTS) released its third quarter results[1] and 2022-2026 capital investment plan.

Highlights

- Third quarter net earnings of $295 million, or $0.63 per common share
- Adjusted net earnings[2] of $0.64 per common share
- Execution of 2021 $3.8 billion capital plan on track with $2.6 billion invested through September
- 2022-2026 capital plan of $20 billion announced, representing 6% rate base growth
- Increased common share dividend ~6%, marking 48 years of consecutive increases
- Reaffirmed 6% average annual dividend growth guidance through 2025

"Our company posted solid results again this quarter due to our strong operational and financial fundamentals," said David Hutchens, President and Chief Executive Officer, Fortis. "Our performance reflects the underlying growth at our utilities and the benefits of our regulatory and geographic diversity which mitigated headwinds related to unfavourable foreign exchange and cooler weather in Arizona."

"Today we are pleased to announce our new five-year $20 billion capital plan, representing Fortis' largest capital plan to date," continued Mr. Hutchens. "This highly executable plan will extend our robust rate base growth that will support the delivery of cleaner energy and advance our goal to reduce greenhouse gas emissions 75% by 2035."

Net Earnings

The Corporation reported net earnings attributable to common equity shareholders ("Net Earnings") of $295 million for the third quarter, or $0.63 per common share, consistent with net earnings per common share for the same period in 2020. Growth in the quarter was impacted by a lower U.S.-to-Canadian dollar exchange rate and cooler-than-normal temperatures in Arizona. In comparison, Arizona experienced the hottest temperatures on record in the third quarter of 2020.

Results from the Corporation's core operations continued to be strong in the quarter. Rate base growth, higher earnings at ITC, continued economic recovery in the Caribbean, and higher sales and the timing of expenditures at FortisAlberta favourably impacted Net Earnings. New customer rates effective January 1, 2021 at Tucson Electric Power also contributed to results. This growth was partially offset by realized losses on natural gas contracts at Aitken Creek, and the delay in Central Hudson's ongoing rate case, which is expected to be concluded in the fourth quarter of 2021. In addition, net earnings per common share reflected an increase in the weighted average number of common shares outstanding largely associated with the Corporation's dividend reinvestment plan.

On a year-to-date basis, Net Earnings were $903 million, or $1.92 per common share, an increase of $25 million, or $0.03 per common share compared to the same period in 2020. Growth was tempered by the unfavourable impact of foreign exchange of $45 million and significant one-time items recognized in the second quarter of 2020 of $14 million. The significant items included an adjustment to ITC's base ROE partially offset by the finalization of U.S. tax reform and associated regulations.

Excluding foreign exchange and the above noted one-time items, year-to-date Net Earnings increased by $84 million, or $0.18 per common share. The increase for the year-to-date period reflected the same factors discussed above for the quarter.

1 Financial information is presented in Canadian dollars unless otherwise specified.

2 Non-U.S. GAAP Measures - Fortis uses financial measures that do not have a standardized meaning under generally accepted accounting principles in the United States of America and may not be comparable to similar measures presented by other entities. Fortis presents these non-U.S. GAAP measures because management and external stakeholders use them in evaluating the Corporation's financial performance and prospects. Refer to the Non-U.S. GAAP Reconciliation provided herein.

Adjusted Net Earnings[2]

Adjusted net earnings attributable to common equity shareholders ("Adjusted Net Earnings") excludes one-time items and the impact of mark-to-market accounting for certain derivatives, as noted below. The Corporation reported Adjusted Net Earnings of $300 million for the third quarter, or $0.64 per common share, a decrease of $2 million, or $0.01 per common share, compared to the same period in 2020.

Year-to-date Adjusted Net Earnings were $919 million, or $1.96 per common share, an increase of $44 million or $0.08 per common share compared to the same period in 2020. The increase in Adjusted Net Earnings and adjusted net earnings per share reflected strong operating growth, as described above for Net Earnings, partially offset by the unfavourable impacts of foreign exchange and cooler weather in Arizona.

Non-U.S. GAAP Reconciliation

Periods ended September 30	Quarter			Year-to-Date		
($ millions, except earnings per share)	**2021**	2020	Variance	**2021**	2020	Variance
Adjusted Net Earnings						
Net Earnings	**295**	292	3	**903**	878	25
Adjusting items:						
Unrealized loss on mark-to-market of derivatives[3]	**5**	10	(5)	**16**	11	5
May 2020 FERC decision[4]	**—**	—	—	**—**	(27)	27
U.S. tax reform[5]	**—**	—	—	**—**	13	(13)
Adjusted Net Earnings	**300**	302	(2)	**919**	875	44
Adjusted net earnings per share *($)*	**0.64**	0.65	(0.01)	**1.96**	1.88	0.08
Capital Expenditures:						
Additions to property, plant and equipment	**777**	817	(40)	**2,292**	2,653	(361)
Additions to intangible assets	**41**	44	(3)	**120**	145	(25)
Adjusting item:						
Wataynikaneyap Transmission Power Project[6]	**17**	30	(13)	**143**	94	49
Capital Expenditures	**835**	891	(56)	**2,555**	2,892	(337)

New Five-Year Capital Plan

Today the Corporation announced its new five-year capital investment plan of $20 billion. In comparison to the prior five-year plan, the 2022-2026 capital plan includes $1 billion of additional capital investment at the Corporation's regulated utilities, largely reflecting customer growth, enhancements to transmission reliability and capacity, and investments in cleaner energy. This growth is tempered by $600 million associated with a lower U.S.-to-Canadian dollar exchange rate assumed over the five-year period.

Fortis is primarily an energy delivery company with substantially all of its assets focused on the transmission and distribution of energy. In total Fortis expects to invest $3.8 billion in cleaner energy infrastructure over the next five-years, representing a $500 million increase compared to the prior plan.

The five-year capital plan is expected to be primarily funded through cash from operations, debt issued at the regulated utilities and common equity from the Corporation's dividend reinvestment plan.

3 Represents timing differences related to the accounting of natural gas derivatives at Aitken Creek, net of income tax recovery of $2 million and $6 million for the three and nine months ended September 30, 2021, respectively (income tax recovery of $4 million for the three and nine months ended September 30, 2020)

4 Represents prior period impacts of the May 2020 FERC base ROE decision, net of income tax expense of $11 million

5 Represents income tax expense resulting from the finalization of U.S. tax reform and associated anti-hybrid regulations

6 Represents Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project

Regulatory Proceedings
In August 2021, Central Hudson filed a joint proposal with the New York Public Service Commission in relation to its general rate application. The joint proposal provides for a three-year rate plan with retroactive application to July 1, 2021, an ROE of 9.0%, and a common equity component of capital structure of 50% declining by 1% annually to 48% in the third rate year. The proposal also reflects the use of existing regulatory balances and other measures to reduce customer bill impacts, as well as initiatives to support New York State's climate goals. An order is expected in the fourth quarter of 2021.

Outlook
The Corporation's long-term outlook remains unchanged. Fortis continues 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. While uncertainty exists due to the COVID-19 pandemic, the Corporation does not currently expect it to have a material financial impact in 2021.

Fortis is executing on the transition to a cleaner energy future. Its corporate-wide target to reduce carbon emissions by 75% by 2035 represents avoided emissions equivalent to taking approximately 2 million cars off the road in 2035 compared to 2019 levels. Upon achieving this target, 99% of the Corporation's assets will be focused on energy delivery and renewable, carbon-free generation.

The Corporation's $20 billion five-year capital plan is expected to increase midyear rate base from $31.2 billion in 2021 to $41.6 billion by 2026, translating into a five-year compound annual growth rate of approximately 6%. Beyond the five-year capital plan, Fortis continues to pursue additional energy infrastructure opportunities.

Additional opportunities to expand and extend growth include: further expansion of the electric transmission grid in the United States to facilitate the interconnection of cleaner energy including infrastructure investments associated with the proposed American Jobs Plan; natural gas resiliency investments in pipelines and liquefied natural gas infrastructure in British Columbia; the fully permitted, cross-border, Lake Erie Connector electric transmission project in Ontario; and the acceleration of cleaner energy infrastructure investments across our jurisdictions.

Fortis expects long-term growth in rate base will support earnings growth and the annual dividend growth guidance of approximately 6% through 2025. This dividend growth guidance is premised on the assumptions listed under "Forward-Looking Information" below, including 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.

About Fortis
Fortis is a well-diversified leader in the North American regulated electric and gas utility industry with 2020 revenue of $8.9 billion and total assets of $57 billion as at September 30, 2021. The Corporation's 9,000 employees serve utility customers in five Canadian provinces, nine US states and three Caribbean countries.

Forward-Looking Information

Fortis includes forward-looking information in this media release within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the U.S. 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 and 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: forecast capital expenditures for 2021 and 2022-2026, including clean energy investments; targeted average annual dividend growth through 2025; the 2035 carbon emissions reduction target and projected asset mix; the expected timing, outcomes and impacts of regulatory proceedings; the expected sources of funding for the 2022-2026 capital plan; the expectation that the COVID-19 pandemic will not have a material financial impact in 2021; forecast rate base and rate base growth rate; additional growth and expansion opportunities beyond the capital plan; and the expectation that long-term growth in rate base will support earnings and dividend growth.

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 and financing cost overrun; no material changes in the assumed U.S. dollar to Canadian dollar exchange rate; sufficient human resources to deliver service and execute the capital plan; the realization of additional opportunities; the impact of fluctuations in foreign exchange; no significant variability in interest rates; and the Board exercising its discretion to declare dividends, taking into account the business performance and financial condition of the Corporation. Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. For additional information with respect to certain risk factors, reference should be made to the continuous disclosure materials filed from time to time by the Corporation with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information herein is given as of the date of this media release. 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.

Teleconference to Discuss Third Quarter 2021 Results and New Five-Year Capital Outlook

A teleconference and webcast will be held on October 29, 2021 at 8:30 a.m. (Eastern). David Hutchens, President and Chief Executive Officer and Jocelyn Perry, Executive Vice President and Chief Financial Officer, will discuss the Corporation's third quarter 2021 results and new five-year capital outlook for 2022-2026.

Shareholders, analysts, members of the media and other interested parties in North America are invited to participate by calling 1.877.223.4471. International participants may participate by calling 647.788.4922. Please dial in 10 minutes prior to the start of the call. No passcode is required.

A live and archived audio webcast of the teleconference will be available on the Corporation's website, www.fortisinc.com.

A replay of the conference will be available two hours after the conclusion of the call until November 29, 2021. Please call 1.800.585.8367 or 416.621.4642 and enter passcode 5711409.

Additional Information

This media release should be read in conjunction with the Corporation's September 30, 2021 Interim Management Discussion and Analysis and Condensed Consolidated Financial Statements. This and additional information can be accessed at www.fortisinc.com, www.sedar.com, or www.sec.gov.

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Dated October 28, 2021

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 2020 Annual Financial Statements and the 2020 Annual MD&A and is subject to the cautionary statement and disclaimer provided under "Forward-Looking Information" on page 21. 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 U.S. GAAP (except for indicated Non-U.S. GAAP Financial Measures) and, unless otherwise specified, is presented in Canadian dollars based, as applicable, on the following U.S.-to-Canadian dollar exchange rates: (i) average of 1.26 and 1.33 for the quarters ended September 30, 2021 and 2020, respectively; (ii) average of 1.25 and 1.36 year-to-date September 30, 2021 and 2020, respectively; (iii) 1.27 and 1.33 as at September 30, 2021 and 2020, respectively; (iv) 1.27 as at December 31, 2020; and (v) 1.25 for all forecast periods. Certain terms used in this Interim MD&A are defined in the "Glossary" on page 22.

ABOUT FORTIS

Fortis (TSX/NYSE: FTS) is a well-diversified leader in the North American regulated electric and gas utility industry, with 2020 revenue of $8.9 billion and total assets of $57 billion as at September 30, 2021. The Corporation's 9,000 employees serve 3.4 million utility customers in five Canadian provinces, nine U.S. 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 2020 Annual MD&A and Note 1 to the Interim Financial Statements.

KEY DEVELOPMENTS

COVID-19 Pandemic

The Corporation's utilities continue to reliably and safely deliver an essential service during the COVID-19 Pandemic. Developments are continuously monitored with commensurate measures being taken. The Corporation's utilities continue to assess supply chain risk and other potential impacts of the pandemic to ensure that they can continue to provide safe, reliable service while supporting public health.

The Corporation continues to assess economic conditions in its service territories and the associated impacts on: (i) energy sales, particularly for UNS Energy and the Other Electric segment as revenue in these segments is not protected by regulatory mechanisms; (ii) the ability of customers to pay their energy bills and the related impact on Operating Cash Flow; (iii) the progress of regulatory proceedings and the ability to recover costs in a timely manner; and (iv) the execution of the 2021 and five-year Capital Plan. The COVID-19 Pandemic did not have a significant impact on energy sales, earnings, EPS, Operating Cash Flow or Capital Expenditures for the nine months ended September 30, 2021 and 2020. As well, ongoing regulatory proceedings continue to progress as anticipated.

There continues to be uncertainty surrounding the pandemic, particularly with respect to the potential emergence of new variants of the virus, the long-term efficacy and global distribution of COVID-19 vaccines, and the impact of vaccine mandates on labour availability or disruption. Potential financial and operating impacts of the COVID-19 Pandemic on Fortis are discussed in the "Significant Items" and "Business Risks" sections of the 2020 Annual MD&A.

U.S. Infrastructure Spending and Tax Proposals

The U.S. government has outlined significant intended infrastructure spending, including investments in transmission, electrification and economic development, as well as electrical grid resilience. Fortis continues to review the spending proposals to assess the impact on its forecast capital investments and energy sales.

Through October 2021, U.S. tax proposals have been drafted including, amongst other things, an increase in the corporate tax rate, amendments to rules associated with international and minimum taxation, and the introduction of a transmission investment tax credit. Proposals continue to evolve and further information is expected in the fourth quarter. Legislation incorporating both the infrastructure spending and tax proposals could be enacted as early as the end of 2021.

In April 2021, the Canadian federal budget was released which proposed changes in relation to interest deductibility and international taxation. There have been no significant updates on these proposals since the Federal election in September 2021, and it is unknown when draft legislation may be available.

Changes in tax legislation could affect the results of operations, financial condition and cash flows of the Corporation. Fortis will continue to assess the impacts as more details on the U.S. and Canadian proposals become available.

PERFORMANCE AT A GLANCE

Key Financial Metrics

Periods ended September 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2021**	2020	Variance	**2021**	2020	Variance
Revenue	**2,196**	2,121	75	**6,865**	6,589	276
Common Equity Earnings						
Actual	**295**	292	3	**903**	878	25
Adjusted (1)	**300**	302	(2)	**919**	875	44
Basic EPS *($)*						
Actual	**0.63**	0.63	—	**1.92**	1.89	0.03
Adjusted (1)	**0.64**	0.65	(0.01)	**1.96**	1.88	0.08
Dividends paid per common share *($)*	**0.505**	0.4775	0.0275	**1.515**	1.4325	0.0825
Weighted average number of common shares outstanding *(# millions)*	**472.0**	464.9	7.1	**470.0**	464.4	5.6
Operating Cash Flow	**711**	686	25	**2,190**	2,001	189
Capital Expenditures (1)	**835**	891	(56)	**2,555**	2,892	(337)

(1) *See "Non-U.S. GAAP Financial Measures" on page 10.*

Revenue
The increase in revenue for the quarter and year-to-date periods was due primarily to: (i) Rate Base growth; (ii) higher flow-through costs in customer rates; (iii) higher electricity sales, primarily in Western Canada and the Caribbean, partially offset by lower sales in Arizona due to cooler weather; (iv) higher short-term wholesale sales at UNS Energy; and (v) new customer rates, effective January 1, 2021 at TEP. The increase was partially offset by unfavourable foreign exchange of $77 million and $304 million for the quarter and year-to-date periods, respectively. A $40 million favourable base ROE adjustment recognized at ITC in the second quarter of 2020, as a result of the May 2020 FERC Decision, also partially offset the year-to-date increase in revenue.

Earnings and EPS
Common Equity Earnings for the quarter were relatively consistent with the same period in 2020. Growth in Common Equity Earnings was tempered by a lower U.S.-to-Canadian dollar exchange rate, unfavourably impacting earnings by $13 million.

Excluding the impact of foreign exchange, Common Equity Earnings increased by $16 million for the quarter due to: (i) Rate Base Growth; (ii) higher sales, largely associated with favourable weather, and the timing of expenditures at FortisAlberta; (iii) continued recovery in the Caribbean from economic conditions experienced in 2020 associated with the COVID-19 Pandemic; and (iv) an adjustment related to interest rate swaps at ITC. New customer rates effective January 1, 2021 at TEP also contributed to results. The increase in earnings was partially offset by: (i) lower sales in Arizona due to cooler weather; (ii) realized losses on natural gas contracts at Aitken Creek; and (iii) the delay in Central Hudson's ongoing general rate application, which is expected to be concluded in the fourth quarter of 2021.

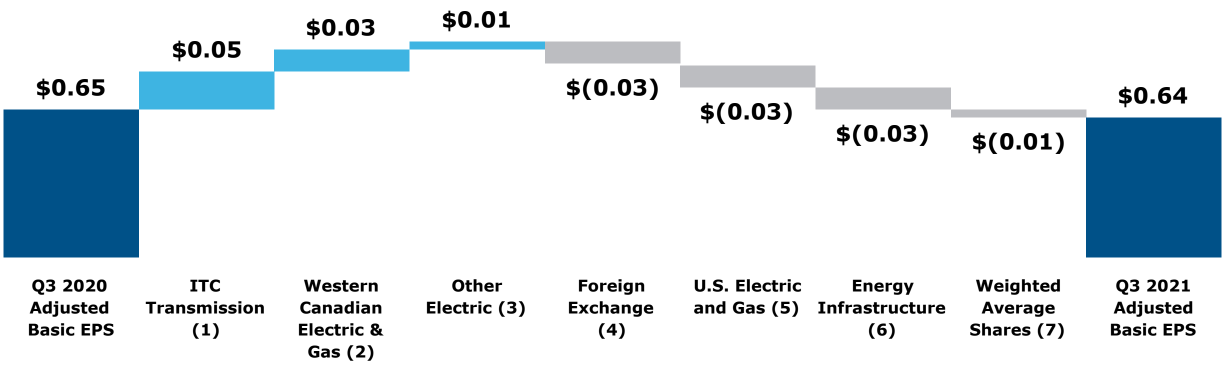
Common Equity Earnings for the year-to-date period increased by $25 million compared to the same period in 2020. Growth in Common Equity Earnings was tempered by the unfavourable impact of foreign exchange of $45 million and significant one-time items recognized in the second quarter of 2020 of $14 million. The significant items included an adjustment to ITC's base ROE partially offset by the finalization of U.S. tax reform and associated regulations.

Excluding the impact of foreign exchange and the above noted one-time items, year-to-date Common Equity Earnings increased by $84 million. The increase reflected the same factors discussed for the quarter except that, on a year-to-date basis, earnings were higher in Arizona due to new customer rates at TEP, partially offset by lower sales due to cooler weather and higher operating costs.

In addition to the above-noted items impacting earnings, the change in EPS for the quarter and year-to-date periods reflected an increase in the weighted average number of common shares outstanding, largely associated with the Corporation's DRIP.

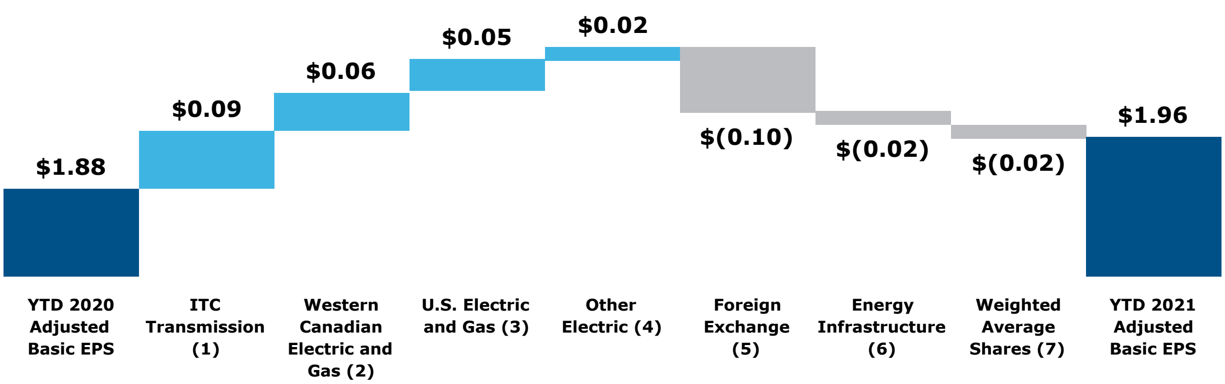
For the quarter and year-to-date periods: (i) Adjusted Common Equity Earnings decreased by $2 million and increased by $44 million, respectively; and (ii) Adjusted Basic EPS decreased by $0.01 and increased by $0.08, respectively. Refer to "Non-U.S. GAAP Financial Measures" on page 10 for a reconciliation of these measures. The changes in Adjusted Basic EPS for the quarter and year-to-date periods include the unfavourable impact of foreign exchange, as discussed above, and are illustrated in the following charts.

THIRD QUARTER CHANGES IN ADJUSTED BASIC EPS



(1) *Primarily reflects Rate Base growth and an adjustment related to interest rate swaps*
(2) *Includes FortisBC Energy, FortisAlberta and FortisBC Electric. Primarily reflects Rate Base growth, as well as higher sales due to favourable weather and the timing of expenditures at FortisAlberta*
(3) *Primarily reflects higher sales and earnings in the Caribbean, related to the continued recovery from economic conditions in 2020 associated with the COVID-19 Pandemic*
(4) *Average foreign exchange rate of 1.26 in 2021 compared to 1.33 in 2020*
(5) *Includes UNS Energy and Central Hudson. Earnings at UNS Energy reflect lower retail electricity sales, driven by cooler weather, partially offset by the impact of new customer rates at TEP effective January 1, 2021. Earnings at Central Hudson reflect the delay in its ongoing general rate application, which is expected to be concluded in the fourth quarter of 2021*
(6) *Primarily reflects realized losses on natural gas contracts at Aitken Creek. Contracts were settled during the third quarter of 2021 in consideration of market conditions and favourable forward curves*
(7) *Weighted average common shares of 472.0 million in 2021 compared to 464.9 million in 2020*

YEAR-TO-DATE CHANGES IN ADJUSTED BASIC EPS



(1) *Primarily reflects Rate Base growth and an adjustment related to interest rate swaps*
(2) *Includes FortisBC Energy, FortisAlberta and FortisBC Electric. Primarily reflects Rate Base growth, as well as higher sales due to favourable weather and the timing of expenditures at FortisAlberta*
(3) *Includes UNS Energy and Central Hudson. Earnings at UNS Energy reflect: (i) the impact of new customer rates at TEP; and (ii) the impact of losses on retirement investments recognized in the first nine months of 2020; partially offset by (iii) lower retail electricity sales driven by cooler weather; and (iv) higher operating costs related to planned generation maintenance. Earnings at Central Hudson reflect Rate Base growth and a reduction in costs incurred related to the COVID-19 Pandemic, partially offset by the delay in its ongoing general rate application*
(4) *Primarily reflects higher earnings in the Caribbean, related to the continued recovery from economic conditions in 2020 associated with the COVID-19 Pandemic*
(5) *Average foreign exchange rate of 1.25 in 2021 compared to 1.36 in 2020*
(6) *Primarily reflects realized losses on natural gas contracts at Aitken Creek. Contracts were settled during the third quarter of 2021 in consideration of market conditions and favourable forward curves*
(7) *Weighted average common shares of 470.0 million in 2021 compared to 464.4 million in 2020*

Dividends and TSR
Dividends paid per common share in the third quarter of 2021 were $0.505, up 5.8% from the same period in 2020.

In September 2021, the Corporation declared a fourth quarter common share dividend of $0.535, up 5.9% from its third quarter common share dividend. This marked the Corporation's 48th consecutive year of dividend increases and is in line with Fortis' targeted average annual dividend per common share growth of approximately 6% through 2025.

Growth in dividends and the market price of the Corporation's common shares have together yielded a one-year, three-year, five-year, 10-year and 20-year TSR of 7.1%, 14.3%, 9.9%, 9.5% and 12.8%, respectively.

Operating Cash Flow
The $25 million and $189 million increase in Operating Cash Flow for the quarter and year-to-date periods, respectively, was due to higher cash earnings, largely reflecting Rate Base growth and new customer rates at TEP effective January 1, 2021, partially offset by higher generation maintenance costs at TEP. Favourable changes in regulatory deferrals due to the timing of flow-through costs in customer rates, lower transmission payments at FortisAlberta, and, for the quarter, the timing of carbon and provincial sales tax payments at FortisBC Energy, also contributed to the increase. The increases were partially offset by the lower U.S.-to-Canadian dollar exchange rate in 2021.

Capital Expenditures
Capital Expenditures were $2.6 billion year-to-date September 30, 2021, representing 68% of the 2021 Capital Plan. Capital Expenditures through September 30, 2021 decreased by $0.3 billion compared to the same period in 2020, largely related to the construction of the Oso Grande generating facility at UNS Energy, which was completed in May 2021.

The Corporation's annual $3.8 billion Capital Plan remains on track. Higher forecast capital expenditures for the year are expected to offset the impact of a lower foreign exchange rate.

Capital Expenditures and Capital Plan reflect Non-U.S. GAAP financial measures. Refer to "Non-U.S. GAAP Financial Measures" on page 10 and "Capital Plan" on page 17.

BUSINESS UNIT PERFORMANCE

Common Equity Earnings	**Quarter**				**Year-to-Date**			
Periods ended September 30			Variance				Variance	
($ millions)	**2021**	2020	FX [(1)]	Other	**2021**	2020	FX [(1)]	Other
Regulated Utilities								
ITC	**117**	101	(5)	21	**323**	340	(27)	10
UNS Energy	**131**	144	(8)	(5)	**259**	257	(19)	21
Central Hudson	**9**	19	(1)	(9)	**54**	56	(3)	1
FortisBC Energy	**(19)**	(21)	—	2	**107**	101	—	6
FortisAlberta	**47**	35	—	12	**118**	100	—	18
FortisBC Electric	**12**	11	—	1	**45**	43	—	2
Other Electric [(2)]	**35**	33	(1)	3	**89**	80	(2)	11
	332	322	(15)	25	**995**	977	(51)	69
Non-Regulated								
Energy Infrastructure [(3)]	**(11)**	—	—	(11)	**(2)**	12	—	(14)
Corporate and Other [(4)]	**(26)**	(30)	2	2	**(90)**	(111)	6	15
Common Equity Earnings	**295**	292	(13)	16	**903**	878	(45)	70

(1) *The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI and BECOL is the U.S. dollar. The reporting currency of Belize Electricity is the Belizean dollar, which is pegged to the U.S. dollar at BZ$2.00=US$1.00. The Corporate and Other segment includes certain transactions denominated in U.S. dollars*
(2) *Consists of the utility operations in eastern Canada and the Caribbean: Newfoundland Power; Maritime Electric; FortisOntario; Caribbean Utilities; FortisTCI; and Belize Electricity*
(3) *Primarily consists of long-term contracted generation assets in Belize and Aitken Creek in British Columbia*
(4) *Includes Fortis net corporate expenses and non-regulated holding company expenses*

ITC	Quarter				Year-to-Date			
Periods ended September 30			Variance				Variance	
($ millions)	**2021**	2020	FX	Other	**2021**	2020	FX	Other
Revenue (1)	**429**	415	(22)	36	**1,273**	1,325	(103)	51
Earnings (1)	**117**	101	(5)	21	**323**	340	(27)	10

(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 increase in revenue, net of foreign exchange, for the quarter and year-to-date periods reflected higher flow-through costs in customer rates and Rate Base growth. The year-to-date increase was partially offset by a $40 million favourable base ROE adjustment recognized in the second quarter of 2020 as a result of the May 2020 FERC Decision.

Earnings

The increase in earnings, net of foreign exchange, for the quarter and year-to-date periods reflected Rate Base growth and an adjustment related to the amortization of interest rate swaps. The year-to-date increase was partially offset by a $27 million favourable base ROE adjustment as a result of the May 2020 FERC Decision, discussed above.

UNS ENERGY	Quarter				Year-to-Date			
Periods ended September 30			Variance				Variance	
($ millions, except as indicated)	**2021**	2020	FX	Other	**2021**	2020	FX	Other
Retail electricity sales *(GWh)*	**3,383**	3,672	—	(289)	**8,353**	8,575	—	(222)
Wholesale electricity sales *(GWh)* (1)	**1,490**	1,441	—	49	**4,534**	3,972	—	562
Gas sales *(PJ)*	**2**	2	—	—	**11**	10	—	1
Revenue	**716**	716	(39)	39	**1,794**	1,735	(130)	189
Earnings	**131**	144	(8)	(5)	**259**	257	(19)	21

(1) *Primarily short-term wholesale sales*

Sales

The decrease in retail electricity sales for the quarter and year-to-date periods was due to lower air conditioning load as a result of cooler-than-normal temperatures in the third quarter of 2021 compared to warmer-than-normal temperatures for the same period in 2020.

The increase in wholesale electricity sales for the quarter and year-to-date periods was due primarily to favourable market pricing. Revenue from short-term wholesale sales is primarily credited to customers through regulatory deferral mechanisms and, therefore, does not materially impact earnings.

Gas sales were consistent with the comparable periods in 2020.

Revenue

The increase in revenue, net of foreign exchange, for the quarter and year-to-date periods was due primarily to new customer rates effective January 1, 2021 at TEP and higher short-term wholesale electricity sales reflecting favourable pricing and volumes, partially offset by lower retail electricity sales driven by cooler weather. The recovery of higher fuel and non-fuel costs through the normal operation of regulatory mechanisms also contributed to the year-to-date increase.

Earnings

The decrease in earnings, net of foreign exchange, for the quarter was due to lower retail electricity sales driven by cooler weather, partially offset by the impact of new customer rates at TEP.

The increase in earnings, net of foreign exchange, year to date was due to the impact of new customer rates at TEP and losses recognized in 2020 on certain investments that support retirement benefits. The increase was partially offset by lower retail electricity sales driven by cooler weather and higher operating costs related to planned generation maintenance.

Changes in 2020 in the market value of investments that support retirement benefits were driven by financial market volatility associated with the COVID-19 Pandemic. The losses recognized through the first nine months of 2020 were substantially recovered by the end of 2020, but did impact the timing of quarterly earnings.

CENTRAL HUDSON	**Quarter**				**Year-to-Date**			
Periods ended September 30			Variance				Variance	
($ millions, except as indicated)	**2021**	2020	FX	Other	**2021**	2020	FX	Other
Electricity sales *(GWh)*	**1,356**	1,421	—	(65)	**3,797**	3,769	—	28
Gas sales *(PJ)*	**3**	4	—	(1)	**17**	16	—	1
Revenue	**225**	225	(12)	12	**717**	711	(52)	58
Earnings	**9**	19	(1)	(9)	**54**	56	(3)	1

Sales
The decrease in electricity sales for the quarter was due primarily to lower average consumption by residential customers due to cooler temperatures as compared to the same period in 2020.

The increase in electricity sales year to date was due primarily to higher average consumption by commercial customers as the COVID-19 Pandemic caused the temporary closure of non-essential businesses in 2020. Higher average consumption by residential customers, due to work-from-home practices associated with the COVID-19 Pandemic, also contributed to the increase in electricity sales year to date.

Gas sales were relatively consistent with the comparable periods in 2020.

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

Revenue
The increase in revenue, net of foreign exchange, for the quarter and year-to-date periods was due primarily to the flow through of higher energy supply costs driven by higher commodity prices. An increase in gas and electricity delivery rates effective July 1, 2020, reflecting a return on increased Rate Base assets as well as the recovery of higher operating and finance expenses, also contributed to the increase in revenue year to date.

Earnings
The decrease in earnings, net of foreign exchange, for the quarter was due to the delay in Central Hudson's ongoing general rate application, which is expected to be concluded in the fourth quarter of 2021. See "Regulatory Highlights" on page 11. This reduction in earnings reflects the delay in recovery of higher costs associated with Rate Base growth and increased operating and finance expenses. The timing of operating costs also contributed to the decrease in earnings for the quarter.

The increase in earnings, net of foreign exchange, year to date was due primarily to: (i) an increase in gas and electricity delivery rates effective July 1, 2020, as discussed above; and (ii) lower operating expenses, reflecting a reduction in credit loss expense and other costs incurred related to the COVID-19 Pandemic as compared to 2020. The year-to-date increase was largely offset by the impact of the delayed general rate application, discussed above.

FORTISBC ENERGY

Periods ended September 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2021**	2020	Variance	**2021**	2020	Variance
Gas sales *(PJ)*	**32**	29	3	**154**	152	2
Revenue	**220**	194	26	**1,123**	909	214
(Loss) Earnings	**(19)**	(21)	2	**107**	101	6

Sales
The increase in gas sales for the quarter and year-to-date periods was due to higher consumption by transportation customers.

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

Earnings
The increase in earnings for the quarter and year-to-date periods was due primarily to Rate Base growth.

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

Periods ended September 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2021**	2020	Variance	**2021**	2020	Variance
Electricity deliveries *(GWh)*	**4,307**	3,773	534	**12,496**	11,954	542
Revenue	**168**	155	13	**488**	457	31
Earnings	**47**	35	12	**118**	100	18

Deliveries
The increase in electricity deliveries for the quarter and year-to-date periods was due to higher average consumption by residential and small commercial customers due to warmer-than-normal temperatures in the third quarter of 2021 and customer additions. Higher load from industrial customers also contributed to the increase in electricity deliveries for the quarter and year-to-date periods.

As approximately 85% of FortisAlberta's revenue is derived from fixed or largely fixed billing determinants, changes in quantities of electricity delivered are not entirely correlated with changes in revenue. Revenue is a function of numerous variables, many of which are independent of actual electricity deliveries. Significant variations in weather conditions, however, can impact revenue and earnings.

Revenue and Earnings
The increase in revenue and earnings for the quarter and year-to-date periods was due to: (i) Rate Base growth and customer additions; (ii) higher revenue associated with significantly colder and warmer temperatures in the first and third quarters of 2021, respectively; and (iii) higher revenue associated with a long-term energy retailer agreement. The timing of expenditures, largely related to the reversal of income tax expense in the fourth quarter of 2020, also favourably impacted earnings for the quarter and year-to-date periods.

FORTISBC ELECTRIC

Periods ended September 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2021**	2020	Variance	**2021**	2020	Variance
Electricity sales *(GWh)*	**829**	791	38	**2,533**	2,397	136
Revenue	**107**	102	5	**335**	307	28
Earnings	**12**	11	1	**45**	43	2

Sales

The increase in electricity sales for the quarter was due primarily to higher average consumption by commercial customers due, in part, to the impact of the COVID-19 Pandemic which resulted in tighter public health restrictions during the third quarter of 2020 as compared to the same period in 2021.

The increase in electricity sales year to date was primarily due to: (i) higher average consumption by residential customers, as a result of warmer temperatures in the second quarter of 2021 compared to the same period in 2020; and (ii) higher average consumption by commercial and industrial customers due, in part, to the COVID-19 Pandemic, as discussed above.

Revenue

The increase in revenue for the quarter and year-to-date periods was due to: (i) higher electricity sales, partially offset by the normal operation of regulatory deferrals; and (ii) Rate Base growth. An increase in third-party contract work also contributed to the year-to-date increase.

Earnings

The increase in earnings for the quarter and year-to-date periods was due primarily to Rate Base growth.

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

OTHER ELECTRIC

	Quarter				Year-to-Date			
Periods ended September 30			Variance				Variance	
($ millions, except as indicated)	**2021**	2020	FX	Other	**2021**	2020	FX	Other
Electricity sales *(GWh)*	**1,811**	1,766	—	45	**6,817**	6,813	—	4
Revenue	**331**	311	(4)	24	**1,097**	1,104	(19)	12
Earnings	**35**	33	(1)	3	**89**	80	(2)	11

Sales

The increase in electricity sales for the quarter and year-to-date periods was due primarily to overall higher average consumption across the utilities, reflecting the continued recovery from the impacts of the COVID-19 Pandemic in 2020, including the temporary closure of non-essential businesses and lower tourism-related activities in the Caribbean. The increase year to date was partially offset by lower average consumption at Newfoundland Power in the first quarter of 2021.

Revenue

The increase in revenue, net of foreign exchange, for the quarter reflected higher sales, the flow through of overall higher energy supply costs and Rate Base growth.

The increase in revenue, net of foreign exchange, year to date was due primarily to Rate Base growth.

Earnings

The increase in earnings, net of foreign exchange, for the quarter and year-to-date periods primarily reflected the continued recovery of economic conditions in the Caribbean, discussed above, and Rate Base growth.

ENERGY INFRASTRUCTURE

Periods ended September 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2021**	2020	Variance	**2021**	2020	Variance
Electricity sales *(GWh)*	**55**	76	(21)	**134**	126	8
Revenue	**—**	3	(3)	**38**	41	(3)
Earnings	**(11)**	—	(11)	**(2)**	12	(14)

Sales

The change in electricity sales for the quarter and year-to-date periods reflected variations in hydroelectric production in Belize associated with rainfall levels.

Revenue and Earnings

Revenue and earnings for the quarter decreased due to realized losses on natural gas contracts at Aitken Creek. Certain contracts were settled during the quarter in consideration of market prices for natural gas and favourable forward curves.

On a year-to-date basis, revenue and earnings decreased due to realized losses on natural gas contracts, as discussed above, as well as unrealized losses associated with mark-to-market accounting of natural gas derivatives at Aitken Creek.

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

Periods ended September 30	Quarter				Year-to-Date			
			Variance				Variance	
($ millions)	**2021**	2020	FX	Other	**2021**	2020	FX	Other
Net expenses	**(26)**	(30)	2	2	**(90)**	(111)	6	15

Net expenses, net of foreign exchange, for the quarter were relatively consistent with the same period in 2020. Lower operating expenses were partially offset by lower mark-to-market gains on foreign exchange contracts.

The decrease in net expenses, net of foreign exchange, year to date was primarily due to: (i) the reversal of a $13 million tax recovery in 2020, originally recognized in 2019, resulting from the finalization of U.S. tax reform and associated anti-hybrid regulations; and (ii) lower operating expenses. The decrease was partially offset by a lower income tax recovery resulting from a higher consolidated state tax rate associated with changes in regional sales mix.

NON-U.S. GAAP FINANCIAL MEASURES

Adjusted Common Equity Earnings, Adjusted Basic EPS and Capital Expenditures are Non-U.S. 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 U.S. GAAP measures to Adjusted Common Equity Earnings and Adjusted Basic EPS, respectively. Adjusted Common Equity Earnings and Adjusted Basic EPS reflect the removal of items that management excludes in its key decision-making processes and evaluation of operating results.

Capital Expenditures include additions to property, plant and equipment and additions to intangible assets, as shown on the condensed consolidated statements of cash flows. It also includes Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project, consistent with Fortis' evaluation of operating results and its role as project manager during the construction of this Major Capital Project.

Non-U.S. GAAP Reconciliation

Periods ended September 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2021**	2020	Variance	**2021**	2020	Variance
Adjusted Common Equity Earnings and Adjusted Basic EPS:						
Common Equity Earnings	**295**	292	3	**903**	878	25
Adjusting items:						
Unrealized loss on mark-to-market of derivatives (1)	**5**	10	(5)	**16**	11	5
May 2020 FERC Decision (2)	**—**	—	—	**—**	(27)	27
U.S. tax reform (3)	**—**	—	—	**—**	13	(13)
Adjusted Common Equity Earnings	**300**	302	(2)	**919**	875	44
Adjusted Basic EPS *($)*	**0.64**	0.65	(0.01)	**1.96**	1.88	0.08
Capital Expenditures:						
Additions to property, plant and equipment	**777**	817	(40)	**2,292**	2,653	(361)
Additions to intangible assets	**41**	44	(3)	**120**	145	(25)
Adjusting item:						
Wataynikaneyap Transmission Power Project (4)	**17**	30	(13)	**143**	94	49
Capital Expenditures	**835**	891	(56)	**2,555**	2,892	(337)

(1) *Represents timing differences related to the accounting of natural gas derivatives at Aitken Creek, net of income tax recovery of $2 million and $6 million for the three and nine months ended September 30, 2021, respectively (income tax recovery of $4 million for the three and nine months ended September 30, 2020), included in the Energy Infrastructure segment*

(2) *Represents prior period impacts of the May 2020 FERC Decision, net of income tax expense of $11 million, included in the ITC segment*

(3) *Represents income tax expense resulting from the finalization of U.S. tax reform and associated anti-hybrid regulations, included in the Corporate and Other segment*

(4) *Represents Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project, included in the Other Electric segment*

REGULATORY HIGHLIGHTS

ITC

Transmission Incentives: In April 2021, FERC issued a supplemental NOPR on transmission incentives modifying the proposal in the initial NOPR released in March 2020. The supplemental NOPR proposes to eliminate the 50-basis point RTO ROE incentive adder for existing RTO members that have been members longer than three years, like ITC. In June 2021, ITC filed its comments on the supplemental NOPR supporting the continuation of the ROE incentive adder for RTO members. The timeline for FERC to issue a final rule in this proceeding and the likely outcome cannot be determined at this time. Although any potential impact to Fortis remains uncertain, every 10-basis point change in ROE at ITC impacts Fortis' annual EPS by approximately $0.01.

UNS Energy

FERC Rate Case: In 2019, FERC issued an order accepting formula transmission rates proposed by TEP, including an ROE of 10.4% using a 54% equity component of capital structure, subject to refund following hearing and settlement procedures. A settlement in principle was reached in August 2021, and the procedural schedule was suspended to allow the settlement to be finalized. Until conclusion of the proceeding, formula transmission rates charged under the 2019 FERC order remain subject to refund, and as at September 30, 2021, $30 million had been recorded as a regulatory liability (December 31, 2020 - $19 million). The timeline and outcome of this proceeding remains unknown.

Central Hudson
General Rate Application: In August 2020, Central Hudson filed a rate application with the PSC requesting an increase in electric and natural gas delivery revenue effective July 1, 2021. In August 2021, Central Hudson, along with multiple stakeholders and intervenors, filed a joint proposal with the PSC. The joint proposal provides for a three-year rate plan with retroactive application to July 1, 2021, an ROE of 9.0%, and a common equity component of capital structure of 50% declining by 1% annually to 48% in the third rate year. The proposal also reflects the use of existing regulatory balances and other measures to reduce customer bill impacts, as well as initiatives to support New York State's climate goals. An order from the PSC is expected in the fourth quarter of 2021.

COVID-19 Proceeding: The generic proceeding initiated by the PSC in June 2020 to identify and address the financial effects of the COVID-19 Pandemic and any associated cost recovery remains ongoing; however, the recovery of certain COVID-related costs is contemplated in the joint proposal, discussed above.

FortisBC Energy and FortisBC Electric
GCOC Proceeding: In January 2021, the BCUC announced the initiation of a GCOC proceeding including a review of the common equity component of capital structure and the allowed ROE. The proceeding is expected to continue into 2022 and the effective date of any change in the cost of capital remains unknown at this time.

FortisAlberta
GCOC Proceeding: In March 2021, the AUC concluded the 2022 GCOC proceeding and extended the existing allowed ROE of 8.5% using a 37% equity component of capital structure through 2022. The Office of the UCA filed an application with the AUC to review its 2022 GCOC decision, which was dismissed in August 2021. The Office of the UCA also filed an application seeking permission to appeal the decision to the Alberta Court of Appeal. The appeal was heard in September 2021 and in October 2021 the Alberta Court of Appeal dismissed the application.

2023 COS Application: The final year of FortisAlberta's second PBR term is 2022. In June 2021, the AUC issued a decision confirming the approach to be adopted by Alberta distribution utilities for the COS rebasing year in 2023. FortisAlberta is required to file its 2023 COS application in the fourth quarter of 2021.

Third PBR Term: In July 2021, the AUC issued a decision confirming that Alberta distribution utilities will be subject to a third PBR term commencing in 2024 with going-in rates based on the 2023 COS rebasing. The AUC also initiated a new proceeding to consider the design of the third PBR term. FortisAlberta will submit comments with respect to the design of the third PBR term in 2022 and a decision from the AUC is expected in 2023.

Independent System Operator Tariff Proceeding: In April 2021, the AUC issued a decision confirming that distribution facility owners, such as FortisAlberta, will no longer be permitted to earn a return on AESO contributions made on a prospective basis from the date of the decision. Contributions made prior to that date are not impacted. FortisAlberta, and other utilities in Alberta, have filed applications to appeal this decision to the Alberta Court of Appeal. The decision is not expected to have a material financial impact on the Corporation.

FINANCIAL POSITION

Significant Changes between September 30, 2021 and December 31, 2020

	Increase (Decrease)		
Balance Sheet Account	**FX** *($ millions)*	**Other** *($ millions)*	**Explanation**
Inventories	(1)	109	Due primarily to an increase in the cost and amount of natural gas in storage.
Regulatory assets (current and long-term)	(4)	140	Due primarily to deferred taxes and the operation of rate stabilization accounts, including the impact of higher energy costs at UNS Energy.
Property, plant and equipment, net	(80)	1,322	Due to capital expenditures, partially offset by depreciation.
Short-term borrowings	—	112	Reflects the issuance of commercial paper at ITC to finance working capital and capital investment requirements.

Significant Changes between September 30, 2021 and December 31, 2020

Balance Sheet Account	Increase (Decrease) FX ($ millions)	Increase (Decrease) Other ($ millions)	Explanation
Accounts payable and other current liabilities	(4)	146	Due to higher energy costs at UNS Energy.
Regulatory liabilities (including current and long-term)	(8)	128	Reflects unrealized gains on energy contracts at UNS Energy, which are utilized to reduce exposure to changes in energy prices.
Deferred income tax liabilities	(7)	235	Due to higher temporary differences associated with ongoing capital investment.
Long-term debt (including current portion)	(57)	702	Reflects debt issuances, partially offset by debt repayments, at Corporate and the regulated utilities.
Shareholders' equity	(34)	487	Due primarily to: (i) Common Equity Earnings for the nine months ended September 30, 2021, less dividends declared on common shares; and (ii) the issuance of common shares, largely under the DRIP.

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 Flow, with varying levels of residual cash flow available for capital expenditures and/or dividend payments to Fortis. Remaining 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.

Cash required by Fortis to support subsidiary growth is generally derived from borrowings under the Corporation's committed credit facility, the operation of the DRIP, and issuances of common shares, preference equity and long-term debt. The subsidiaries pay dividends to Fortis and receive equity injections from Fortis when required. Both Fortis and its subsidiaries initially borrow through their committed credit facilities and periodically replace these borrowings with long-term financing. Financing needs also arise periodically for acquisitions and to refinance maturing debt.

Credit facilities are syndicated primarily with large banks in Canada and the U.S., with no one bank holding more than 20% of the total facilities. Approximately $4.8 billion of the total credit facilities are committed with maturities ranging from 2022 through 2026. Available credit facilities are summarized in the following table.

Credit Facilities

As at *($ millions)*	Regulated Utilities	Corporate and Other	**September 30, 2021**	December 31, 2020
Total credit facilities [1]	3,631	1,380	**5,011**	5,581
Credit facilities utilized:				
Short-term borrowings	(244)	—	**(244)**	(132)
Long-term debt (including current portion)	(885)	(115)	**(1,000)**	(980)
Letters of credit outstanding	(70)	(70)	**(140)**	(130)
Credit facilities unutilized	2,432	1,195	**3,627**	4,339

[1] *See Note 14 in the 2020 Annual Financial Statements for a description of the credit facilities as at December 31, 2020.*

In April 2021, the Corporation's unsecured $500 million revolving one-year term committed credit facility expired and was not renewed, and in June 2021, the Corporation extended its unsecured $1.3 billion revolving term committed credit facility to July 2026.

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 September 30, 2021, consolidated fixed long-term debt maturities/repayments are expected to average $776 million annually over the next five years and approximately 84% of the Corporation's consolidated long-term debt, excluding credit facility borrowings, had maturities beyond five years.

In December 2020, 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 $2.0 billion. In May 2021, the Corporation issued 7-year $500 million unsecured senior notes at 2.18% and, as at September 30, 2021, $1.5 billion remained available under the short-form base shelf prospectus.

Fortis is well positioned with strong liquidity. The combination of available credit facilities and manageable annual debt maturities/repayments provides flexibility in the timing of access to capital markets. Given current credit ratings and capital structures, the Corporation and its subsidiaries currently expect to continue to have reasonable access to long-term capital in 2021.

Fortis and its subsidiaries were in compliance with debt covenants as at September 30, 2021 and are expected to remain compliant throughout 2021.

CASH FLOW SUMMARY

Summary of Cash Flows

Periods ended September 30	Quarter			Year-to-Date		
($ millions)	**2021**	2020	Variance	**2021**	2020	Variance
Cash and cash equivalents, beginning of period	**599**	380	219	**249**	370	(121)
Cash from (used in):						
Operating activities	**711**	686	25	**2,190**	2,001	189
Investing activities	**(845)**	(900)	55	**(2,503)**	(2,897)	394
Financing activities	**(249)**	332	(581)	**277**	1,019	(742)
Effect of exchange rate changes on cash and cash equivalents	**9**	(4)	13	**12**	1	11
Cash and cash equivalents, end of period	**225**	494	(269)	**225**	494	(269)

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

Investing Activities
The decrease in cash used in investing activities for the quarter reflects the lower U.S.-to-Canadian dollar exchange rate as well as the timing of capital expenditures compared to the same period in 2020. The decrease in cash used in investing activities year to date reflects higher capital expenditures in 2020, largely related to the Oso Grande Wind Project at UNS Energy, as well as the lower U.S.-to-Canadian dollar exchange rate. See "Performance at a Glance - Capital Expenditures" on page 5 and "Capital Plan" on page 17.

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

Debt Financing

Long-Term Debt Issuances

Year-to-date September 30, 2021 *($ millions, except as noted)*	Month Issued	Interest Rate *(%)*	Maturity	Amount	Use of Proceeds
ITC					
Series A secured senior notes [(1)]	August	2.90	2051	**US 75**	(2)
UNS Energy					
Unsecured senior notes	May	3.25	2051	**US 325**	(3) (4)
Central Hudson					
Unsecured senior notes	March	3.29	2051	**US 75**	(3) (4)
FortisBC Energy					
Unsecured debentures	April	2.42	2031	**150**	(5)
Fortis					
Unsecured senior notes	May	2.18	2028	**500**	(3) (4) (5)

(1) *US$75 million Series B secured senior notes were priced at 3.05% with issuance expected in May 2022*
(2) *Fund or refinance a portfolio of eligible green projects*
(3) *General corporate purposes*
(4) *Repay maturing long-term debt*
(5) *Repay credit facility borrowings*

In October 2021, Central Hudson issued 30-year US$55 million unsecured senior notes at 3.22%. The net proceeds are expected to be used to repay credit facility borrowings and for general corporate purposes.

Common Equity Financing

Common Equity Issuances and Dividends Paid

Periods ended September 30 *($ millions, except as indicated)*	Quarter 2021	Quarter 2020	Quarter Variance	Year-to-Date 2021	Year-to-Date 2020	Year-to-Date Variance
Common shares issued:						
Cash [(1)]	**8**	6	2	**52**	50	2
Non-cash [(2)]	**87**	11	76	**264**	30	234
Total common shares issued *($)*	**95**	17	78	**316**	80	236
Number of common shares issued *(# millions)*	**1.7**	0.3	1.4	**6.1**	1.6	4.5
Common share dividends paid:						
Cash	**(152)**	(212)	60	**(449)**	(636)	187
Non-cash [(3)]	**(86)**	(10)	(76)	**(262)**	(28)	(234)
Total common share dividends paid *($)*	**(238)**	(222)	(16)	**(711)**	(664)	(47)
Dividends paid per common share *($)*	**0.505**	0.4775	0.0275	**1.515**	1.4325	0.0825

(1) *Includes common shares issued under stock option and employee share purchase plans*
(2) *Common shares issued under the DRIP and stock option plan. The 2% discount offered on common share issuances under the DRIP was reinstated December 1, 2020*
(3) *Common share dividends reinvested under the DRIP*

On February 11, 2021 and July 28, 2021, Fortis declared a dividend of $0.505 per common share paid on June 1, 2021 and September 1, 2021, respectively. On September 29, 2021, Fortis declared a dividend of $0.535 per common share payable on December 1, 2021. 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 2020 Annual MD&A, except issuances of long-term debt and credit facility utilization. See "Cash Flow Summary" on page 14.

Off-Balance Sheet Arrangements

There were no material changes to off-balance sheet arrangements from those disclosed in the 2020 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	**September 30, 2021**		December 31, 2020	
As at	*($ millions)*	*(%)*	*($ millions)*	*(%)*
Debt [(1)]	**25,369**	**55.0**	24,581	54.8
Preference shares	**1,623**	**3.5**	1,623	3.6
Common shareholders' equity and non-controlling interests [(2)]	**19,143**	**41.5**	18,661	41.6
	46,135	**100.0**	44,865	100.0

(1) Includes long-term debt and finance leases, including current portion, and short-term borrowings, net of cash
(2) Includes shareholders' equity, net of preference shares, and non-controlling interests. Non-controlling interests represented 3.5% as at September 30, 2021 (December 31, 2020 - 3.5%)

Outstanding Share Data

As at October 28, 2021, the Corporation had issued and outstanding 472.9 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 exercised as at October 28, 2021, an additional 3.0 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, the stand-alone nature and financial separation of each regulated subsidiary, and the level of holding company debt.

As at September 30, 2021	**Rating**	**Type**	**Outlook**
S&P	A-	Corporate	Stable
	BBB+	Unsecured debt	
DBRS Morningstar	A (low)	Corporate	Stable
	A (low)	Unsecured debt	
Moody's	Baa3	Issuer	Stable
	Baa3	Unsecured debt	

In April 2021, S&P affirmed the Corporation's credit ratings and revised the ratings outlook to stable from negative, reflecting Fortis' operational and financial stability during the COVID-19 Pandemic and the expectation that this will continue. S&P also revised the ratings outlook for ITC, TEP and FortisAlberta to stable from negative.

In May 2021, DBRS Morningstar upgraded Fortis' corporate and unsecured debt credit ratings to A (low) from BBB (high). The upgrade reflects Fortis' business risk profile, improved credit metrics, financial resiliency during the COVID-19 Pandemic, and the expectation that this will continue.

In August 2021, Moody's affirmed the Corporation's credit ratings and outlook reflecting its strong business risk profile.

In September 2021, Moody's revised Central Hudson's unsecured debt credit rating to Baa1 from A3 citing projected weakness in financial metrics and the regulatory environment in New York State.

CAPITAL PLAN

Year-to-date Capital Expenditures of $2.6 billion are consistent with expectations and are on track with the Corporation's annual $3.8 billion Capital Plan. Currently, the Corporation does not expect any material change in the 2021 Capital Plan. Higher than anticipated Capital Expenditures for the year are expected to offset the impact of the lower than forecast U.S.-to-Canadian dollar exchange rate.

The Corporation does not expect the COVID-19 Pandemic to materially impact its 2021 or overall five-year Capital Plan, although certain planned expenditures may shift within the five years depending on the continued evolution of the pandemic. See "Performance at a Glance - Capital Expenditures" on page 5, "Business Risks" on page 18 and "Outlook" on page 20.

Capital Expenditures [(1)]
Year-to-date September 30, 2021
($ millions)

ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Total Regulated**	**Non-Regulated** [(2)]	**Total**
776	514	209	317	273	92	361	**2,542**	**13**	**2,555**

(1) *See "Non-U.S. GAAP Financial Measures" on page 10*
(2) *Energy Infrastructure segment*

New Five-Year Capital Plan
The Corporation's 2022-2026 Capital Plan is targeted at $20.0 billion.

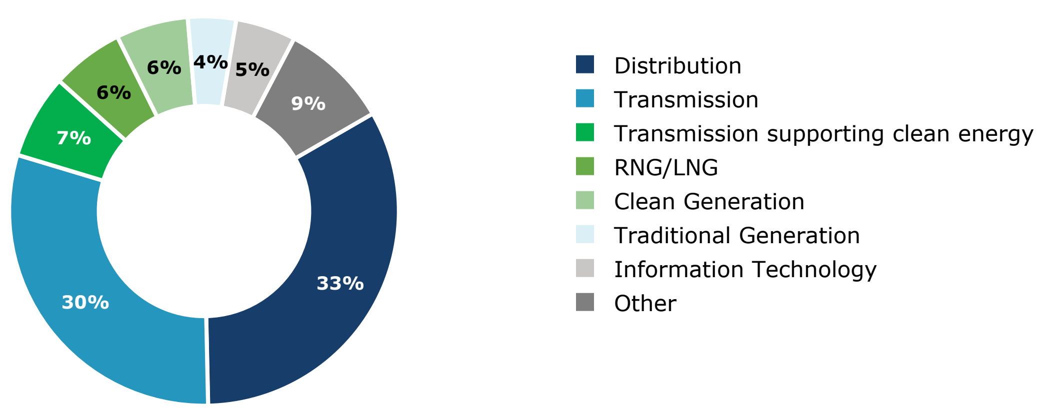
($ billions)	2022	2023	2024	2025	2026	**Total** [(1) (2)]
Five-Year Capital Plan	4.0	3.8	4.0	4.0	4.2	**20.0**

(1) *Capital Plan is a forward-looking non-GAAP financial measure calculated in the same manner as Capital Expenditures. See "Non-U.S. GAAP Financial Measures" on page 10*
(2) *Reflects an assumed U.S.:CAD foreign exchange rate of 1.25. On average, Fortis estimates that a five-cent increase or decrease in the U.S. dollar relative to the Canadian dollar would increase or decrease Capital Expenditures by approximately $450 million over the five-year planning period*

In comparison to the prior five-year plan totaling $19.6 billion, the 2022-2026 Capital Plan reflects $1.0 billion of additional capital investments at the Corporation's regulated utilities, largely reflecting customer growth, enhancements to transmission reliability and capacity, and investments in cleaner energy. This growth is tempered by $600 million associated with the lower assumed foreign exchange rate of 1.25, down from a rate of 1.32 in the Corporation's previous five-year plan.

The investments included in the Capital Plan are summarized as follows.

Five-Year Capital Plan



The Capital Plan is low risk and highly executable, with 99% of planned expenditures to occur at the regulated utilities and only 15% relating to Major Capital Projects. The composition of the Capital Plan includes 27% related to growth, 56% sustaining and 17% for other areas. Geographically, 53% of planned expenditures are expected in the U.S., including 25% at ITC, with 43% in Canada and the remaining 4% in the Caribbean.

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 Project Updates

Oso Grande Wind Project
In May 2021, construction of UNS Energy's 250 MW wind-powered electric generating facility was completed.

Transmission Integrity Management Capabilities Project
This FortisBC Energy project will improve gas line safety and transmission integrity, including gas line modifications and looping. In February 2021, FortisBC Energy filed a CPCN application with the BCUC for the coastal transmission system section of this project.

AMI Project
This FortisBC Energy project includes replacement of residential and small commercial meters with advanced meters and installation of bypass valves to support the safety, resiliency, and efficient operation of the gas distribution system. In May 2021, FortisBC Energy filed a CPCN application with the BCUC for this project.

BUSINESS RISKS

The Corporation's business risks remain substantially unchanged from those disclosed in its 2020 Annual MD&A. See "Key Developments" on page 1, "Regulatory Highlights" on page 11 and "Capital Structure and Credit Ratings" on page 16 for applicable updates.

ACCOUNTING MATTERS

Accounting Policies
The Interim Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the 2020 Annual Financial Statements.

Critical Accounting Estimates
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, 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 from that disclosed in the 2020 Annual MD&A.

Allowance for Credit Losses
The amount of estimation and judgment involved in the Corporation's allowance for credit losses has increased as the impact of the COVID-19 Pandemic on forecast economic and other conditions continues to be monitored. In response to the pandemic, certain of the Corporation's utilities temporarily suspended non-payment disconnects. While the Corporation has seen an increase in accounts receivable and, accordingly, its allowance for credit losses since the start of the pandemic in March 2020, there has been no material change in credit loss expense for the three and nine months ended September 30, 2021. Additional information on the Corporation's allowance for credit losses and credit risk is provided in Notes 5 and 13 in the Interim Financial Statements.

FINANCIAL INSTRUMENTS

LONG-TERM DEBT AND OTHER

As at September 30, 2021, the carrying value of long-term debt including the current portion, was $25.2 billion (December 31, 2020 - $24.5 billion) compared to an estimated fair value of $28.3 billion (December 31, 2020 - $29.1 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 2020 Annual MD&A. Additional details are provided in Note 13 to the Interim Financial Statements.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	**Revenue** *($ millions)*	**Common Equity Earnings** *($ millions)*	**Basic EPS** *($)*	**Diluted EPS** *($)*
September 30, 2021	**2,196**	**295**	**0.63**	**0.62**
June 30, 2021	2,130	253	0.54	0.54
March 31, 2021	2,539	355	0.76	0.76
December 31, 2020	2,346	331	0.71	0.71
September 30, 2020	2,121	292	0.63	0.63
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

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 for the electric distribution utilities in the U.S. 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) any significant temperature fluctuations from seasonal norms; (iii) the timing and significance of any regulatory decisions; (iv) changes in the U.S.-to-Canadian dollar exchange rate; (v) any acquisitions and dispositions; (vi) for revenue, the flow through in customer rates of commodity costs; and (vii) for EPS, increases in the weighted average number of common shares outstanding.

September 2021/September 2020

See "Performance at a Glance" on page 2.

June 2021/June 2020

Common Equity Earnings decreased by $21 million and basic EPS decreased by $0.05 due primarily to: (i) a lower U.S.-to-Canadian dollar exchange rate, resulting in a $24 million unfavourable variance; and (ii) significant one-time items totalling $14 million recognized in the second quarter of 2020. The significant items included an adjustment to ITC's base ROE partially offset by the finalization of U.S. tax reform and associated regulations.

Excluding the impact of foreign exchange and the one-time items, Common Equity Earnings increased by $17 million due to: (i) Rate Base growth; (ii) higher earnings in Arizona driven by warmer weather and new customer rates at TEP, partially offset by higher operating expenses; and (iii) higher earnings in the Caribbean, reflecting the continued recovery from economic conditions experienced in 2020 associated with the COVID-19 Pandemic. This growth was partially offset by a lower income tax recovery at Corporate and the impact of mark-to-market accounting of natural gas derivatives at Aitken Creek. The change in basic EPS also reflected an increase in weighted average number of common shares outstanding, largely associated with the DRIP.

March 2021/March 2020

Common Equity Earnings increased by $43 million and basic EPS increased by $0.09 due primarily to Rate Base growth, new customer rates at TEP effective January 1, 2021 and higher hydroelectric production in Belize. The impact of losses on retirement investments and foreign exchange contracts recognized in March 2020 at UNS Energy and Corporate, respectively, also favourably impacted the year-over-year change. The increase was partially offset by higher operating expenses related to planned generation maintenance at UNS Energy and unfavourable foreign exchange. The change in basic EPS also reflected an increase in the weighted average number of common shares outstanding, largely associated with the DRIP.

December 2020/December 2019

Common Equity Earnings decreased by $15 million and basic EPS decreased by $0.06 due mainly to the implementation of the November 2019 FERC decision at ITC in the fourth quarter of 2019 including the reversal of prior period liabilities. This impact was partially offset by: (i) Rate Base growth; (ii) the favourable impact of mark-to-market accounting of natural gas derivatives at Aitken Creek; and (iii) higher hydroelectric production in Belize. An increase in the weighted average number of common shares outstanding, associated with the Corporation's $1.2 billion December 2019 common equity offering, also contributed to the decrease in basic EPS.

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 nine months ended September 30, 2021 and 2020.

Inter-company transactions between non-regulated and regulated entities not eliminated on consolidation include the lease of gas storage capacity and gas sales by Aitken Creek to FortisBC Energy. These transactions did not have a material impact on consolidated earnings, financial position or cash flows.

As at September 30, 2021, accounts receivable included approximately $34 million due from Belize Electricity (December 31, 2020 - $28 million).

Fortis periodically provides short-term financing, the impacts of which are eliminated on consolidation, to subsidiaries to support capital expenditures, acquisitions and seasonal working capital requirements. There were no inter-segment loans outstanding as at September 30, 2021 and December 31, 2020. Interest charged on inter-segment loans was not material for the three and nine months ended September 30, 2021 and 2020.

OUTLOOK

The Corporation's long-term outlook remains unchanged. Fortis continues 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. While uncertainty exists due to the COVID-19 Pandemic, the Corporation does not currently expect it to have a material financial impact in 2021.

Fortis is executing on the transition to a cleaner energy future. Its corporate-wide target to reduce carbon emissions by 75% by 2035 represents avoided emissions equivalent to taking approximately 2 million cars off the road in 2035 compared to 2019 levels. Upon achieving this target, 99% of the Corporation's assets will be focused on energy delivery and renewable, carbon-free generation.

The Corporation's $20 billion five-year Capital Plan is expected to increase midyear Rate Base from $31.2 billion in 2021 to $41.6 billion by 2026, translating into a five-year CAGR of approximately 6%. Beyond the five-year Capital Plan, Fortis continues to pursue additional energy infrastructure opportunities.

Additional opportunities to expand and extend growth include: further expansion of the electric transmission grid in the U.S. to facilitate the interconnection of cleaner energy including infrastructure investments associated with the proposed American Jobs Plan; natural gas resiliency investments in pipelines and liquefied natural gas infrastructure in British Columbia; the fully permitted, cross-border, Lake Erie Connector electric transmission project in Ontario; and the acceleration of cleaner energy infrastructure investments across our jurisdictions.

Fortis expects long-term growth in Rate Base will support earnings growth and the annual dividend growth guidance of approximately 6% through 2025. This dividend growth guidance is premised on the assumptions listed under "Forward-Looking Information" below, including 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 U.S. 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: expected timing and impact of regulatory decisions; targeted average annual dividend growth through 2025; the expectation that higher than anticipated capital expenditures in 2021 will offset the impact of the lower than forecast U.S.-to-Canadian dollar exchange rate; expected or potential funding sources for operating expenses, interest costs and capital plans; the expectation that maintaining the targeted capital structure of the regulated operating subsidiaries will not have an impact on the Corporation's ability to pay dividends in the foreseeable future; expected consolidated fixed-term debt maturities and repayments over the next five years; the expectation that the Corporation and its subsidiaries will continue to have access to long-term capital and will remain compliant with debt covenants in 2021; future expectations regarding financings and the use of funds obtained through such financings; expected future dividend payments; forecast capital expenditures for 2021 and 2022-2026; the expectation that the COVID-19 Pandemic will not impact the 2021 or five-year Capital Plan; the nature, timing, benefits and expected costs of certain capital projects including the Transmission Integrity Management Capabilities Project; the expectation that the COVID-19 Pandemic will not have a material financial impact in 2021; forecast Rate Base and Rate Base growth for 2021 and 2026; the 2035 carbon emissions reduction target and projected asset mix; additional opportunities beyond the capital plan, including the expansion of the U.S. transmission grid to facilitate the interconnection of cleaner energy, natural gas resiliency investments in pipelines and liquefied natural gas infrastructure in British Columbia, and the Lake Erie Connector Project; and the expectation that long-term growth in Rate Base will support earnings and dividend growth.

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 regulatory decisions and the expectation of regulatory stability; the successful execution of the five-year capital plan; no material capital project or financing cost overrun; no material changes in the assumed U.S. dollar to Canadian dollar exchange rate; sufficient human resources to deliver service and execute the capital plan; the realization of additional opportunities; the Board exercising its discretion to declare dividends, taking into account the financial performance and condition of the Corporation; no significant variability in interest rates; 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 2020 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. Key risk factors for 2021 include, but are not limited to: uncertainty regarding the outcome of regulatory proceedings at the Corporation's utilities; risks associated with climate change, physical risks and service disruption; the impact of pandemics and public health crises, including the COVID-19 Pandemic; risks related to environmental laws and regulations; risks associated with capital projects and the impact on the Corporation's continued growth; and the impact of weather variability and seasonality on heating and cooling loads, gas distribution volumes and hydroelectric generation.

All forward-looking information herein is given as of October 28, 2021. 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

2020 Annual Financial Statements: the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2020

2020 Annual MD&A: the Corporation's management discussion and analysis for the year ended December 31, 2020

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-U.S. GAAP Financial Measures" on page 10

AESO: Alberta Electric System Operator

Aitken Creek: Aitken Creek Gas Storage ULC, a direct 93.8% owned subsidiary of FortisBC Holdings Inc.

AMI: Advanced Metering Infrastructure

AUC: Alberta 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

BCUC: British Columbia Utilities Commission

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. Calculated on a constant U.S.-to-Canadian dollar exchange rate

Capital Expenditures: cash outlay for additions to property, plant and equipment and intangible assets as shown on the condensed consolidated statements of cash flows in the Interim Financial Statements, as well as Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project. See "Non-U.S. GAAP Financial Measures" on page 10

Capital Plan: forecast Capital Expenditures. Represents a non-U.S. GAAP financial measure calculated in the same manner as Capital Expenditures

Caribbean Utilities: Caribbean Utilities Company, Ltd., an indirect approximately 60%-owned (as at December 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.

COS: Cost-of-service

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

CPCN: Certificate of Public Convenience and Necessity

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 U.S. dollar-denominated amounts. Foreign exchange is calculated by applying the change in the U.S.-to-Canadian dollar FX rate to the prior period U.S. dollar balance

GCOC: Generic Cost of Capital

GWh: gigawatt hour(s)

Interim Financial Statements: the Corporation's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended September 30, 2021

Interim MD&A: the Corporation's management discussion and analysis for the three and nine months ended September 30, 2021

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

Major Capital Project(s): 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

May 2020 FERC Decision: 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

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

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

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

NOPR: notice of proposed rulemaking

NYSE: New York Stock Exchange

Operating Cash Flow: cash from operating activities

PBR: performance-based rate-setting

PJ: petajoule(s)

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

ROE: rate of return on common equity

RTO: regional transmission organization

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

UCA: Utilities Consumer Advocate

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.

U.S.: United States of America

U.S. GAAP: accounting principles generally accepted in the U.S.

FORTIS INC.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS (Unaudited)

FORTIS INC.

As at *(in millions of Canadian dollars)*		**September 30, 2021**		December 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**225**	$	249
Accounts receivable and other current assets (Note 5)		**1,436**		1,369
Prepaid expenses		**159**		102
Inventories		**530**		422
Regulatory assets (Note 6)		**568**		470
Total current assets		**2,918**		2,612
Other assets		**765**		670
Regulatory assets (Note 6)		**3,156**		3,118
Property, plant and equipment, net		**37,240**		35,998
Intangible assets, net		**1,303**		1,291
Goodwill		**11,755**		11,792
Total assets	**$**	**57,137**	$	55,481
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings (Note 7)	**$**	**244**	$	132
Accounts payable and other current liabilities		**2,463**		2,321
Regulatory liabilities (Note 6)		**471**		441
Current installments of long-term debt (Note 7)		**630**		1,254
Total current liabilities		**3,808**		4,148
Other liabilities		**1,519**		1,599
Regulatory liabilities (Note 6)		**2,752**		2,662
Deferred income taxes		**3,572**		3,344
Long-term debt (Note 7)		**24,382**		23,113
Finance leases		**338**		331
Total liabilities		**36,371**		35,197
Commitments and contingencies (Note 14)				
Equity				
Common shares [(1)]		**14,135**		13,819
Preference shares (Note 8)		**1,623**		1,623
Additional paid-in capital		**9**		11
Accumulated other comprehensive (loss) income		**(2)**		34
Retained earnings		**3,385**		3,210
Shareholders' equity		**19,150**		18,697
Non-controlling interests		**1,616**		1,587
Total equity		**20,766**		20,284
Total liabilities and equity	**$**	**57,137**	$	55,481

(1) *No par value. Unlimited authorized shares. 472.9 million and 466.8 million issued and outstanding as at September 30, 2021 and December 31, 2020, respectively.*

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (Unaudited)

FORTIS INC.

For the periods ended September 30 *(in millions of Canadian dollars, except per share amounts)*	Quarter 2021	Quarter 2020	Year-to-Date 2021	Year-to-Date 2020
Revenue	**$ 2,196**	$ 2,121	**$ 6,865**	$ 6,589
Expenses				
Energy supply costs	**624**	572	**2,066**	1,836
Operating expenses	**594**	589	**1,855**	1,814
Depreciation and amortization	**380**	358	**1,121**	1,081
Total expenses	**1,598**	1,519	**5,042**	4,731
Operating income	**598**	602	**1,823**	1,858
Other income, net (Note 10)	**37**	57	**129**	113
Finance charges	**244**	265	**751**	784
Earnings before income tax expense	**391**	394	**1,201**	1,187
Income tax expense	**49**	58	**167**	174
Net earnings	**$ 342**	$ 336	**$ 1,034**	$ 1,013
Net earnings attributable to:				
Non-controlling interests	**$ 31**	$ 29	**$ 83**	$ 87
Preference equity shareholders	**16**	15	**48**	48
Common equity shareholders	**295**	292	**903**	878
	$ 342	$ 336	**$ 1,034**	$ 1,013
Earnings per common share (Note 11)				
Basic	**$ 0.63**	$ 0.63	**$ 1.92**	$ 1.89
Diluted	**$ 0.62**	$ 0.63	**$ 1.92**	$ 1.89

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods ended September 30 *(in millions of Canadian dollars)*	Quarter 2021	Quarter 2020	Year-to-Date 2021	Year-to-Date 2020
Net earnings	**$ 342**	$ 336	**$ 1,034**	$ 1,013
Other comprehensive income (loss)				
Unrealized foreign currency translation gains (losses) (1)	**337**	(288)	**(40)**	369
Other (2)	**(7)**	2	**(3)**	(20)
	330	(286)	**(43)**	349
Comprehensive income	**$ 672**	$ 50	**$ 991**	$ 1,362
Comprehensive income attributable to:				
Non-controlling interests	**$ 64**	$ (1)	**$ 76**	$ 123
Preference equity shareholders	**16**	15	**48**	48
Common equity shareholders	**592**	36	**867**	1,191
	$ 672	$ 50	**$ 991**	$ 1,362

(1) *Net of hedging activities and income tax recovery (expense) of $3 million and $(1) million for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - income tax recovery of $nil and $6 million, respectively)*

(2) *Net of income tax recovery of $2 million and $1 million for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - income tax recovery of $nil and $9 million, respectively)*

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

FORTIS INC.

For the periods ended September 30	Quarter		Year-to-Date	
(in millions of Canadian dollars)	**2021**	2020	**2021**	2020
Operating activities				
Net earnings	**$ 342**	$ 336	**$ 1,034**	$ 1,013
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation - property, plant and equipment	**332**	322	**978**	972
Amortization - intangible assets	**34**	32	**102**	98
Amortization - other	**14**	4	**41**	11
Deferred income tax expense	**44**	37	**109**	156
Equity component, allowance for funds used during construction (Note 10)	**(18)**	(20)	**(57)**	(55)
Other	**26**	59	**93**	129
Change in long-term regulatory assets and liabilities	**15**	66	**15**	8
Change in working capital (Note 12)	**(78)**	(150)	**(125)**	(331)
Cash from operating activities	**711**	686	**2,190**	2,001
Investing activities				
Additions to property, plant and equipment	**(777)**	(817)	**(2,292)**	(2,653)
Additions to intangible assets	**(41)**	(44)	**(120)**	(145)
Contributions in aid of construction	**21**	17	**55**	50
Other	**(48)**	(56)	**(146)**	(149)
Cash used in investing activities	**(845)**	(900)	**(2,503)**	(2,897)
Financing activities				
Proceeds from long-term debt, net of issuance costs	**92**	990	**1,218**	3,034
Repayments of long-term debt and finance leases	**(440)**	(301)	**(562)**	(903)
Borrowings under committed credit facilities	**1,209**	930	**3,477**	3,937
Repayments under committed credit facilities	**(881)**	(1,079)	**(3,453)**	(3,833)
Net change in short-term borrowings	**(32)**	2	**112**	(524)
Issue of common shares, net of costs and dividends reinvested	**8**	6	**52**	50
Dividends				
Common shares, net of dividends reinvested	**(152)**	(212)	**(449)**	(636)
Preference shares	**(16)**	(15)	**(48)**	(48)
Subsidiary dividends paid to non-controlling interests	**(18)**	(13)	**(46)**	(47)
Other	**(19)**	24	**(24)**	(11)
Cash (used in) from financing activities	**(249)**	332	**277**	1,019
Effect of exchange rate changes on cash and cash equivalents	**9**	(4)	**12**	1
Change in cash and cash equivalents	**(374)**	114	**(24)**	124
Cash and cash equivalents, beginning of period	**599**	380	**249**	370
Cash and cash equivalents, end of period	**$ 225**	$ 494	**$ 225**	$ 494

Supplementary Cash Flow Information (Note 12)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FORTIS INC.

For the three months ended September 30 *(in millions of Canadian dollars, except share numbers)*	**Common Shares** *(# millions)*	**Common Shares**	**Preference Shares** (Note 8)	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Non-Controlling Interests**	**Total Equity**
As at June 30, 2021	**471.2**	**$ 14,040**	**$ 1,623**	**$ 8**	**$ (299)**	**$ 3,581**	**$ 1,569**	**$ 20,522**
Net earnings	**—**	**—**	**—**	**—**	**—**	**311**	**31**	**342**
Other comprehensive income	**—**	**—**	**—**	**—**	**297**	**—**	**33**	**330**
Common shares issued	**1.7**	**95**	**—**	**—**	**—**	**—**	**—**	**95**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(18)**	**(18)**
Dividends declared on common shares ($1.04 per share)	**—**	**—**	**—**	**—**	**—**	**(491)**	**—**	**(491)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(16)**	**—**	**(16)**
Other	**—**	**—**	**—**	**1**	**—**	**—**	**1**	**2**
As at September 30, 2021	**472.9**	**$ 14,135**	**$ 1,623**	**$ 9**	**$ (2)**	**$ 3,385**	**$ 1,616**	**$ 20,766**
As at June 30, 2020	464.6	$ 13,708	$ 1,623	$ 10	$ 905	$ 3,279	$ 1,658	$ 21,183
Net earnings	—	—	—	—	—	307	29	336
Other comprehensive loss	—	—	—	—	(256)	—	(30)	(286)
Common shares issued	0.3	17	—	—	—	—	—	17
Advances to non-controlling interests	—	—	—	—	—	—	(12)	(12)
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(13)	(13)
Dividends declared on common shares ($0.9825 per share)	—	—	—	—	—	(457)	—	(457)
Dividends on preference shares	—	—	—	—	—	(15)	—	(15)
Other	—	—	—	1	—	—	(2)	(1)
As at September 30, 2020	464.9	$ 13,725	$ 1,623	$ 11	$ 649	$ 3,114	$ 1,630	$ 20,752

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FORTIS INC.

For the nine months ended September 30 *(in millions of Canadian dollars, except share numbers)*	**Common Shares** (*# millions*)	**Common Shares**	**Preference Shares** (Note 8)	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Non-Controlling Interests**	**Total Equity**
As at December 31, 2020	**466.8**	**$ 13,819**	**$ 1,623**	**$ 11**	**$ 34**	**$ 3,210**	**$ 1,587**	**$ 20,284**
Net earnings	**—**	**—**	**—**	**—**	**—**	**951**	**83**	**1,034**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(36)**	**—**	**(7)**	**(43)**
Common shares issued	**6.1**	**316**	**—**	**(2)**	**—**	**—**	**—**	**314**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(46)**	**(46)**
Dividends declared on common shares ($1.545 per share)	**—**	**—**	**—**	**—**	**—**	**(728)**	**—**	**(728)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(48)**	**—**	**(48)**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**	**(1)**
As at September 30, 2021	**472.9**	**$ 14,135**	**$ 1,623**	**$ 9**	**$ (2)**	**$ 3,385**	**$ 1,616**	**$ 20,766**
As at December 31, 2019	463.3	$ 13,645	$ 1,623	$ 11	$ 336	$ 2,916	$ 1,582	$ 20,113
Net earnings	—	—	—	—	—	926	87	1,013
Other comprehensive income	—	—	—	—	313	—	36	349
Common shares issued	1.6	80	—	(2)	—	—	—	78
Advances to non-controlling interests	—	—	—	—	—	—	(29)	(29)
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(47)	(47)
Dividends declared on common shares ($1.46 per share)	—	—	—	—	—	(680)	—	(680)
Dividends on preference shares	—	—	—	—	—	(48)	—	(48)
Other	—	—	—	2	—	—	1	3
As at September 30, 2020	464.9	$ 13,725	$ 1,623	$ 11	$ 649	$ 3,114	$ 1,630	$ 20,752

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 U.S. 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: 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. Fortis owns 80.1% of ITC and an affiliate of GIC Private Limited owns a 19.9% minority interest.

UNS Energy: UNS Energy Corporation, which primarily includes Tucson Electric Power Company ("TEP"), UNS Electric, Inc. and UNS Gas, Inc.

Central Hudson: CH Energy Group, Inc,. which primarily includes Central Hudson Gas & Electric Corporation.

FortisBC Energy: FortisBC Energy Inc.

FortisAlberta: FortisAlberta Inc.

FortisBC Electric: FortisBC Inc.

Other Electric: Eastern Canadian and Caribbean utilities, as follows: Newfoundland Power Inc.; 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: Long-term contracted generation assets in Belize and the Aitken Creek natural gas storage facility ("Aitken Creek") in British Columbia.

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 and non-regulated holding company expenses.

2. REGULATORY DEVELOPMENTS

Regulation of the Corporation's utilities is generally consistent with that disclosed in Note 2 of the Corporation's annual audited consolidated financial statements ("2020 Annual Financial Statements"). A summary of significant regulatory developments year-to-date 2021 follows.

ITC

Transmission Incentives: In April 2021, the Federal Energy Regulatory Commission ("FERC") issued a supplemental notice of proposed rulemaking ("NOPR") on transmission incentives modifying the proposal in the initial NOPR released in March 2020. The supplemental NOPR proposes to eliminate the 50-basis point regional transmission organization ("RTO") return on common equity ("ROE") incentive adder for existing RTO members that have been members longer than three years, like ITC. In June 2021, ITC filed its comments on the supplemental NOPR supporting the continuation of the ROE incentive adder for RTO members. The timeline for FERC to issue a final rule in this proceeding as well as the likely outcome and potential impacts to Fortis cannot be determined at this time.

2. REGULATORY DEVELOPMENTS (cont'd)

UNS Energy

FERC Rate Case: In 2019, FERC issued an order accepting formula transmission rates proposed by TEP, including an ROE of 10.4% using a 54% equity component of capital structure, subject to refund following hearing and settlement procedures. A settlement in principle was reached in August 2021, and the procedural schedule was suspended to allow the settlement to be finalized. Until conclusion of the proceeding, formula transmission rates charged under the 2019 FERC order remain subject to refund, and as at September 30, 2021, $30 million had been recorded as a regulatory liability (December 31, 2020 - $19 million). The timeline and outcome of this proceeding remains unknown.

Central Hudson

General Rate Application: In August 2020, Central Hudson filed a rate application with the New York State Public Service Commission ("PSC") requesting an increase in electric and natural gas delivery revenue effective July 1, 2021. In August 2021, Central Hudson, along with multiple stakeholders and intervenors, filed a joint proposal with the PSC. The joint proposal provides for a three-year rate plan with retroactive application to July 1, 2021, an ROE of 9.0%, and a common equity component of capital structure of 50% declining by 1% annually to 48% in the third rate year. The proposal also reflects the use of existing regulatory balances and other measures to reduce customer bill impacts, as well as initiatives to support New York State's climate goals. An order from the PSC is expected in the fourth quarter of 2021.

COVID-19 Proceeding: The generic proceeding initiated by the PSC in June 2020 to identify and address the financial effects of the novel coronavirus ("COVID-19") pandemic and any associated cost recovery remains ongoing; however, the recovery of certain COVID-related costs is contemplated in the joint proposal, discussed above.

FortisBC Energy and FortisBC Electric

Generic Cost of Capital ("GCOC") Proceeding: In January 2021, the British Columbia Utilities Commission announced the initiation of a GCOC proceeding including a review of the common equity component of capital structure and the allowed ROE. The proceeding is expected to continue into 2022 and the effective date of any change in the cost of capital remains unknown at this time.

FortisAlberta

GCOC Proceeding: In March 2021, the Alberta Utilities Commission ("AUC") concluded the 2022 GCOC proceeding and extended the existing allowed ROE of 8.5% using a 37% equity component of capital structure through 2022. The Office of the Utilities Consumer Advocate ("UCA") filed an application with the AUC to review its 2022 GCOC decision, which was dismissed in August 2021. The Office of the UCA also filed an application seeking permission to appeal the decision to the Alberta Court of Appeal. The appeal was heard in September 2021 and in October 2021 the Alberta Court of Appeal dismissed the application.

2023 Generic Cost of Service ("COS") Application: The final year of FortisAlberta's second PBR term is 2022. In June 2021, the AUC issued a decision confirming the approach to be adopted by Alberta distribution utilities for the COS rebasing year in 2023. FortisAlberta is required to file its 2023 COS application in the fourth quarter of 2021.

Third Performance-Based Rate-Setting ("PBR") Term: In July 2021, the AUC issued a decision confirming that Alberta distribution utilities will be subject to a third PBR term commencing in 2024 with going-in rates based on the 2023 COS rebasing. The AUC also initiated a new proceeding to consider the design of the third PBR term. FortisAlberta will submit comments with respect to the design of the third PBR term in 2022 and a decision from the AUC is expected in 2023.

Independent System Operator Tariff Proceeding: In April 2021, the AUC issued a decision confirming that distribution facility owners, such as FortisAlberta, will no longer be permitted to earn a return on contributions made to the Alberta Electric System Operator on a prospective basis from the date of the decision. Contributions made prior to that date are not impacted. FortisAlberta, and other utilities in Alberta, have filed applications to appeal this decision to the Alberta Court of Appeal. The decision is not expected to have a material financial impact on the Corporation.

3. ACCOUNTING POLICIES

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

The Interim Financial Statements include the accounts of the Corporation and its subsidiaries and reflect the equity method of accounting for entities in which Fortis has significant influence, but not control, and proportionate consolidation for assets that are jointly owned with non-affiliated entities.

Intercompany transactions have been eliminated, except for transactions between non-regulated and regulated entities in accordance with U.S. GAAP for rate-regulated entities.

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 2020 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, expenses and contingencies. Actual results could differ materially from estimates.

The accounting policies applied herein are consistent with those outlined in the Corporation's 2020 Annual Financial Statements.

Future Accounting Pronouncements
The Corporation considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board. Any ASUs not included in these Interim Financial Statements were assessed and determined to be either not applicable to the Corporation or are not expected to have a material impact on the Interim Financial Statements.

4. SEGMENTED INFORMATION

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 nine months ended September 30, 2021 and 2020.

The lease of gas storage capacity and gas sales from Aitken Creek to FortisBC Energy of $6 million and $21 million for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - $5 million and $17 million, respectively) are inter-company transactions between non-regulated and regulated entities, which were not eliminated on consolidation.

As at September 30, 2021, accounts receivable included approximately $34 million due from Belize Electricity (December 31, 2020 - $28 million).

Fortis periodically provides short-term financing, the impacts of which are eliminated on consolidation, to subsidiaries to support capital expenditures, acquisitions and seasonal working capital requirements. There were no inter-segment loans outstanding as at September 30, 2021 and December 31, 2020. Interest charged on inter-segment loans was not material for the three and nine months ended September 30, 2021 and 2020.

4. SEGMENTED INFORMATION (cont'd)

	Regulated								Non-Regulated			
Quarter ended September 30, 2021 *($ 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	429	716	225	220	168	107	331	**2,196**	**—**	**—**	**—**	**2,196**
Energy supply costs	—	289	63	62	—	33	177	**624**	**—**	**—**	**—**	**624**
Operating expenses	115	157	127	80	35	26	49	**589**	**6**	**(1)**	**—**	**594**
Depreciation and amortization	74	88	22	70	58	17	45	**374**	**5**	**1**	**—**	**380**
Operating income	240	182	13	8	75	31	60	**609**	**(11)**	**—**	**—**	**598**
Other income, net	11	6	9	3	—	1	3	**33**	**—**	**4**	**—**	**37**
Finance charges	65	32	11	36	27	18	18	**207**	**—**	**37**	**—**	**244**
Income tax expense	44	25	2	(7)	1	2	5	**72**	**—**	**(23)**	**—**	**49**
Net earnings	142	131	9	(18)	47	12	40	**363**	**(11)**	**(10)**	**—**	**342**
Non-controlling interests	25	—	—	1	—	—	5	**31**	**—**	**—**	**—**	**31**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**16**	**—**	**16**
Net earnings attributable to common equity shareholders	117	131	9	(19)	47	12	35	**332**	**(11)**	**(26)**	**—**	**295**
Goodwill	7,782	1,752	572	913	228	235	246	**11,728**	**27**	**—**	**—**	**11,755**
Total assets	20,865	11,318	4,125	7,893	5,201	2,506	4,291	**56,199**	**772**	**217**	**(51)**	**57,137**
Additions to property, plant and equipment and intangible assets	230	177	76	125	87	34	80	**809**	**9**	**—**	**—**	**818**
Quarter ended September 30, 2020 *($ millions)*												
Revenue	415	716	225	194	155	102	311	2,118	3	—	—	2,121
Energy supply costs	—	279	55	47	—	28	162	571	1	—	—	572
Operating expenses	105	156	120	79	36	29	46	571	6	12	—	589
Depreciation and amortization	73	83	22	59	56	15	45	353	4	1	—	358
Operating income	237	198	28	9	63	30	58	623	(8)	(13)	—	602
Other income, net	11	11	7	2	(1)	2	5	37	5	15	—	57
Finance charges	83	33	12	36	26	18	19	227	—	38	—	265
Income tax expense	41	32	4	(4)	1	3	5	82	(3)	(21)	—	58
Net earnings	124	144	19	(21)	35	11	39	351	—	(15)	—	336
Non-controlling interests	23	—	—	—	—	—	6	29	—	—	—	29
Preference share dividends	—	—	—	—	—	—	—	—	—	15	—	15
Net earnings attributable to common equity shareholders	101	144	19	(21)	35	11	33	322	—	(30)	—	292
Goodwill	8,174	1,840	601	913	228	235	255	12,246	27	—	—	12,273
Total assets	20,996	11,365	4,013	7,480	5,000	2,410	4,268	55,532	742	185	(49)	56,410
Additions to property, plant and equipment and intangible assets	287	181	90	94	103	30	67	852	9	—	—	861

4. SEGMENTED INFORMATION (cont'd)

	Regulated								Non-Regulated			
Year-to-date September 30, 2021 *($ 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	1,273	1,794	717	1,123	488	335	1,097	**6,827**	**38**	**—**	**—**	**6,865**
Energy supply costs	—	693	203	424	—	94	650	**2,064**	**2**	**—**	**—**	**2,066**
Operating expenses	347	487	374	252	113	89	146	**1,808**	**24**	**23**	**—**	**1,855**
Depreciation and amortization	216	254	67	211	173	49	135	**1,105**	**13**	**3**	**—**	**1,121**
Operating income	710	360	73	236	202	103	166	**1,850**	**(1)**	**(26)**	**—**	**1,823**
Other income, net	32	33	26	8	1	4	4	**108**	**1**	**20**	**—**	**129**
Finance charges	222	91	34	109	80	54	54	**644**	**—**	**107**	**—**	**751**
Income tax expense	126	43	11	27	5	8	16	**236**	**2**	**(71)**	**—**	**167**
Net earnings	394	259	54	108	118	45	100	**1,078**	**(2)**	**(42)**	**—**	**1,034**
Non-controlling interests	71	—	—	1	—	—	11	**83**	**—**	**—**	**—**	**83**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**48**	**—**	**48**
Net earnings attributable to common equity shareholders	323	259	54	107	118	45	89	**995**	**(2)**	**(90)**	**—**	**903**
Goodwill	7,782	1,752	572	913	228	235	246	**11,728**	**27**	**—**	**—**	**11,755**
Total assets	20,865	11,318	4,125	7,893	5,201	2,506	4,291	**56,199**	**772**	**217**	**(51)**	**57,137**
Additions to property, plant and equipment and intangible assets	776	514	209	317	273	92	218	**2,399**	**13**	**—**	**—**	**2,412**

Year-to-date September 30, 2020 *($ 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	1,325	1,735	711	909	457	307	1,104	6,548	41	—	—	6,589
Energy supply costs	—	630	184	273	—	82	665	1,834	2	—	—	1,836
Operating expenses	336	471	379	237	108	82	146	1,759	21	34	—	1,814
Depreciation and amortization	221	249	68	178	167	45	138	1,066	12	3	—	1,081
Operating income	768	385	80	221	182	98	155	1,889	6	(37)	—	1,858
Other income, net	28	24	24	5	—	4	10	95	5	13	—	113
Finance charges	242	95	36	107	77	54	59	670	—	114	—	784
Income tax expense	139	57	12	17	5	5	15	250	(1)	(75)	—	174
Net earnings	415	257	56	102	100	43	91	1,064	12	(63)	—	1,013
Non-controlling interests	75	—	—	1	—	—	11	87	—	—	—	87
Preference share dividends	—	—	—	—	—	—	—	—	—	48	—	48
Net earnings attributable to common equity shareholders	340	257	56	101	100	43	80	977	12	(111)	—	878
Goodwill	8,174	1,840	601	913	228	235	255	12,246	27	—	—	12,273
Total assets	20,996	11,365	4,013	7,480	5,000	2,410	4,268	55,532	742	185	(49)	56,410
Additions to property, plant and equipment and intangible assets	768	866	254	310	307	88	189	2,782	16	—	—	2,798

5. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses balance, which is netted against accounts receivable and other current assets, changed as follows.

Periods ended September 30	**Quarter**		**Year-to-Date**	
($ millions)	**2021**	2020	**2021**	2020
Beginning of period	**(62)**	(53)	**(64)**	(35)
Credit loss expense	**(1)**	(7)	**(9)**	(21)
Credit loss deferral	**—**	(1)	**—**	(9)
Write-offs, net of recoveries	**5**	2	**13**	8
Foreign exchange	**(2)**	—	**—**	(2)
End of period	**(60)**	(59)	**(60)**	(59)

See Note 13 for disclosure on the Corporation's credit risk.

6. REGULATORY ASSETS AND LIABILITIES

Detailed information about the Corporation's regulatory assets and liabilities is provided in Note 8 to the 2020 Annual Financial Statements. A summary follows.

	As at	
($ millions)	**September 30, 2021**	December 31, 2020
Regulatory assets		
Deferred income taxes	**1,775**	1,697
Employee future benefits	**549**	588
Deferred energy management costs	**363**	334
Rate stabilization and related accounts	**298**	213
Deferred lease costs	**134**	122
Manufactured gas plant site remediation deferral	**99**	107
Derivatives	**49**	73
Generation early retirement costs	**49**	55
Other regulatory assets	**408**	399
Total regulatory assets	**3,724**	3,588
Less: Current portion	**(568)**	(470)
Long-term regulatory assets	**3,156**	3,118
Regulatory liabilities		
Deferred income taxes	**1,325**	1,361
Asset removal cost provision	**1,217**	1,206
Derivatives	**135**	17
Rate stabilization and related accounts	**117**	104
Renewable energy surcharge	**105**	100
Energy efficiency liability	**89**	83
Employee future benefits	**15**	43
Other regulatory liabilities	**220**	189
Total regulatory liabilities	**3,223**	3,103
Less: Current portion	**(471)**	(441)
Long-term regulatory liabilities	**2,752**	2,662

7. LONG-TERM DEBT

($ millions)	As at September 30, 2021	December 31, 2020
Long-term debt	**24,163**	23,534
Credit facility borrowings	**1,000**	980
Total long-term debt	**25,163**	24,514
Less: Deferred financing costs and debt discounts	**(151)**	(147)
Less: Current installments of long-term debt	**(630)**	(1,254)
	24,382	23,113

Long-Term Debt Issuances Year-to-Date September 30, 2021 *($ millions, except as noted)*	**Month Issued**	**Interest Rate** *(%)*	**Maturity**	**Amount**	**Use of Proceeds**
ITC					
Series A secured senior notes [(1)]	August	2.90	2051	**US 75**	[(2)]
UNS Energy					
Unsecured senior notes	May	3.25	2051	**US 325**	[(3) (4)]
Central Hudson					
Unsecured senior notes	March	3.29	2051	**US 75**	[(3) (4)]
FortisBC Energy					
Unsecured debentures	April	2.42	2031	**150**	[(5)]
Fortis					
Unsecured senior notes	May	2.18	2028	**500**	[(3) (4) (5)]

(1) US$75 million Series B secured senior notes were priced at 3.05% with issuance expected in May 2022
(2) Fund or refinance a portfolio of eligible green projects
(3) General corporate purposes
(4) Repay maturing long-term debt
(5) Repay credit facility borrowings

In October 2021, Central Hudson issued 30-year US$55 million unsecured senior notes at 3.22%. The net proceeds are expected to be used to repay credit facility borrowings and for general corporate purposes.

Credit facilities *($ millions)*	Regulated Utilities	Corporate and Other	As at **September 30, 2021**	December 31, 2020
Total credit facilities	3,631	1,380	**5,011**	5,581
Credit facilities utilized:				
Short-term borrowings [(1)]	(244)	—	**(244)**	(132)
Long-term debt (including current portion) [(2)]	(885)	(115)	**(1,000)**	(980)
Letters of credit outstanding	(70)	(70)	**(140)**	(130)
Credit facilities unutilized	2,432	1,195	**3,627**	4,339

(1) The weighted average interest rate was 0.3% (December 31, 2020 - 0.8%).
(2) The weighted average interest rate was 1.0% (December 31, 2020 - 0.9%). The current portion was $496 million (December 31, 2020 - $651 million).

Credit facilities are syndicated primarily with large banks in Canada and the U.S., with no one bank holding more than 20% of the total facilities. Approximately $4.8 billion of the total credit facilities are committed with maturities ranging from 2022 through 2026.

See Note 14 in the 2020 Annual Financial Statements for a description of the credit facilities as at December 31, 2020.

In April 2021, the Corporation's unsecured $500 million revolving one-year term committed credit facility expired and was not renewed, and in June 2021, the Corporation extended its unsecured $1.3 billion revolving term committed credit facility to July 2026.

8. 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.

9. EMPLOYEE FUTURE BENEFITS

Fortis and each subsidiary maintain one or a combination of defined benefit pension plans and defined contribution pension plans, as well as other post-employment benefit ("OPEB") plans, including health and dental coverage and life insurance benefits, for qualifying members. The net benefit cost is detailed below.

	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2021**	2020	**2021**	2020
Quarter ended September 30				
Service costs	**27**	24	**8**	8
Interest costs	**24**	29	**5**	6
Expected return on plan assets	**(45)**	(44)	**(5)**	(4)
Amortization of actuarial losses (gains)	**9**	8	**(1)**	(1)
Amortization of past service credits/plan amendments	**—**	—	**(1)**	(1)
Regulatory adjustments	**(1)**	3	**1**	1
Net benefit cost	**14**	20	**7**	9
Year-to-date September 30				
Service costs	**82**	74	**26**	24
Interest costs	**73**	86	**14**	17
Expected return on plan assets	**(133)**	(132)	**(14)**	(14)
Amortization of actuarial losses (gains)	**27**	25	**(2)**	(4)
Amortization of past service credits/plan amendments	**(1)**	(1)	**(1)**	(2)
Regulatory adjustments	**(2)**	1	**2**	3
Net benefit cost	**46**	53	**25**	24

Defined contribution pension plan expense for the three and nine months ended September 30, 2021 was $11 million and $34 million (three and nine months ended September 30, 2020 - $12 million and $34 million, respectively).

10. OTHER INCOME, NET

Periods ended September 30	Quarter		Year-to-Date	
($ millions)	**2021**	2020	**2021**	2020
Equity component, allowance for funds used during construction	**18**	20	**57**	55
Non-service benefit cost	**14**	3	**37**	21
Derivative gains	**3**	12	**16**	12
Equity income	**3**	11	**9**	17
Other	**(1)**	11	**10**	8
	37	57	**129**	113

11. EARNINGS PER COMMON SHARE

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

	2021			2020		
	Net Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(# millions)*	EPS *($)*	Net Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(# millions)*	EPS *($)*
Quarter ended September 30						
Basic EPS	**295**	**472.0**	**0.63**	292	464.9	0.63
Potential dilutive effect of stock options	**—**	**0.5**		—	0.6	
Diluted EPS	**295**	**472.5**	**0.62**	292	465.5	0.63
Year-to-date September 30						
Basic EPS	**903**	**470.0**	**1.92**	878	464.4	1.89
Potential dilutive effect of stock options	**—**	**0.5**		—	0.6	
Diluted EPS	**903**	**470.5**	**1.92**	878	465.0	1.89

12. SUPPLEMENTARY CASH FLOW INFORMATION

Periods ended September 30 *($ millions)*	**Quarter** **2021**	2020	**Year-to-Date** **2021**	2020
Change in working capital				
Accounts receivable and other current assets	**31**	18	**73**	125
Prepaid expenses	**(80)**	(64)	**(57)**	(39)
Inventories	**(108)**	(55)	**(108)**	(56)
Regulatory assets - current portion	**26**	(43)	**(43)**	(15)
Accounts payable and other current liabilities	**65**	4	**54**	(190)
Regulatory liabilities - current portion	**(12)**	(10)	**(44)**	(156)
	(78)	(150)	**(125)**	(331)
Non-cash investing and financing activities				
Accrued capital expenditures	**361**	387	**361**	387
Common share dividends reinvested	**86**	10	**262**	28
Contributions in aid of construction	**—**	10	**—**	10

13. 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 flow.

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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 are 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 are 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.

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 September 30, 2021, unrealized losses of $49 million (December 31, 2020 - $73 million) were recognized as regulatory assets and unrealized gains of $135 million (December 31, 2020 - $17 million) were recognized as regulatory liabilities.

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 is shared with customers through rate stabilization accounts. Fair values are 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 are 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. During the three and nine months ended September 30, 2021, unrealized losses of $1 million and $14 million, respectively, were recognized in revenue (three and nine months ended September 30, 2020 - unrealized losses of $15 million and $11 million, respectively).

Total Return Swaps
The Corporation holds total return swaps to manage the cash flow risk associated with forecast future cash settlements of certain stock-based compensation obligations. The swaps have a combined notional amount of $112 million and terms of one to three years expiring at varying dates through January 2024. Fair value is measured using an income valuation approach based on forward pricing curves. During the three and nine months ended September 30, 2021, unrealized gains of $3 million and $6 million, respectively were recognized in other income, net (three and nine months ended September 30, 2020 - unrealized gains of $6 million and unrealized losses of $3 million, respectively).

Foreign Exchange Contracts
The Corporation holds U.S. dollar denominated foreign exchange contracts to help mitigate exposure to foreign exchange rate volatility. The contracts expire at varying dates through November 2022 and have a combined notional amount of $163 million. Fair value was measured using independent third-party information. During the three and nine months ended September 30, 2021, unrealized losses of $7 million and $9 million, respectively were recognized in other income, net (three and nine months ended September 30, 2020 - unrealized gains of $5 million and $7 million, respectively).

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Interest Rate Swaps
In July 2021, ITC entered into an interest rate swap at a notional value of US$45 million to manage the interest rate risk associated with the refinancing of long-term debt due in November 2022. The swap has a five-year term, includes a mandatory early termination provision, and will be terminated no later than the effective date of November 15, 2022. Fair value was measured using a discounted cash flow method based on LIBOR rates. Unrealized gains and losses associated with the changes in fair value are recognized in other comprehensive income, will be reclassified to earnings as a component of interest expense over the life of the debt, and were not material for the three and nine months ended September 30, 2021.

Other Investments
ITC and Central Hudson hold investments in trust associated with supplemental retirement benefit plans for select employees. These investments include mutual funds and money market accounts, which are recorded at fair value based on quoted market prices in active markets. During the three and nine months ended September 30, 2021, unrealized gains on these funds of $3 million and $9 million, respectively were recognized in other income, net (three and nine months ended September 30, 2020 - unrealized gains of $3 million and $1 million, respectively).

Recurring Fair Value Measures

The following table presents 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 September 30, 2021				
Assets				
Energy contracts subject to regulatory deferral (2) (3)	**1**	**172**	**—**	**173**
Energy contracts not subject to regulatory deferral (2)	**—**	**9**	**—**	**9**
Foreign exchange contracts, total return and interest rate swaps (2)	**14**	**1**	**—**	**15**
Other investments (4)	**134**	**—**	**—**	**134**
	149	**182**	**—**	**331**
Liabilities				
Energy contracts subject to regulatory deferral (3) (5)	**—**	**(87)**	**—**	**(87)**
Energy contracts not subject to regulatory deferral (5)	**—**	**(30)**	**—**	**(30)**
	—	**(117)**	**—**	**(117)**
As at December 31, 2020				
Assets				
Energy contracts subject to regulatory deferral (2) (3)	—	38	—	38
Energy contracts not subject to regulatory deferral (2)	—	6	—	6
Foreign exchange contracts and total return swaps (2)	16	—	—	16
Other investments (5)	126	—	—	126
	142	44	—	186
Liabilities				
Energy contracts subject to regulatory deferral (3) (5)	—	(94)	—	(94)
Energy contracts not subject to regulatory deferral (5)	—	(12)	—	(12)
	—	(106)	—	(106)

(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*

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Energy Contracts

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.

($ millions)	Gross Amount Recognized on Balance Sheet	Counterparty Netting of Energy Contracts	Cash Collateral Received/ Posted	Net Amount
As at September 30, 2021				
Derivative assets	**182**	**52**	**6**	**124**
Derivative liabilities	**(117)**	**(52)**	**(11)**	**(54)**
As at December 31, 2020				
Derivative assets	44	26	10	8
Derivative liabilities	(106)	(26)	(9)	(71)

Volume of Derivative Activity

As at September 30, 2021, 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	
	September 30, 2021	December 31, 2020
Energy contracts subject to regulatory deferral [1]		
Electricity swap contracts *(GWh)*	**540**	522
Electricity power purchase contracts *(GWh)*	**1,242**	2,781
Gas swap contracts *(PJ)*	**161**	156
Gas supply contract premiums *(PJ)*	**190**	203
Energy contracts not subject to regulatory deferral [1]		
Wholesale trading contracts *(GWh)*	**3,137**	1,588
Gas swap contracts *(PJ)*	**33**	36

[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 temporarily suspended non-payment disconnects. While the Corporation has seen an increase in accounts receivable and, accordingly, its allowance for credit losses since the start of the pandemic in March 2020, there has been no material change in credit loss expense for the three and nine months ended September 30, 2021 (Note 5).

ITC has a concentration of credit risk as approximately 70% of its revenue is derived from three customers. The customers have investment-grade credit ratings and credit risk is further managed by MISO 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.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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 $72 million as at September 30, 2021 (December 31, 2020 - $88 million).

Hedge of Foreign Net Investments

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

As at September 30, 2021, US$2.1 billion (December 31, 2020 - US$2.3 billion) of corporately issued U.S. dollar-denominated long-term debt has been designated as an effective hedge of net investments, leaving approximately US$10.8 billion (December 31, 2020 - US$10.2 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 September 30, 2021, the carrying value of long-term debt, including current portion, was $25.2 billion (December 31, 2020 - $24.5 billion) compared to an estimated fair value of $28.3 billion (December 31, 2020 - $29.1 billion).

14. COMMITMENTS AND CONTINGENCIES

Commitments

There were no material changes in commitments from that disclosed in the Corporation's 2020 Annual Financial Statements.

Contingencies

In April 2013, FortisBC Holdings Inc. and Fortis were named as defendants in an action in the British Columbia Supreme Court 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.