FORTIS INC.

St. John's, NL - May 1, 2019

FORTIS INC. REPORTS FIRST QUARTER 2019 EARNINGS[1]

Highlights

- First quarter 2019 net earnings of $0.72 per common share
- Adjusted net earnings[2] of $0.74 per common share, up from $0.70 in the same period last year
- Annual capital expenditure plan on track with $0.7 billion invested during the quarter
- Completed sale of interest in Waneta Expansion Hydroelectric Project for approximately $1 billion
- Completed the repurchase of US$400 million corporate debt

Fortis Inc. ("Fortis" or the "Corporation") (TSX/NYSE:FTS), a leader in the North American regulated electric and gas utility industry, released its first quarter results today.

"Our businesses, now 99% regulated, delivered strong performance in the first quarter of 2019," said Barry Perry, President and Chief Executive Officer, Fortis. "We are executing our organic growth strategy well, including the redeployment of the proceeds from the sale of our interest in the Waneta Expansion Hydroelectric Project, which closed in April, to fund growth in our regulated utility businesses."

Net Earnings

The Corporation reported first quarter net earnings attributable to common equity shareholders of $311 million, or $0.72 per common share, compared to $323 million, or $0.77 per common share, for the same period in 2018.

The change in earnings reflects a one-time $30 million favourable tax remeasurement in the first quarter of last year. This one-time positive impact in 2018 offsets the earnings growth in the first quarter of this year. Earnings growth in 2019 was driven by strong performance at the regulated utilities due primarily to rate base growth, increased earnings at Central Hudson associated with its rate order effective July 1, 2018, higher electricity and gas sales at UNS Energy due largely to weather, and favourable foreign exchange. Growth was tempered by lower earnings from the non-regulated Energy Infrastructure segment, reduced rate of return on common equity ("ROE") incentive adder at ITC and, for earnings per common share, a higher weighted average number of common shares outstanding.

Adjusted Net Earnings[2]

Adjusted for the $30 million tax remeasurement and the mark-to-market of natural gas derivatives at the Aitken Creek natural gas storage facility, first quarter adjusted net earnings attributable to common equity shareholders increased $19 million to $316 million, or $0.74 per common share, from $297 million, or $0.70 per common share, for the same period in 2018.

Executing on Capital Plan

The Corporation's $3.7 billion capital expenditure plan is on track with $0.7 billion invested during the first quarter of 2019.

In March 2019 Tucson Electric Power ("TEP") finalized its plans for the construction of the US$370 million Oso Grande Wind Project (also referred to as the New Mexico Wind Project). Once complete, this 247-megawatt wind farm will become TEP's largest renewable energy resource, enough to power nearly 100,000 homes annually.

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

2 Non-US GAAP Measures - Fortis uses financial measures that do not have a standardized meaning under generally accepted accounting principles in the United States of America ("US GAAP") and may not be comparable to similar measures presented by other entities. Fortis calculated the non-US GAAP measures by adjusting certain US GAAP measures for specific items that management excludes in its key decision-making processes and evaluation of operating results. Refer to the Non-US GAAP Reconciliation provided in this news release.

Also in March, FortisBC announced that the investment in its energy conservation and efficiency program will increase substantially to $368.5 million over the 2019 to 2022 period. The new program represents a doubling of expenditures in 2019 and a tripling of expenditures by 2022. The new program will lower energy use, emissions and customer bills.

In April 2019 Wataynikaneyap Power announced that the Ontario Energy Board approved its leave-to-construct application. The next significant milestones for this 1,800 kilometre transmission project include environmental assessment approvals, selection of engineering, procurement and construction contracts, and the finalization of financing.

"Fortis champions progress at its utilities and across the industry. We remain committed to integrating cleaner energy onto the grid, meeting the needs of our customers and the sustainable growth of our Corporation," said Mr. Perry.

Sale of Non-Regulated Asset and Debt Tender Offer

On April 16, 2019, the Corporation completed the sale of its 51% interest in the Waneta Expansion Hydroelectric Project ("Waneta Expansion") in British Columbia to Columbia Power Corporation and Columbia Basin Trust for approximately $1 billion. The purchasers, both wholly owned by the Government of British Columbia, now own 100% of Waneta Expansion. The sale is expected to result in a net after-tax gain of approximately $450 million.

On April 17, 2019, Fortis used a portion of the net proceeds from the sale to repay short-term borrowings and repurchase, via a tender offer, US$400 million of the Corporation's outstanding 3.055% Notes due in 2026.

Regulatory Proceedings

Fortis is focused on maintaining constructive regulatory relationships and outcomes across its North American utility group.

During the first quarter of 2019, FortisBC Energy and FortisBC Electric filed applications with the British Columbia Utilities Commission requesting approval of a multi-year rate plan and rate-setting methodology for 2020 through 2024.

In April 2019 TEP filed a general rate application with the Arizona Corporation Commission requesting an increase in non-fuel revenue of US$115 million effective May 1, 2020 with electricity rates based on a 2018 test year. The filing includes a request to increase TEP's allowed ROE to 10.35% from 9.75% and the equity component of its capital structure to 53% from 50% on a rate base of US$2.7 billion.

Decisions on both applications are expected in 2020.

Dividend Rate for Series K First Preference Shares

Fortis has declared and hereby gives notice of a corrected second quarter dividend of $0.2455625 per share on its Cumulative Redeemable Fixed Rate Reset First Preference Shares, Series K (the "Series K Shares"), payable on June 1, 2019 to the shareholders of record of the Series K Shares at the close of business on May 17, 2019. This notice replaces and supersedes the dividend of $0.2453125 declared on the Series K Shares and disclosed in a news release dated February 14, 2019, which was the first dividend declared following the January 30, 2019 reset of the fixed dividend rate pursuant to the terms of the Series K Shares.

The dividend on the Series K Shares has been designated by the Corporation as an eligible dividend for federal and provincial dividend tax credit purposes.

Outlook

Over the long term, Fortis is well positioned to enhance shareholder value through the execution of its capital expenditure plan, the balance and strength of its diversified portfolio of utility businesses, and growth opportunities within and proximate to its service territories.

The Corporation's $17.3 billion five-year capital plan is expected to increase rate base from $26.1 billion in 2018 to $32 billion in 2021 and $35.5 billion in 2023, translating into three- and five-year compound average growth rates of 7.1% and 6.3%, respectively. The five-year capital plan addresses system capacity and improves safety and reliability for the benefit of customers through investments that enhance resiliency and improve the performance of the electricity grid. The plan also addresses natural gas system capacity and gas line network integrity, increases cybersecurity protection and will enable the grid to deliver cleaner energy.

Fortis expects long-term sustainable growth in rate base to support continuing growth in earnings and dividends. Fortis is targeting average annual dividend growth of approximately 6% through 2023. This dividend guidance takes into account many factors, including the expectation of reasonable outcomes for regulatory proceedings at the Corporation's utilities, the successful execution of the five-year capital plan, and management's continued confidence in the strength of the Corporation's diversified portfolio of utilities and record of operational excellence.

Non-US GAAP Reconciliation

	Quarter Ended March 31		
(in millions, except earnings per share)	**2019**	2018	Variance
Net Earnings Attributable to Common Equity Shareholders	**$ 311**	$ 323	$ (12)
Adjusting Items			
Unrealized loss on mark-to-market of derivatives [(1)]	**5**	4	1
Consolidated state income tax election [(2)]	**—**	(30)	30
Adjusted Net Earnings Attributable to Common Equity Shareholders	**$ 316**	$ 297	$ 19
Adjusted Basic Earnings per Share	**$ 0.74**	$ 0.70	$ 0.04

(1) *Represents timing differences related to the accounting of natural gas derivatives at the Aitken Creek natural gas storage facility, included in the Energy Infrastructure segment*

(2) *Remeasurement of deferred income tax liabilities, included in the Corporate and Other segment*

About Fortis

Fortis is a leader in the North American regulated electric and gas utility industry with 2018 revenue of $8.4 billion and total assets of approximately $53 billion as at March 31, 2019. The Corporation's 8,800 employees serve utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

Teleconference to Discuss First Quarter 2019 Results

A teleconference and webcast will be held on May 1, 2019 at 8:30 a.m. (Eastern). Barry Perry, President and Chief Executive Officer, and Jocelyn Perry, Executive Vice President, Chief Financial Officer, will discuss the Corporation's first quarter 2019 results.

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 pass code 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 June 1, 2019. Please call 1.800.585.8367 or 416.621.4642 and enter pass code 7135897.

Forward-looking information

Fortis includes forward-looking information in this news release within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (collectively referred to as "forward-looking information"). Forward-looking information included in this news release reflect 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 consolidated and segmented capital spending for the five-year period from 2019 through 2023; the nature, timing, benefits and expected costs of capital projects including the Oso Grande Wind Project and the Wataynikaneyap Power Project; expected expenditures and benefits related to the FortisBC energy conservation and efficiency projects; expected timing of filing of regulatory applications and outcome of regulatory decisions; forecast rate base for 2021 and 2023; the expectation that long-term sustainable growth in rate base will support continued growth in earnings and dividends; and targeted average annual dividend growth through 2023.

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. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally, including those identified from time to time in the forward-looking information. Such risk factors or assumptions include, but are not limited to: reasonable decisions by utility regulators and the expectation of regulatory stability; the implementation of the Corporation's five-year capital expenditure plan; no material capital project and financing cost overrun related to any of the Corporation's capital projects; sufficient human resources to deliver service and execute the capital plan; the realization of additional opportunities; the impact of fluctuations in foreign exchange; 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. These factors should be considered carefully and undue reliance should not be placed on the forward-looking information. For additional information with respect to certain of these risks or 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 news 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.*

Additional Information

This news release should be read in conjunction with the Corporation's Management Discussion and Analysis and 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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Interim Management Discussion and Analysis

For the three months ended March 31, 2019
Dated April 30, 2019

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This Fortis Inc. ("Fortis" or the "Corporation") Management Discussion and Analysis ("MD&A") has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 2019 ("Interim Financial Statements") and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2018. Additional information can be accessed at www.fortisinc.com, www.sedar.com, or www.sec.gov. The information contained on, or accessible through, any of these websites is not incorporated in this MD&A by reference.

Financial information herein has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and, unless otherwise specified, is presented in Canadian dollars based, as applicable, on the following Canadian-to-US dollar exchange rates: (i) average of 1.33 and 1.26 for the quarters ended March 31, 2019 and 2018, respectively; (ii) 1.33 and 1.29 as at March 31, 2019 and 2018, respectively; and (iii) 1.36 as at December 31, 2018.

CORPORATE OVERVIEW

Fortis is a leader in the North American regulated electric and gas utility industry, with 2018 revenue of $8.4 billion and total assets of approximately $53 billion as at March 31, 2019. The Corporation's 8,800 employees serve utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries. Fortis shares are listed on the Toronto and New York Stock Exchanges under the symbol FTS.

For additional information on the Corporation's operations, reportable segments and strategy, refer to the "Corporate Overview" and "Corporate Strategy" sections of the Corporation's 2018 annual MD&A and Note 1 to the Interim Financial Statements.

PERFORMANCE OVERVIEW

Key Financial Metrics	**Quarter Ended March 31**		
($ millions, except as indicated)	**2019**	2018	Variance
Revenue	**2,436**	2,197	239
Net Earnings Attributable to Common Equity Shareholders			
Actual	**311**	323	(12)
Adjusted [(1)]	**316**	297	19
Earnings per Common Share *($)*			
Basic	**0.72**	0.77	(0.05)
Diluted	**0.72**	0.76	(0.04)
Adjusted [(1)]	**0.74**	0.70	0.04
Dividends Paid per Common Share *($)*	**0.450**	0.425	0.025
Weighted Average Number of Common Shares Outstanding *(# millions)*	**429.5**	422.0	7.5
Cash Flow from Operating Activities	**541**	589	(48)
Capital Expenditures	**740**	685	55

[(1)] *See "Non-US GAAP Financial Measures" on page 7.*

Revenue
The $239 million increase in revenue was due primarily to: (i) increased electricity and gas sales at UNS Energy; (ii) favourable foreign exchange of $58 million; (iii) the flow through in customer rates of higher overall purchased commodity costs; and (iv) rate base growth at the regulated utilities, led by ITC.

Earnings
The $12 million decrease in net earnings attributable to common equity shareholders ("Common Equity Earnings") was due primarily to a one-time $30 million favourable remeasurement of the Corporation's deferred income tax liabilities in the first quarter of 2018 as a result of an election to file a consolidated state income tax return, which offsets earnings growth in the first quarter of 2019. Earnings growth in 2019 was driven by strong performance at the regulated utilities due primarily to rate base growth, increased earnings at Central Hudson associated with its rate order effective July 1, 2018, higher electricity and gas sales at UNS Energy due largely to weather, and favourable foreign exchange of $9 million. Growth was tempered by lower earnings contribution from the Energy Infrastructure segment due to lower realized margins and higher unrealized losses on the mark-to-market accounting of natural gas derivatives at the Aitken Creek natural gas storage facility ("Aitken Creek"), along with lower hydroelectric production in Belize, and a lower rate of return on common equity ("ROE") incentive adder at ITC.

These results together with an increase in the weighted average number of common shares outstanding, associated with the Corporation's dividend reinvestment and share purchase plans, resulted in a $0.05 decrease in basic earnings per common share ("EPS").

Adjusted Common Equity Earnings and adjusted basic EPS, which exclude the noted one-time remeasurement of deferred income tax liabilities and the mark-to-market accounting of derivatives at Aitken Creek, increased by $19 million and $0.04, respectively.

Dividends
Dividends paid per common share in the first quarter of 2019 were $0.45, up 6% from the first quarter of 2018. The Corporation's targeted average annual dividend per common share growth of approximately 6% through 2023, announced in October 2018, remains on track.

Fortis has increased its common share dividend for 45 consecutive years.

Cash Flow from Operating Activities
The $48 million decrease in cash flow from operating activities reflects temporary timing differences in long-term regulatory deferrals and working capital, partially offset by a $79 million increase in cash earnings.

Capital Expenditures
Capital expenditures were $740 million for the first three months of 2019, up $55 million over the same period last year and in line with the Corporation's $3.7 billion capital expenditure plan for 2019.

The Corporation's five-year capital plan for 2019 through 2023 is targeted at $17.3 billion, or nearly $3.5 billion per year, and up $2.8 billion over the previous five-year capital plan. Regulated investments in grid modernization, the delivery of cleaner energy and natural gas infrastructure are driving growth.

BUSINESS UNIT PERFORMANCE

Segmented Common Equity Earnings	**Quarter Ended March 31**			
			Variance	
($ millions)	**2019**	2018	FX [1]	Other
Regulated Utilities				
ITC	**92**	86	5	1
UNS Energy	**55**	50	3	2
Central Hudson	**32**	21	1	10
FortisBC Energy	**100**	98	—	2
FortisAlberta	**27**	27	—	—
FortisBC Electric	**16**	16	—	—
Other Electric	**23**	18	—	5
Non-Regulated				
Energy Infrastructure	**8**	18	—	(10)
Corporate and Other	**(42)**	(11)	—	(31)
Common Equity Earnings	**311**	323	9	(21)

[1] *FX means foreign exchange.*

ITC

Financial Highlights [1]	**Quarter Ended March 31**			
			Variance	
($ millions)	**2019**	2018	FX	Other
Revenue	**408**	354	18	36
Earnings	**92**	86	5	1

[1] *Revenue represents 100% of ITC. Earnings represent the Corporation's 80.1% controlling ownership interest in ITC and reflects consolidated purchase price accounting adjustments. The reporting currency of ITC is the US dollar.*

Revenue and Earnings
The increase in revenue and earnings, net of foreign exchange, was due primarily to growth in rate base, partially offset by a regulator-ordered reduction to the ROE independence incentive adder and the timing of operating expenses. Revenue was also impacted by higher expenses recovered in customer rates.

UNS ENERGY

Financial Highlights [1]	**Quarter Ended March 31**			
			Variance	
	2019	2018	FX	Other
Electricity sales (*GWh*) [2]	**4,429**	3,325	—	1,104
Gas volumes (*PJ*) [2]	**7**	5	—	2
Revenue *($ millions)*	**543**	444	22	77
Earnings *($ millions)*	**55**	50	3	2

[1] *Includes Tucson Electric Power Company ("TEP"), UNS Electric, Inc. and UNS Gas, Inc. The reporting currency of UNS Energy is the US dollar.*
[2] *GWh means gigawatts hours and PJ means petajoules.*

Electricity Sales and Gas Volumes
Increased electricity sales were due primarily to higher short-term wholesale sales reflecting an increase in system capacity related to Gila River generating station Unit 2. Electricity sales and gas volumes both increased due to heating load as a result of colder temperatures.

Revenue from short-term wholesale sales is primarily returned to customers through regulatory deferral mechanisms and, therefore, does not materially impact earnings.

Revenue
The increase in revenue, net of foreign exchange, was due primarily to higher energy sales and increased wholesale prices.

Earnings
The increase in earnings, net of foreign exchange, was due primarily to higher energy sales, partially offset by an increase in maintenance expense related to planned outages during the quarter.

CENTRAL HUDSON

Financial Highlights [1]	Quarter Ended March 31			
			Variance	
	2019	2018	FX	Other
Electricity sales *(GWh)*	**1,289**	1,295	—	(6)
Gas volumes *(PJ)*	**10**	9	—	1
Revenue *($ millions)*	**277**	275	14	(12)
Earnings *($ millions)*	**32**	21	1	10

(1) *The reporting currency of Central Hudson is the US dollar.*

Electricity Sales and Gas Volumes
The decrease in electricity sales was due primarily to lower average consumption as a result of warmer temperatures decreasing heating load. Gas volumes were comparable to 2018.

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

Revenue
The decrease in revenue, net of foreign exchange, was due primarily to a lower commodity cost recovered from customers and lower electricity sales. The decrease was partially offset by an increase in electricity and gas delivery rates effective July 1, 2018 reflecting a return on increased rate base assets as well as the recovery of higher operating and finance expenses. The increase in delivery rates also reflects a rate design change that provides more revenue in higher gas consumption periods.

Earnings
The increase in earnings, net of foreign exchange, was due primarily to the increase in delivery rates in 2019, which also reflects a change in the timing of earnings, and higher storm restoration costs in the first quarter of 2018.

FORTISBC ENERGY

Financial Highlights	Quarter Ended March 31		
	2019	2018	Variance
Gas volumes *(PJ)*	**83**	80	3
Revenue *($ millions)*	**485**	429	56
Earnings *($ millions)*	**100**	98	2

Gas Volumes
The increase in gas volumes was due primarily to higher average consumption as a result of colder temperatures increasing heating load.

Revenue
The increase in revenue was due primarily to a higher cost of natural gas recovered from customers along with the recovery of gas storage and transportation costs related to a third-party pipeline incident that occurred in the fourth quarter of 2018.

Earnings
The increase in earnings was due primarily to rate base growth, partially offset by timing differences in operating and maintenance expenses.

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

Financial Highlights	Quarter Ended March 31		
	2019	2018	Variance
Energy deliveries *(GWh)*	**4,642**	4,603	39
Revenue *($ millions)*	**145**	141	4
Earnings *($ millions)*	**27**	27	—

Energy Deliveries
The increase in energy deliveries was due primarily to higher average commercial consumption as a result of colder temperatures increasing heating load, and customer additions.

Revenue
The increase in revenue was primarily due to rate base growth and increased energy deliveries.

Earnings
Earnings were comparable with the first quarter of 2018, with the revenue increase offset by the timing of operating expenses.

FORTISBC ELECTRIC

Financial Highlights	Quarter Ended March 31		
	2019	2018	Variance
Electricity sales *(GWh)*	**949**	920	29
Revenue *($ millions)*	**119**	112	7
Earnings *($ millions)*	**16**	16	—

Electricity Sales
The increase in electricity sales was due primarily to higher average consumption as a result of colder temperatures increasing heating load.

Revenue
The increase in revenue was due primarily to higher electricity sales and higher surplus power sales.

Earnings
Earnings were comparable with the first quarter of 2018, with the revenue increase offset by the timing of operating expenses.

Variances from forecasts for electricity revenue and energy supply costs used to set rates are returned to customers in future rates through regulatory deferral mechanisms and, therefore, do not impact earnings.

OTHER ELECTRIC

Financial Highlights (1)	Quarter Ended March 31		Variance	
	2019	2018	FX	Other
Electricity sales *(GWh)*	**2,983**	2,929	—	54
Revenue *($ millions)*	**426**	397	4	25
Earnings *($ millions)*	**23**	18	—	5

(1) *Comprised of 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 ("BEL"). The reporting currency of Caribbean Utilities and FortisTCI is the US dollar. The reporting currency of BEL is the Belizean dollar, which is pegged to the US dollar at BZ$2.00=US$1.00.*

Electricity Sales
The increase in electricity sales was due primarily to overall higher average consumption and customer additions.

Revenue
The increase in revenue, net of foreign exchange, was due primarily to higher energy supply costs flowed through to customers and higher electricity sales.

Earnings
The increase in earnings was due primarily to higher electricity sales.

ENERGY INFRASTRUCTURE

Financial Highlights (1)	Quarter Ended March 31		
	2019	2018	Variance
Energy sales *(GWh)*	**50**	89	(39)
Revenue *($ millions)*	**36**	48	(12)
Earnings *($ millions)*	**8**	18	(10)

(1) *Primarily comprised of long-term contracted generation assets in British Columbia ("BC") and Belize, and Aitken Creek in BC.*

Energy Sales
The decrease in energy sales reflects lower hydroelectric production in Belize due to lower rainfall levels.

Revenue and Earnings
The decrease in revenue and earnings was due primarily to lower hydroelectric production in Belize and lower realized margins at Aitken Creek. Revenue and earnings also reflect the unfavourable impact of the mark-to-market accounting of natural gas derivatives at Aitken Creek, with unrealized losses of $5 million during the first quarter of 2019 compared to unrealized losses of $4 million during the same period in 2018.

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 from period to period.

CORPORATE AND OTHER

Financial Highlights (1)	Quarter Ended March 31		
($ millions)	**2019**	2018	Variance
Net expenses	**(42)**	(11)	(31)

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

The increase in net expenses was primarily driven by lower income tax recovery due to a one-time $30 million favourable remeasurement of the Corporation's deferred income tax liabilities recognized during 2018 resulting from an election to file a consolidated state income tax return.

NON-US GAAP FINANCIAL MEASURES

Fortis calculates adjusted Common Equity Earnings as Common Equity Earnings plus or minus items that management excludes in its key decision-making processes and evaluation of operating results. Adjusted basic EPS is calculated by dividing adjusted Common Equity Earnings by the weighted average number of common shares outstanding.

These financial measures do not have a standardized meaning prescribed by US GAAP and may not be comparable with similar measures of other entities. The most directly comparable US GAAP measures are net earnings attributable to common equity shareholders (i.e. Common Equity Earnings) and basic EPS.

Non-US GAAP Reconciliation	**Quarter Ended March 31**		
($ millions, except as indicated)	**2019**	2018	Variance
Common Equity Earnings	**311**	323	(12)
Adjusting Items			
Unrealized loss on mark-to-market of derivatives [(1)]	**5**	4	1
Consolidated state income tax election [(2)]	**—**	(30)	30
Adjusted Common Equity Earnings	**316**	297	19
Adjusted Basic EPS *($)*	**0.74**	0.70	0.04

(1) *Represents timing differences related to the accounting of natural gas derivatives at Aitken Creek, included in the Energy Infrastructure segment*

(2) *Remeasurement of deferred income tax liabilities, included in the Corporate and Other segment*

REGULATORY DEVELOPMENTS

ITC

In March 2019 the Federal Energy Regulatory Commission ("FERC") issued a notice of inquiry seeking comments on whether and how to improve its electric transmission incentives policy. The outcome may impact the existing incentive adders that are included in transmission rates charged by transmission owners, including ITC.

In March 2019 FERC issued a second notice of inquiry seeking comments on whether and how policies concerning the determination of the base ROE for electric utilities should be modified. The outcome may impact ITC’s future base ROE.

Refer to the "Regulatory Highlights" section of the 2018 annual MD&A for further information on ITC’s incentive adders and ROE complaints.

UNS Energy

In April 2019 TEP filed a general rate application with the Arizona Corporation Commission requesting an increase in non-fuel revenue of US$115 million effective May 1, 2020 with electricity rates based on a 2018 test year. The filing includes a request to increase TEP's allowed ROE to 10.35% from 9.75% and the equity component of its capital structure to 53% from 50% on a rate base of US$2.7 billion. A decision is expected in 2020.

FortisBC Energy and FortisBC Electric

In March 2019 FortisBC Energy and FortisBC Electric filed applications with the British Columbia Utilities Commission requesting approval of a multi-year rate plan and rate-setting methodology for 2020 through 2024. A decision is expected in 2020.

FortisAlberta
In December 2018 the Alberta Utilities Commission ("AUC") initiated a generic cost of capital proceeding to consider a formula-based approach to setting the allowed ROE beginning in 2021 and whether any process changes are necessary for determining capital structure in years in which a ROE formula is in place. In April 2019 the AUC determined that a traditional non-formulaic approach for assessing ROE and deemed capital structure would be used in 2021, with consideration of a formula-based approach for determining the allowed ROE for 2022 and subsequent years.

CONSOLIDATED FINANCIAL POSITION

Significant Changes between March 31, 2019 and December 31, 2018

	(Decrease) / Increase		
	FX	Other	
Balance Sheet Account	*($ millions)*	*($ millions)*	**Explanation**
Goodwill	(233)	1	The other increase was not significant.
Short-term borrowings	(1)	110	Due primarily to the issuance of commercial paper at ITC.
Long-term debt (including current portion)	(350)	113	Due primarily to higher borrowings under committed credit facilities at FortisBC Energy.

Outstanding Share Data
As at April 30, 2019, the Corporation had issued and outstanding 430.9 million common shares; and the following First Preference Shares: 5.0 million Series F; 9.2 million Series G; 7.0 million Series H; 3.0 million Series I; 8.0 million Series J; 10.0 million Series K; and 24.0 million Series M.

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

If all outstanding stock options were converted as at April 30, 2019, an additional 4.2 million common shares would be issued and outstanding.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW REQUIREMENTS

At the subsidiary level, it is expected that operating expenses and interest costs will be paid from subsidiary operating cash flows, with varying levels of residual cash flows available for subsidiary capital expenditures and/or dividend payments to Fortis. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash required for subsidiary capital expenditure programs is also expected to be financed from a combination of borrowings under credit facilities, long-term debt offerings and equity injections from Fortis.

Cash required of Fortis to support subsidiary capital expenditure programs is expected to be derived from a combination of borrowings under the Corporation's committed credit facility, proceeds from the dividend reinvestment plan and proceeds from the issuance of common shares, preference shares and long-term debt. Depending on the timing of subsidiary dividend receipts, borrowings under the Corporation's committed credit facility may be required periodically to support debt servicing and payment of dividends.

Credit Facilities			**As at**	
($ millions)	Regulated Utilities	Corporate and Other	**March 31, 2019**	December 31, 2018
Total credit facilities	3,836	1,381	**5,217**	5,165
Credit facilities utilized:				
Short-term borrowings	(169)	—	**(169)**	(60)
Long-term debt (including current portion)	(851)	(244)	**(1,095)**	(1,066)
Letters of credit outstanding	(65)	(53)	**(118)**	(119)
Credit facilities unutilized	2,751	1,084	**3,835**	3,920

The Corporation's ability to service debt and pay dividends is dependent on the financial results of, and the related cash payments from, subsidiaries. Certain regulated subsidiaries are subject to restrictions that limit their ability to distribute cash to Fortis. These include 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. The Corporation does not expect that maintaining the targeted capital structures of its regulated subsidiaries will have an impact on its ability to pay dividends in the foreseeable future.

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

In December 2018 Fortis re-established its at-the-market common equity program that allows the issuance of up to $500 million of common shares from treasury to the public at the Corporation's discretion, effective until January 2021.

As at March 31, 2019, consolidated fixed-term debt maturities and repayments are expected to average approximately $983 million annually over the next five years. The combination of available credit facilities and manageable annual debt maturities and repayments provides the Corporation and its subsidiaries with flexibility in the timing of access to capital markets.

Fortis and its subsidiaries were in compliance with debt covenants as at March 31, 2019 and are expected to remain compliant throughout 2019.

CASH FLOW SUMMARY

Summary of Consolidated Cash Flows	**Quarter Ended March 31**		
($ millions)	**2019**	2018	Variance
Cash, beginning of period	**332**	327	5
Cash provided by (used in):			
Operating activities	**541**	589	(48)
Investing activities	**(732)**	(678)	(54)
Financing activities	**94**	89	5
Foreign exchange	**(8)**	6	(14)
Change in cash associated with assets held for sale	**6**	—	6
Cash, end of period	**233**	333	(100)

Operating Activities

See "Performance Overview - Cash Flow from Operating Activities" on page 2.

Investing Activities

The consolidated capital expenditure plan for 2019 is estimated to be $3.7 billion, up approximately 16% from $3.2 billion last year. The increase in cash used in investing activities reflects the higher planned spending level for 2019.

Financing Activities

Borrowings under credit facilities by the regulated utilities are primarily in support of their capital expenditure plans and/or for working capital requirements. Repayments are primarily financed through the issuance of long-term debt, cash from operations and/or equity injections from Fortis. Periodically, proceeds from share and long-term debt offerings are used to repay borrowings under the Corporation's committed credit facility. Changes in these drivers along with scheduled debt maturities cause cash flows related to financing activities to fluctuate accordingly from period to period.

Debt Financing

Long-Term Debt Issuances Quarter Ended March 31, 2019 *($ millions, except %)*	**Month Issued**	**Interest Rate** (%)	**Maturity**		**Amount**	**Use of Proceeds**
ITC - Secured Notes	January	4.55	2049	US	50	*[1][2][3]*
FortisTCI - Unsecured non-revolving term loan *[4]*	February	*[5]*	2025	US	5	*[2][3]*

[1] *Repay credit facility borrowings*
[2] *Finance capital expenditures*
[3] *General corporate purposes*
[4] *Maximum amount of borrowings under this agreement of US$10 million has been withdrawn.*
[5] *Floating rate of a one-month LIBOR plus a spread of 1.75%*

Common Equity Financing

Common Equity Issuances and Dividends Paid *($ millions, except as indicated)*	**Quarter Ended March 31** **2019**	2018	Variance
Common shares issued *[1]* *(# millions)*	**2.4**	1.9	0.5
Total common shares issued	**108**	77	31
Non-cash issuances	**(76)**	(62)	(14)
Cash proceeds from common shares issued	**32**	15	17
Dividends paid per common share *($)*	**0.450**	0.425	0.025
Total dividends paid	**(193)**	(179)	(14)
Non-cash dividend reinvestment plan	**75**	63	12
Cash dividends paid	**(118)**	(116)	(2)

[1] *Related to the Corporation's dividend reinvestment and share purchase plans*

On February 14, 2019, Fortis declared a dividend of $0.45 per common share payable on June 1, 2019. The payment of dividends is at the discretion of the Board of Directors and depends on the Corporation's financial condition and other factors.

On April 16, 2019, the Corporation completed the sale of its 51% interest in Waneta Expansion Hydroelectric Project for approximately $1 billion. Fortis estimates a net after-tax gain on sale of approximately $450 million. A portion of the net proceeds were used to repay short-term borrowings and repurchase US$400 million of the Corporation's 3.055% unsecured senior notes due in 2026.

CONTRACTUAL OBLIGATIONS

There were no material changes to the contractual obligations disclosed in the Corporation's 2018 annual MD&A, except issuances of long-term debt and credit facility utilization described above and other items as follows.

In the first quarter of 2019, FortisBC Energy entered into two separate agreements to purchase pipeline capacity on the Westcoast Pipeline over a 42-year term, beginning in the fourth quarter of 2020, increasing gas purchase obligations by a total of approximately $338 million.

In March 2019 UNS Energy entered into an agreement to develop a wind-powered electric generation facility, the Oso Grande Wind Project, which is expected to be completed by December 2020. UNS Energy expects to make payments under the agreement of US$259 million in 2019 and US$111 million in 2020, contingent upon certain performance obligations.

CAPITAL STRUCTURE AND CREDIT RATINGS

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

Consolidated Capital Structure	**As at**	
	March 31,	December 31,
(%)	**2019**	2018
Debt [(1)]	**56.9**	57.0
Preference shares	**3.8**	3.8
Common shareholders' equity and minority interest	**39.3**	39.2
	100.0	100.0

[(1)] *Includes long-term debt and finance leases, including current portion, and short-term borrowings, net of cash*

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

Credit Ratings As at March 31, 2019	**Rating**	**Type**	**Outlook**
S&P	A-	Corporate	Negative
	BBB+	Unsecured debt	
DBRS	BBB (high)	Corporate	Stable
	BBB (high)	Unsecured debt	
Moody's	Baa3	Issuer	Stable
	Baa3	Unsecured debt	

In March 2019 S&P affirmed the Corporation’s credit rating and outlook, which reflects a modest temporary weakening of financial measures as a result of U.S. tax reform reducing cash flow at the Corporation's U.S. regulated utilities.

CAPITAL EXPENDITURE PLAN

Planned capital expenditures are based on detailed forecasts of energy demand, labour and material costs, general economic conditions, foreign exchange rates and other factors. These could change and cause actual expenditures to differ from forecast.

There have been no material changes to the overall expected level, nature and timing of the Corporation's consolidated capital plan from that disclosed in the 2018 annual MD&A, except as described below for the Oso Grande Wind Project (also referred to as the New Mexico Wind Project) at UNS Energy.

2019 Capital Plan

The $3.7 billion 2019 capital plan is on track with $0.7 billion spent year to date.

Consolidated Capital Expenditures [1]
Quarter Ended March 31, 2019
($ millions)

	Regulated									
	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Total Regulated Utilities**	**Non-Regulated** [2]	**Total**
Total	236	167	64	70	107	25	56	**725**	**15**	**740**

[1] *Excludes the non-cash equity component of the allowance for funds used during construction*
[2] *Includes Energy Infrastructure and Corporate and Other segments*

Five-Year Capital Plan

The five-year capital plan for 2019 through 2023 is targeted at $17.3 billion, or approximately $3.5 billion per year. The low-risk, highly executable plan contains only a small number of major projects and focuses on the regulated utilities.

The plan is expected to be funded primarily with cash from operations, utility debt and common equity from the Corporation's dividend reinvestment plan. The Corporation's at-the-market common equity program is also available to provide further financing flexibility.

Major Capital Projects Updates

Oso Grande Wind Project
This wind farm will complement UNS Energy's solar generation portfolio. UNS Energy's share will be 247 megawatt ("MW"), under a build-transfer asset contract, up from 150 MW disclosed in the 2018 annual MD&A. Construction is expected to commence in 2019, with completion expected by the end of 2020. The capital cost of the project for UNS Energy is estimated at $474 million (US$370 million), up from approximately $280 million (US$217 million) disclosed in the 2018 annual MD&A.

Wataynikaneyap Transmission Power Project
This project will connect 17 remote First Nations communities in Northwestern Ontario to the main electricity grid through construction of 1,800 kilometres of transmission lines. Fortis maintains a 39% equity investment in the Wataynikanayap Power Limited Partnership. The initial phase of the project to connect the Pikangikum First Nation to Ontario's power grid was fully funded by the Canadian government and was completed in late 2018.

In April 2019 the Ontario Energy Board approved the leave-to-construct application. The project's next significant milestones include environmental assessment approvals, selection of engineering, procurement and construction contracts, and the finalization of financing. The estimated total capital cost for the project is approximately $1.6 billion, with the next two phases of the project targeted for completion by the end of 2020 and 2023, respectively.

BUSINESS RISK MANAGEMENT

The Corporation’s business risks are generally consistent with those disclosed in its 2018 annual MD&A. See "Regulatory Developments" on page 7 and "Capital Structure and Credit Ratings" on page 11 for requisite updates.

OFF-BALANCE SHEET ARRANGEMENTS

There were no significant changes to off-balance sheet arrangements from that disclosed in the 2018 annual MD&A.

FINANCIAL INSTRUMENTS

Derivatives

The Corporation records all derivatives at fair value, with certain exceptions including those derivatives that qualify for the normal purchase and normal sale exception.

The 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 2018 annual MD&A. Additional details are provided in Note 15 to the Interim Financial Statements.

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 March 31, 2019, the carrying value of long-term debt, including current portion, was $23,989 million (December 31, 2018 - $24,231 million) compared to an estimated fair value of $25,822 million (December 31, 2018 - $25,110 million). These fair values were calculated in the manner described in the Corporation's 2018 annual MD&A and in Note 15 to the Interim Financial Statements.

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 quarters ended March 31, 2019 and 2018. Additional details are provided in Note 5 to the Interim Financial Statements.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue *($ millions)*	Common Equity Earnings *($ millions)*	Basic EPS *($)*	Diluted EPS *($)*
March 31, 2019	**2,436**	**311**	**0.72**	**0.72**
December 31, 2018	2,206	261	0.61	0.61
September 30, 2018	2,040	276	0.65	0.65
June 30, 2018	1,947	240	0.57	0.57
March 31, 2018	2,197	323	0.77	0.76
December 31, 2017	2,111	134	0.32	0.31
September 30, 2017	1,901	278	0.66	0.66
June 30, 2017	2,015	257	0.62	0.62

These quarterly results reflect organic growth, growth from acquisitions net of transaction costs, the timing and recognition of regulatory decisions, and seasonality associated with electricity and gas demand. Revenue is also affected by the cost of fuel, purchased power and natural gas that is flowed through to customers without markup. Given the diversified nature of the Corporation's subsidiaries, seasonality varies. Earnings of the gas utilities tend to be highest in the first and fourth quarters due to space-heating requirements. Earnings of the electric distribution utilities in the United States tend to be highest in the second and third quarters due to the use of air conditioning and other cooling equipment.

March 2019 / March 2018: Common Equity Earnings were $311 million, or $0.72 per common share, for the first quarter of 2019 compared to $323 million or $0.77 per common share, for the first quarter of 2018. See "Performance Overview" on page 2.

December 2018 / December 2017: Common Equity Earnings were $261 million, or $0.61 per common share, for the fourth quarter of 2018 compared to $134 million, or $0.32 per common share, for the fourth quarter of 2017. The increase in earnings was due primarily to: (i) a $146 million increase in 2017 income tax expense associated with deferred tax remeasurements under U.S. tax reform; and (ii) a $14 million decrease in 2018 income tax expense associated with deferred tax remeasurements related to assets held for sale, partially offset by; (iii) a $21 million unrealized foreign exchange gain on a US-dollar denominated affiliate loan in 2017.

September 2018 / September 2017: Common Equity Earnings were $276 million, or $0.65 per common share, for the third quarter of 2018 compared to $278 million, or $0.66 per common share, for the third quarter of 2017. The decrease in earnings was due primarily to: (i) the receipt of a break fee associated with the termination of the Waneta Dam purchase agreement recognized in the third quarter of 2017; and (ii) lower earnings from Aitken Creek related to unrealized net losses on the mark-to-market of natural gas derivatives quarter over quarter. These were partially offset by: (i) rate base growth driven by ITC; (ii) higher electricity sales at UNS Energy; (iii) stronger overall performance at the Canadian and Caribbean utilities, tempered by higher operating and interest expenses at FortisBC Energy; and (iv) favourable foreign exchange of $10 million.

June 2018 / June 2017: Common Equity Earnings were $240 million, or $0.57 per common share, for the second quarter of 2018 compared to $257 million, or $0.62 per common share, for the second quarter of 2017. The decrease in earnings was due primarily to: (i) lower earnings from Aitken Creek related to unrealized net losses on the mark-to-market of natural gas derivatives quarter over quarter; (ii) the impact of U.S. tax reform; (iii) unfavourable foreign exchange of $7 million; and (iv) the favourable 2017 settlement at UNS Energy of matters pertaining to FERC-ordered transmission refunds. These were partially offset by the 2018 settlement of FortisTCI's business interruption insurance claim related to the impact of Hurricane Irma, and growth in rate base.

CRITICAL ACCOUNTING ESTIMATES

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

There were no material changes to the nature of the Corporation's critical accounting estimates or contingencies from that disclosed in the 2018 annual MD&A.

ACCOUNTING POLICY CHANGES

Leases

Effective January 1, 2019, the Corporation adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, that requires lessees to recognize a right-of-use asset and lease liability for all leases with a lease term greater than 12 months, along with additional disclosures. Fortis applied the transition provisions of the new standard as of the adoption date and did not retrospectively adjust prior periods in accordance with the modified retrospective approach. Fortis elected a package of implementation options, referred to as practical expedients, that allowed it to not reassess: (i) whether existing contracts, including land easements, are or contain a lease; (ii) the classification of existing leases; or (iii) the initial direct costs for existing leases. Fortis also utilized the hindsight practical expedient to determine the lease term. Upon adoption, Fortis did not identify or record an adjustment to the opening balance of retained earnings, and there was no impact on net earnings or cash flows. Refer to Note 9 to the Interim Financial Statements for more detail.

Hedging

Effective January 1, 2019 the Corporation adopted ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities,* which better aligns risk management activities and financial reporting for hedging relationships through changes to designation, measurement, presentation and disclosure guidance. Adoption did not have a material impact on the Interim Financial Statements and related disclosures.

Fair Value Measurement Disclosures

Effective January 1, 2019, the Corporation adopted elements of ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement,* that are allowed to be early adopted. This ASU improves the effectiveness of financial statement note disclosures by clarifying what is required and important to users of the financial statements. The partial adoption of this update removed the following disclosures: (a) the amount of, and reasons for, transfers between level 2 and level 3 of the fair value hierarchy; (b) the policy for timing of transfers between levels; and (c) the valuation processes for level 3 fair value measurements.

FUTURE ACCOUNTING PRONOUNCEMENTS

Financial Instruments
ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, issued in June 2016, is effective for Fortis January 1, 2020 and is to be applied on a modified retrospective basis. Principally, it requires entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to estimate credit losses. Adoption is not expected to have a material impact on the consolidated financial statements and related disclosures.

Pensions and Other Post-Retirement Plan Disclosures
ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*, issued in August 2018, is effective for Fortis January 1, 2021 and is to be applied on a retrospective basis for all periods presented. Principally, it modifies the disclosure requirements for employers with defined pension or other post-retirement plans and clarifies disclosure requirements. In particular, it removes the following disclosures: (a) the amounts in accumulated other comprehensive income expected to be recognized as components of net period benefit costs over the next fiscal period; (b) the amount and timing of plan assets expected to be returned to the employer; and (c) the effects of a one-percentage-point change on the assumed health care costs and the change in rates on service cost, interest cost and the benefit obligation for post-retirement health care benefits.

OUTLOOK

Over the long term, Fortis is well positioned to enhance shareholder value through the execution of its capital expenditure plan, the balance and strength of its diversified portfolio of utility businesses, and growth opportunities within and proximate to its service territories.

The Corporation's $17.3 billion five-year capital plan is expected to increase rate base from $26.1 billion in 2018 to $32 billion in 2021 and $35.5 billion in 2023, translating into three- and five-year compound average growth rates of 7.1% and 6.3%, respectively. The five-year capital plan addresses system capacity and improves safety and reliability for the benefit of customers through investments that enhance resiliency and improve the performance of the electricity grid. The plan also addresses natural gas system capacity and gas line network integrity, increases cybersecurity protection and will enable the grid to deliver cleaner energy.

Fortis expects long-term sustainable growth in rate base to support continuing growth in earnings and dividends. Fortis is targeting average annual dividend growth of approximately 6% through 2023. This dividend guidance takes into account many factors, including the expectation of reasonable outcomes for regulatory proceedings at the Corporation's utilities, the successful execution of the five-year capital plan, and management's continued confidence in the strength of the Corporation's diversified portfolio of utilities and record of operational excellence.

FORWARD-LOOKING INFORMATION

Fortis includes forward-looking information and statements in the MD&A within the meaning of applicable Canadian securities laws and the U.S. Private Securities Litigation Reform Act of 1995, collectively referred to as "forward-looking information", which 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: targeted average annual dividend growth through 2023; forecast capital expenditures for the period 2019 through 2023 and potential funding sources for the capital plan; expected timing of filing of regulatory applications and outcome of regulatory decisions; expected or potential funding sources for operating expenses, interest costs and capital expenditure plans; the expectation that maintaining the targeted capital structure of the regulated operating subsidiaries will not have an impact on its 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 remain compliant with debt covenants throughout 2019; the nature, timing, benefits, funding sources and expected costs of certain capital projects including the Oso Grande Wind Project and the Wataynikaneyap Transmission Power Project; the expectation that the adoption of future accounting pronouncements *will not have a material impact on the Corporation's consolidated financial statements; forecast rate base for the period 2019 through 2023; and the expectation that capital investment will support growth in earnings and dividends.*

Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking information, including, without limitation: reasonable regulatory decisions and regulatory stability; no material capital project and financing cost overruns; no significant decline in capital spending or significant project delays; sufficient human resources to deliver service and execute the capital expenditure plan; the Board of Directors 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.

Forward-looking information involves significant risks, uncertainties and assumptions. 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 Risk Management" in the 2018 annual MD&A and in other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and the Securities and Exchange Commission.

All forward-looking information herein is given as of April 30, 2019. 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.

FORTIS INC.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2019 and 2018
(Unaudited)

FORTIS INC.

Condensed Consolidated Interim Balance Sheets (Unaudited)

As at

(in millions of Canadian dollars)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	**$ 233**	$ 332
Accounts receivable and other current assets	**1,452**	1,357
Prepaid expenses	**85**	84
Inventories	**368**	398
Regulatory assets (Note 6)	**330**	324
Assets held for sale (Note 7)	**757**	766
Total current assets	**3,225**	3,261
Other assets	**609**	552
Regulatory assets (Note 6)	**2,902**	2,854
Property, plant and equipment, net	**32,593**	32,654
Intangible assets, net	**1,178**	1,200
Goodwill	**12,298**	12,530
Total assets	**$ 52,805**	$ 53,051
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (Note 8)	**$ 169**	$ 60
Accounts payable and other current liabilities	**2,220**	2,289
Regulatory liabilities (Note 6)	**657**	656
Current installments of long-term debt (Note 8)	**1,237**	926
Current installments of finance leases (Note 9)	**236**	252
Liabilities associated with assets held for sale (Note 7)	**69**	69
Total current liabilities	**4,588**	4,252
Other liabilities	**1,220**	1,138
Regulatory liabilities (Note 6)	**2,907**	2,970
Deferred income taxes	**2,720**	2,686
Long-term debt (Note 8)	**22,611**	23,159
Finance leases (Note 9)	**339**	390
Total liabilities	**34,385**	34,595
Commitments and contingencies (Note 16)		
Equity		
Common shares (1)	**11,997**	11,889
Preference shares	**1,623**	1,623
Additional paid-in capital	**12**	11
Accumulated other comprehensive income	**695**	928
Retained earnings	**2,200**	2,082
Shareholders' equity	**16,527**	16,533
Non-controlling interests	**1,893**	1,923
Total equity	**18,420**	18,456
Total liabilities and equity	**$ 52,805**	$ 53,051

(1) No par value. Unlimited authorized shares; 430.9 million and 428.5 million issued and outstanding as at March 31, 2019 and December 31, 2018, respectively

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Earnings (Unaudited)

For the quarter ended March 31

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

	Quarter Ended	
	2019	2018
Revenue	**$ 2,436**	$ 2,197
Expenses		
Energy supply costs	**833**	729
Operating expenses	**616**	553
Depreciation and amortization	**334**	302
Total expenses	**1,783**	1,584
Operating income	**653**	613
Other income, net (Note 11)	**38**	9
Finance charges	**269**	236
Earnings before income tax expense	**422**	386
Income tax expense	**66**	22
Net earnings	**$ 356**	$ 364
Net earnings attributable to:		
Non-controlling interests	**$ 28**	$ 25
Preference equity shareholders	**17**	16
Common equity shareholders	**311**	323
	$ 356	$ 364
Earnings per common share (Note 13)		
Basic	**$ 0.72**	$ 0.77
Diluted	**$ 0.72**	$ 0.76

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited)

For the quarter ended March 31

(in millions of Canadian dollars)

	Quarter Ended	
	2019	2018
Net earnings	**$ 356**	$ 364
Other comprehensive income (loss)		
Unrealized foreign currency translation (losses) gains, net of hedging activities and income tax expense of $5 million and $nil, respectively	**(266)**	306
Comprehensive income	**$ 90**	$ 670
Comprehensive income (loss) attributable to:		
Non-controlling interests	**$ (5)**	$ 64
Preference equity shareholders	**17**	16
Common equity shareholders	**78**	590
	$ 90	$ 670

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)
For the quarter ended March 31
(in millions of Canadian dollars)

	Quarter Ended 2019	2018
Operating activities		
Net earnings	**$ 356**	$ 364
Adjustments to reconcile net earnings to cash from operating activities:		
Depreciation - property, plant and equipment	**298**	269
Amortization - intangible assets	**30**	26
Amortization - other	**6**	7
Deferred income tax expense (recovery)	**23**	(15)
Equity component of allowance for funds used during construction (Note 11)	**(18)**	(15)
Other	**34**	14
Change in long-term regulatory assets and liabilities	**(50)**	40
Change in working capital (Note 14)	**(138)**	(101)
Cash from operating activities	**541**	589
Investing activities		
Capital expenditures - property, plant and equipment	**(712)**	(655)
Capital expenditures - intangible assets	**(28)**	(30)
Contributions in aid of construction	**26**	27
Other	**(18)**	(20)
Cash used in investing activities	**(732)**	(678)
Financing activities		
Proceeds from long-term debt, net of issuance costs	**72**	320
Repayments of long-term debt and finance leases	**(17)**	(146)
Borrowings under committed credit facilities	**1,463**	1,166
Repayments under committed credit facilities	**(1,418)**	(1,106)
Net change in short-term borrowings	**117**	(2)
Issue of common shares, net of costs and dividends reinvested	**32**	15
Dividends		
Common shares, net of dividends reinvested	**(118)**	(116)
Preference shares	**(17)**	(16)
Subsidiary dividends paid to non-controlling interests	**(32)**	(24)
Other	**12**	(2)
Cash from financing activities	**94**	89
Effect of exchange rate changes on cash and cash equivalents	**(8)**	6
Change in cash and cash equivalents	**(105)**	6
Change in cash associated with assets held for sale (Note 7)	**6**	—
Cash and cash equivalents, beginning of period	**332**	327
Cash and cash equivalents, end of period	**$ 233**	$ 333

Supplementary Cash Flow Information (Note 14)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

For the quarter ended March 31

(in millions of Canadian dollars, except share numbers)

	Common Shares (*# millions*)	Common Shares	Preference Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total Equity
As at December 31, 2018	**428.5**	**$ 11,889**	**$ 1,623**	**$ 11**	**$ 928**	**$ 2,082**	**$ 1,923**	**$ 18,456**
Net earnings	**—**	**—**	**—**	**—**	**—**	**328**	**28**	**356**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(233)**	**—**	**(33)**	**(266)**
Common shares issued	**2.4**	**108**	**—**	**(2)**	**—**	**—**	**—**	**106**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(32)**	**(32)**
Dividends declared on common shares ($0.45 per share)	**—**	**—**	**—**	**—**	**—**	**(193)**	**—**	**(193)**
Dividends declared on preference shares	**—**	**—**	**—**	**—**	**—**	**(17)**	**—**	**(17)**
Other	**—**	**—**	**—**	**3**	**—**	**—**	**7**	**10**
As at March 31, 2019	**430.9**	**$ 11,997**	**$ 1,623**	**$ 12**	**$ 695**	**$ 2,200**	**$ 1,893**	**$ 18,420**
As at December 31, 2017	421.1	$ 11,582	$ 1,623	$ 10	$ 61	$ 1,727	$ 1,746	$ 16,749
Net earnings	—	—	—	—	—	339	25	364
Other comprehensive income	—	—	—	—	267	—	39	306
Common shares issued	1.9	77	—	(1)	—	—	—	76
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(24)	(24)
Dividends declared on common shares ($0.425 per share)	—	—	—	—	—	(180)	—	(180)
Dividends declared on preference shares	—	—	—	—	—	(16)	—	(16)
Other	—	—	—	—	—	—	1	1
As at March 31, 2018	423.0	$ 11,659	$ 1,623	$ 9	$ 328	$ 1,870	$ 1,787	$ 17,276

See accompanying Notes to Condensed Consolidated Interim Financial Statements

1. DESCRIPTION OF BUSINESS

Nature of Operations

Fortis Inc. ("Fortis" or the "Corporation") is principally a 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. 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 United States are generally highest in the second and third quarters due to the use of air conditioning and other cooling equipment.

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

Regulated Utilities

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

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

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

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

FortisAlberta: Represents FortisAlberta Inc., operating in Canada.

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

Other Electric: Comprised of utilities in Eastern Canada and the Caribbean as follows: Newfoundland Power Inc.; 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 ("BEL").

Non-Regulated

Energy Infrastructure: Primarily comprised of long-term contracted generation assets in British Columbia and 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 the non-regulated holding company FortisBC Holdings Inc ("FHI") of FortisBC Energy.

2. REGULATORY MATTERS

Regulation of the Corporation's utilities is generally consistent with that disclosed in its 2018 annual audited consolidated financial statements ("2018 Annual Financial Statements"). A summary of significant regulatory developments year-to-date 2019 follows.

ITC

In March 2019 the Federal Energy Regulatory Commission ("FERC") issued a notice of inquiry seeking comments on whether and how to improve its electric transmission incentives policy. The outcome may impact the existing incentive adders that are included in transmission rates charged by transmission owners, including ITC.

In March 2019 FERC issued a second notice of inquiry seeking comments on whether and how recent policies concerning the determination of the base rate of return on common equity ("ROE") for electric utilities should be modified. The outcome may impact ITC's future base ROE.

Refer to the Corporation's 2018 Annual Financial Statements for further information on ITC's incentive adders and ROE complaints.

UNS Energy

In April 2019 TEP filed a general rate application with the Arizona Corporation Commission requesting an increase in non-fuel revenue of US$115 million effective May 1, 2020 with electricity rates based on a 2018 test year. The filing includes a request to increase TEP's allowed ROE to 10.35% from 9.75% and the equity component of its capital structure to 53% from 50% on a rate base of US$2.7 billion. A decision is expected in 2020.

FortisBC Energy and FortisBC Electric

In March 2019 FortisBC Energy and FortisBC Electric filed applications with the British Columbia Utilities Commission requesting approval of a multi-year rate plan and rate-setting methodology for 2020 through 2024. A decision is expected in 2020.

FortisAlberta

In December 2018 the Alberta Utilities Commission ("AUC") initiated a generic cost of capital proceeding to consider a formula-based approach to setting the allowed ROE beginning in 2021 and whether any process changes are necessary for determining capital structure in years in which a ROE formula is in place. In April 2019 the AUC determined that a traditional non-formulaic approach for assessing ROE and deemed capital structure would be used in 2021, with consideration of a formula-based approach for determining the allowed ROE for 2022 and subsequent years.

3. ACCOUNTING POLICIES

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

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

These Interim Financial Statements do not include all of the disclosures required in the annual financial statements and should be read in conjunction with the Corporation's 2018 Annual Financial Statements. In management's opinion, these Interim Financial Statements include all adjustments that are of a normal recurring nature, necessary for fair presentation.

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

The accounting policies applied herein are consistent with those outlined in the Corporation's 2018 Annual Financial Statements, except as described below.

New Accounting Policies

Leases
Effective January 1, 2019, the Corporation adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, that requires lessees to recognize a right-of-use asset and lease liability for all leases with a lease term greater than 12 months, along with additional disclosures (Note 9).

At lease inception, the right-of-use asset and liability are both measured at the present value of future lease payments, excluding variable payments that are based on usage or performance. Future lease payments include both lease components (e.g., rent, real estate taxes and insurance costs) and non-lease components (e.g., common area maintenance costs), which Fortis accounts for as a single lease component. The present value is calculated using the rate implicit in the lease or a lease-specific secured interest rate based on the remaining lease term. Renewal options are included in the lease term when it is reasonably certain that the option will be exercised.

Leases with a term of 12 months or less are not recorded on the balance sheet but are recognized as lease expense on a straight-line basis over the lease term.

Fortis applied the transition provisions of the new standard as of the adoption date and did not retrospectively adjust prior periods in accordance with the modified retrospective approach. Fortis elected a package of implementation options, referred to as practical expedients, that allowed it to not reassess: (i) whether existing contracts, including land easements, are or contain a lease; (ii) the classification of existing leases; or (iii) the initial direct costs for existing leases. Fortis also utilized the hindsight practical expedient to determine the lease term. Upon adoption, Fortis did not identify or record an adjustment to the opening balance of retained earnings, and there was no impact on net earnings or cash flows.

Hedging
Effective January 1, 2019, the Corporation adopted ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities,* which better aligns risk management activities and financial reporting for hedging relationships through changes to designation, measurement, presentation and disclosure guidance. Adoption did not have a material impact on the Interim Financial Statements and related disclosures.

Fair Value Measurement Disclosures
Effective January 1, 2019, the Corporation adopted elements of ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement,* that are allowed to be early adopted. This ASU improves the effectiveness of financial statement note disclosures by clarifying what is required and important to users of the financial statements. The partial adoption of this update removed the following disclosures: (a) the amount of, and reasons for, transfers between level 2 and level 3 of the fair value hierarchy; (b) the policy for timing of transfers between levels; and (c) the valuation processes for level 3 fair value measurements.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

Financial Instruments
ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, issued in June 2016, is effective for Fortis January 1, 2020 and is to be applied on a modified retrospective basis. Principally, it requires entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to estimate credit losses. Adoption is not expected to have a material impact on the consolidated financial statements and related disclosures.

Pensions and Other Post-Retirement Plan Disclosures
ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*, issued in August 2018, is effective for Fortis January 1, 2021 and is to be applied on a retrospective basis for all periods presented. Principally, it modifies the disclosure requirements for employers with defined pension or other post-retirement plans and clarifies disclosure requirements. In particular, it removes the following disclosures: (a) the amounts in accumulated other comprehensive income expected to be recognized as components of net period benefit costs over the next fiscal period; (b) the amount and timing of plan assets expected to be returned to the employer; and (c) the effects of a one-percentage-point change on the assumed health care costs and the change in rates on service cost, interest cost and the benefit obligation for post-retirement health care benefits.

5. SEGMENTED INFORMATION

General

Fortis segments its business based on regulatory status 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 based 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 quarters ended March 31, 2019 and 2018.

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

	Quarter Ended March 31	
($ millions)	**2019**	2018
Sale of capacity from Waneta Expansion to FortisBC Electric	**16**	15
Lease of gas storage capacity and gas sales from Aitken Creek to FortisBC Energy	**6**	7

As at March 31, 2019, accounts receivable included approximately $14 million due from BEL (December 31, 2018 - $16 million).

The Corporation periodically provides short-term financing to subsidiaries to support capital expenditure programs, acquisitions and seasonal working capital requirements. There were no material inter-segment loans outstanding as at March 31, 2019 and December 31, 2018.

	REGULATED								NON-REGULATED			
Quarter Ended March 31, 2019 *($ millions)*	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	**Energy Infra-structure**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Revenue	408	543	277	485	145	119	426	**2,403**	**36**	**—**	**(3)**	**2,436**
Energy supply costs	—	232	92	181	—	40	287	**832**	**1**	**—**	**—**	**833**
Operating expenses	124	152	118	83	41	25	47	**590**	**14**	**15**	**(3)**	**616**
Depreciation and amortization	63	74	20	59	52	16	42	**326**	**8**	**—**	**—**	**334**
Operating income	221	85	47	162	52	38	50	**655**	**13**	**(15)**	**—**	**653**
Other income, net	10	9	4	3	1	1	1	**29**	**1**	**8**	**—**	**38**
Finance charges	77	33	11	35	25	18	20	**219**	**1**	**49**	**—**	**269**
Income tax expense	42	6	8	30	1	5	5	**97**	**—**	**(31)**	**—**	**66**
Net earnings	112	55	32	100	27	16	26	**368**	**13**	**(25)**	**—**	**356**
Non-controlling interests	20	—	—	—	—	—	3	**23**	**5**	**—**	**—**	**28**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**17**	**—**	**17**
Net earnings attributable to common equity shareholders	92	55	32	100	27	16	23	**345**	**8**	**(42)**	**—**	**311**
Goodwill	8,193	1,844	602	913	228	235	256	**12,271**	**27**	**—**	**—**	**12,298**
Total assets	19,603	10,007	3,601	6,962	4,700	2,271	4,121	**51,265**	**1,466**	**141**	**(67)**	**52,805**
Capital expenditures	236	167	64	70	107	25	56	**725**	**6**	**9**	**—**	**740**
Quarter Ended March 31, 2018 *($ millions)*												
Revenue	354	444	275	429	141	112	397	2,152	48	—	(3)	2,197
Energy supply costs	—	162	119	134	—	43	270	728	1	—	—	729
Operating expenses	103	139	105	76	42	26	45	536	13	7	(3)	553
Depreciation and amortization	56	65	17	55	47	15	39	294	8	—	—	302
Operating income	195	78	34	164	52	28	43	594	26	(7)	—	613
Other income, net	10	2	2	1	—	1	(1)	15	—	(6)	—	9
Finance charges	68	25	10	33	25	10	19	190	1	45	—	236
Income tax expense	32	5	5	34	—	3	4	83	2	(63)	—	22
Net earnings	105	50	21	98	27	16	19	336	23	5	—	364
Non-controlling interests	19	—	—	—	—	—	1	20	5	—	—	25
Preference share dividends	—	—	—	—	—	—	—	—	—	16	—	16
Net earnings attributable to common equity shareholders	86	50	21	98	27	16	18	316	18	(11)	—	323
Goodwill	7,913	1,781	582	913	227	235	249	11,900	27	—	—	11,927
Total assets	18,291	8,875	3,312	6,426	4,462	2,224	3,888	47,478	1,559	106	(60)	49,083
Capital expenditures	223	125	48	86	119	29	53	683	2	—	—	685

6. REGULATORY ASSETS AND LIABILITIES

Detailed information about the Corporation's regulatory assets and liabilities is provided in Note 9 to the 2018 Annual Financial Statements. A summary follows.

	As at	
($ millions)	**March 31, 2019**	December 31, 2018
Regulatory assets		
Deferred income taxes	**1,543**	1,532
Employee future benefits	**470**	485
Deferred energy management costs	**239**	230
Rate stabilization and related accounts	**128**	90
Deferred lease costs	**119**	110
Deferred operating overhead costs	**108**	103
Generation early retirement costs	**93**	98
Manufactured gas plant site remediation deferral	**68**	73
Derivatives	**65**	57
Other regulatory assets	**399**	400
Total regulatory assets	**3,232**	3,178
Less: Current portion	**(330)**	(324)
Long-term regulatory assets	**2,902**	2,854
Regulatory liabilities		
Deferred income taxes	**1,534**	1,574
Asset removal cost provision	**1,166**	1,169
ROE complaints liability	**204**	206
Rate stabilization and related accounts	**191**	220
Energy efficiency liability	**101**	106
Renewable energy surcharge	**87**	85
Electric and gas moderator account	**55**	60
Other regulatory liabilities	**226**	206
Total regulatory liabilities	**3,564**	3,626
Less: Current portion	**(657)**	(656)
Long-term regulatory liabilities	**2,907**	2,970

7. ASSETS HELD FOR SALE

In 2018 Fortis solicited offers to sell its 51% ownership interest in the 335-megawatt Waneta Expansion hydroelectric generating facility ("Waneta Expansion"). In January 2019 the Corporation entered into a definitive agreement with Columbia Power Corporation ("CPC") and Columbia Basin Trust ("CBT") to sell its interest for approximately $1 billion. CPC and CBT, both 100% owned by the Government of British Columbia, are the Corporation's partners and together owned 49% of the Waneta Expansion. The related assets and liabilities were classified as held for sale and are detailed below.

On April 16, 2019, the sale was completed as expected (Note 17). FortisBC Electric will continue to operate the Waneta Expansion facility and purchase its surplus capacity.

	As at	
($ millions)	**March 31, 2019**	December 31, 2018
Cash	**$ 9**	$ 15
Accounts receivable and other current assets	**5**	3
Property, plant and equipment	**713**	718
Intangible assets	**30**	30
Total assets held for sale	**$ 757**	$ 766
Accounts payable and other current liabilities	**$ 1**	$ 2
Other liabilities	**68**	67
Total liabilities associated with assets held for sale	**$ 69**	$ 69

The non-controlling interest of $320 million (December 31, 2018 - $324 million) was classified in equity.

For the three months ended March 31, 2019, the Waneta Expansion contributed $10 million (for the year ended December 31, 2018 - $54 million) to earnings before income tax expense, of which 51% was attributable to common equity shareholders.

8. LONG-TERM DEBT

	As at	
($ millions)	**March 31, 2019**	December 31, 2018
Long-term debt	**22,894**	23,165
Credit facility borrowings	**1,095**	1,066
Total long-term debt	**23,989**	24,231
Less: Deferred financing costs and debt discounts	**(141)**	(146)
Less: Current installments of long-term debt	**(1,237)**	(926)
	22,611	23,159

The long-term debt issuances for the three months ended March 31, 2019 are summarized below.

($ millions, except %)	**Month Issued**	**Interest Rate** *(%)*	**Maturity**	**Amount**	**Use of Proceeds**
ITC - Secured Notes	January	4.55	2049	US 50	*(1)(2)(3)*
FortisTCI - Unsecured non-revolving term loan *(4)*	February	*(5)*	2025	US 5	*(2)(3)*

(1) *Repay credit facility borrowings*
(2) *Finance capital expenditures*
(3) *General corporate purposes*
(4) *Maximum amount of borrowings under this agreement of US$10 million has been withdrawn.*
(5) *Floating rate of a one-month LIBOR plus a spread of 1.75%*

Credit Facilities

As at March 31, 2019, the Corporation and its subsidiaries had consolidated credit facilities of approximately $5.2 billion, of which approximately $3.8 billion was unused, including $1.1 billion unused under the Corporation's committed revolving corporate credit facility, as follows.

			As at	
($ millions)	Regulated Utilities	Corporate and Other	**March 31, 2019**	December 31, 2018
Total credit facilities	3,836	1,381	**5,217**	5,165
Credit facilities utilized:				
Short-term borrowings [(1)]	(169)	—	**(169)**	(60)
Long-term debt (including current portion) [(2)]	(851)	(244)	**(1,095)**	(1,066)
Letters of credit outstanding	(65)	(53)	**(118)**	(119)
Credit facilities unutilized	2,751	1,084	**3,835**	3,920

[(1)] *The weighted average interest rate was approximately 3.2% (December 31, 2018 - 4.2%).*
[(2)] *The weighted average interest rate was approximately 2.9% (December 31, 2018 - 3.3%). The current portion was $776 million (December 31, 2018 - $735 million).*

Credit facilities are syndicated primarily with large banks in Canada and the United States, with no one bank holding more than 20% of the total facilities. Approximately $4.9 billion of the total credit facilities are committed facilities with maturities ranging from 2019 through 2024.

There were no material changes in credit facilities, other than the amounts utilized, from that disclosed in the Corporation's 2018 Annual Financial Statements.

9. LEASES

The Corporation and its subsidiaries lease office facilities, utility equipment, land, and communication tower space with remaining terms of up to 23 years, with optional renewal terms. Certain lease agreements include rental payments adjusted periodically for inflation or require the payment of real estate taxes, insurance, maintenance, or other operating expenses associated with the lease premises.

The Corporation's subsidiaries also have finance leases related to generating facilities with remaining terms of up to 37 years.

Leases were presented on the balance sheet as follows.

	As at
($ millions)	**March 31, 2019**
Operating Leases	
Other assets	**45**
Accounts payable and other current liabilities	**7**
Other liabilities	**37**
Finance Leases	
Regulatory assets	**119**
Property, plant and equipment, net	**442**
Current installments of finance leases	**236**
Finance leases	**339**

The components of lease expense were as follows.

($ millions)	**Quarter Ended March 31, 2019**
Operating lease cost	**2**
Finance lease cost:	
Amortization	**4**
Interest	**12**
Variable lease cost	**9**
Total lease cost	**27**

For the three months ended March 31, 2018, operating lease cost was $2 million.

As of March 31, 2019, the present value of minimum lease payments was as follows.

($ millions)	Operating Leases	Finance Leases	**Total**
April - December 2019	7	263	**270**
2020	8	59	**67**
2021	7	32	**39**
2022	6	33	**39**
2023	5	33	**38**
Thereafter	23	1,109	**1,132**
	56	1,529	**1,585**
Less: Imputed interest	(12)	(954)	**(966)**
Total lease obligations	44	575	**619**
Less: Current installments	(7)	(236)	**(243)**
	37	339	**376**

As at December 31, 2018, the present value of minimum lease payments was as follows.

($ millions)	Total
2019	313
2020	77
2021	80
2022	49
2023	47
Thereafter	1,885
	2,451
Less: Imputed interest and executory costs	(1,809)
Total capital lease and finance obligations	642
Less: Current installments	(252)
	390

Supplemental lease information was as follows.	As at March 31, 2019
Weighted-Average Remaining Lease Term *(years)*	
Operating leases	**10**
Finance leases	**22**
Weighted-Average Discount Rate *(%)*	
Operating leases	**4.2**
Finance leases	**5.4**

($ millions)	Quarter ended March 31, 2019
Cash Payments Included in Lease Liabilities	
Operating cash flows used in operating leases	**(2)**
Operating cash flows used in finance leases	**(5)**
Financing cash flows used in finance leases	**(15)**
Right-of-Use Assets Obtained in Exchange for New Lease Liabilities	
Operating leases	**46**

10. EMPLOYEE FUTURE BENEFITS

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

	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2019**	2018	**2019**	2018
Quarter Ended March 31				
Components of net benefit cost				
Service costs	**19**	21	**7**	8
Interest costs	**31**	28	**6**	6
Expected return on plan assets	**(40)**	(40)	**(4)**	(4)
Amortization of actuarial losses (gains)	**6**	12	**(1)**	—
Amortization of past service credits/plan amendments	**—**	—	**(2)**	(3)
Regulatory adjustments	**1**	—	**2**	1
Net benefit cost	**17**	21	**8**	8

Defined contribution pension plan expense for the three months ended March 31, 2019 was $12 million (three months ended March 31, 2018 - $11 million).

11. OTHER INCOME, NET

($ millions)	Quarter ended March 31 **2019**	2018
Equity component of allowance for funds used during construction	**18**	15
Derivative gains (losses)	**7**	(4)
Interest income	**4**	4
Other	**9**	(6)
	38	9

12. INCOME TAXES

For the three months ended March 31, 2019 and 2018, the Corporation's effective tax rates were 16% and 6%, respectively. The increase in the effective tax rate was driven primarily by a one-time $30 million remeasurement of the Corporation's deferred income tax liabilities in 2018, which resulted from an election to file a consolidated state income tax return.

13. EARNINGS PER COMMON SHARE

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

	2019			2018		
	Net Earnings to Common Shareholders *($ millions)*	**Weighted Average Shares *(# millions)***	**EPS *($)***	Net Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(# millions)*	EPS *($)*
Quarter Ended March 31						
Basic EPS	**311**	**429.5**	**0.72**	323	422.0	0.77
Potential dilutive effect of stock options	**—**	**0.6**		—	0.5	
Diluted EPS	**311**	**430.1**	**0.72**	323	422.5	0.76

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Quarter Ended March 31	
($ millions)	**2019**	2018
Change in working capital		
Accounts receivable and other current assets	**(102)**	(16)
Prepaid expenses	**(3)**	3
Inventories	**23**	52
Regulatory assets - current portion	**(6)**	10
Accounts payable and other current liabilities	**(57)**	(107)
Regulatory liabilities - current portion	**7**	(43)
	(138)	(101)
Non-cash investing and financing activities		
Accrued capital expenditures	**298**	272
Right-of-use assets obtained in exchange for operating lease liabilities	**46**	—
Contributions in aid of construction	**13**	(19)
Common share dividends reinvested	**75**	63
Exercise of stock options into common shares	**2**	1

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivatives

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

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

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

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

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

FortisBC Energy holds gas supply contracts to fix the effective purchase price of natural gas. Fair values reflect the present value of future cash flows based on published market prices and forward natural gas curves.

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 March 31, 2019, unrealized losses of $65 million (December 31, 2018 - $57 million) were recognized as regulatory assets and unrealized gains of $16 million (December 31, 2018 - $9 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 are shared with customers through rate stabilization accounts. Fair values were measured using a market approach using independent third-party information, where possible.

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

Unrealized gains or losses associated with changes in the fair value of these energy contracts are recognized in revenue and were not material for the three months ended March 31, 2019 and 2018.

Total return swaps
The Corporation holds total return swaps to manage the cash flow risk associated with forecasted future cash settlements of certain stock-based compensation obligations. The swaps have a combined notional amount of $36 million and terms of two and three years expiring in January 2020 and 2021. Fair value was measured using an income valuation approach based on forward pricing curves. Unrealized gains and losses associated with changes in the fair value of the total return swaps are recognized in other income, net and were not material for the three months ended March 31, 2019 and 2018.

Foreign exchange contracts
The Corporation holds US dollar foreign exchange contracts to help mitigate exposure to volatility of foreign exchange rates. The contracts expire in 2019 and 2020, and have a combined notional amount of $163 million. Fair value was measured using independent third-party information. Unrealized gains and losses associated with changes in fair value are recognized in other income, net and were not material for the three months ended March 31, 2019 and 2018.

Other investments
ITC, UNS Energy and Central Hudson hold investments in trust associated with supplemental retirement benefit plans for select employees. These investments consist of mutual funds and money market accounts, which are recorded at fair value based on quoted market prices in active markets. Gains and losses on these funds are recognized in other income, net and were not material for the three months ended March 31, 2019 and 2018.

Recurring Fair Value Measures

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

($ millions)	**Level 1** [(1)]	**Level 2** [(1)]	**Level 3** [(1)]	**Total**
As at March 31, 2019				
Assets				
Energy contracts subject to regulatory deferral [(2) (3)]	**—**	**38**	**12**	**50**
Energy contracts not subject to regulatory deferral [(2)]	**—**	**8**	**2**	**10**
Total return swaps [(2)]	**4**	**—**	**—**	**4**
Other investments [(4)]	**131**	**—**	**—**	**131**
	135	**46**	**14**	**195**
Liabilities				
Energy contracts subject to regulatory deferral [(3) (5)]	**—**	**(84)**	**(15)**	**(99)**
Energy contracts not subject to regulatory deferral [(5)]	**—**	**(4)**	**—**	**(4)**
Foreign exchange contracts [(5)]	**(4)**	**—**	**—**	**(4)**
	(4)	**(88)**	**(15)**	**(107)**
As at December 31, 2018				
Assets				
Energy contracts subject to regulatory deferral [(2) (3)]	—	33	8	41
Energy contracts not subject to regulatory deferral [(2)]	—	13	3	16
Other investments [(4)]	155	—	—	155
	155	46	11	212
Liabilities				
Energy contracts subject to regulatory deferral [(3) (5)]	—	(86)	(3)	(89)
Energy contracts not subject to regulatory deferral [(5)]	—	(1)	—	(1)
Foreign exchange contracts, interest rate and total return swaps [(5)]	(8)	(1)	—	(9)
	(8)	(88)	(3)	(99)

(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. The change in level 3 from December 31, 2018 was immaterial.*
(2) *Included in accounts receivable and other current assets or other assets*
(3) *Unrealized gains and losses arising from changes in fair value of these contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates as permitted by the regulators, with the exception of long-term wholesale trading contracts and certain gas swap contracts.*
(4) *Included in other assets*
(5) *Included in accounts payable and other current liabilities or other liabilities*

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

Energy Contracts *($ millions)*	**Gross Amount Recognized in Balance Sheet**	**Counterparty Netting of Energy Contracts**	**Cash Collateral Received / Posted**	**Net Amount**
As at March 31, 2019				
Derivative assets	**60**	**35**	**56**	**(31)**
Derivative liabilities	**(103)**	**(35)**	**—**	**(68)**
As at December 31, 2018				
Derivative assets	57	28	16	13
Derivative liabilities	(90)	(28)	—	(62)

Volume of Derivative Activity

As at March 31, 2019, 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	
	March 31, 2019	December 31, 2018
Energy contracts subject to regulatory deferral [(1)]		
Electricity swap contracts *(GWh)*	**407**	774
Electricity power purchase contracts *(GWh)*	**2,838**	651
Gas swap contracts *(PJ)*	**190**	203
Gas supply contract premiums *(PJ)*	**245**	266
Energy contracts not subject to regulatory deferral [(1)]		
Wholesale trading contracts *(GWh)*	**706**	1,440
Gas swap contracts *(PJ)*	**35**	37

(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.

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

FortisAlberta has a concentration of credit risk as distribution service billings are to a relatively small group of retailers. The Company reduces its exposure by obtaining from the retailers either a cash deposit, bond, letter of credit, an investment-grade credit rating from a major rating agency, 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 limited 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 $116 million as of March 31, 2019 (December 31, 2018 - $75 million).

Foreign Exchange Hedge

The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI and Belize Electric Company Limited is the US dollar. The Corporation's earnings from, and net investments in, foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has decreased this exposure by designating US dollar-denominated borrowings at the corporate level as a hedge of its net investment in foreign subsidiaries. The foreign exchange gain or loss on the translation of US dollar-denominated interest expense partially offsets the foreign exchange gain or loss on the translation of US dollar-denominated subsidiary earnings.

As at March 31, 2019, US$3,363 million (December 31, 2018 - US$3,441 million) of net investment in foreign subsidiaries was hedged by the Corporation's corporately issued US dollar-denominated long-term debt and approximately US$8,102 million (December 31, 2018 - US$7,970 million) was 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 March 31, 2019, the carrying value of long-term debt, including current portion, was $23,989 million (December 31, 2018 - $24,231 million) compared to an estimated fair value of $25,822 million (December 31, 2018 - $25,110 million). Long-term debt is fair valued using level 2 inputs.

The fair value of long-term debt is calculated using quoted market prices or, when unavailable, by either: (i) discounting the associated future cash flows at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills with similar terms to maturity, plus a credit risk premium equal to that of issuers of similar credit quality; or (ii) obtaining from third parties indicative prices for the same or similarly rated issues of debt with similar maturities. Since the Corporation does not intend to settle the long-term debt prior to maturity, the excess of the estimated fair value above the carrying value does not represent an actual liability.

16. COMMITMENTS AND CONTINGENCIES

Commitments

There were no material changes in commitments from that disclosed in the Corporation's 2018 Annual Financial Statements, except as follows.

In the first quarter of 2019, FortisBC Energy entered into two separate agreements to purchase pipeline capacity on the Westcoast Pipeline over a 42-year term, beginning in the fourth quarter of 2020, increasing gas purchases obligations by a total of approximately $338 million.

In March 2019 UNS Energy entered into an agreement to develop a wind-powered electric generation facility, the Oso Grande Wind Project, which is expected to be completed by December 2020. UNS Energy expects to make payments under the agreement of US$259 million in 2019 and US$111 million in 2020, contingent upon certain performance obligations.

Contingencies

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

17. SUBSEQUENT EVENTS

On April 16, 2019, Fortis completed the sale of the Waneta Expansion (Note 7) for gross proceeds of approximately $1 billion. Fortis estimates a net after-tax gain on sale of approximately $450 million. A portion of the net proceeds were used to repay credit facility borrowings and repurchase, via a tender offer, US$400 million of its outstanding 3.055% unsecured senior notes due in 2026.