FORTIS INC.

St. John's, NL - May 6, 2020

FORTIS INC. REPORTS FIRST QUARTER 2020 EARNINGS[1]

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

Highlights
- Fortis continues to provide safe, reliable service during the COVID-19 pandemic
- First quarter 2020 net earnings were $312 million, or $0.67 per common share
- Strong rate base growth during the quarter was tempered by delayed rates and charges associated with financial market volatility in Arizona
- Capital expenditures of $1.2 billion, representing 28% of the 2020 capital plan, were completed during the first quarter
- The Corporation's five-year capital plan of $18.8 billion and dividend growth guidance remain unchanged

"The strength of our diversified business model was evident in the first quarter as our business performed well, reflecting modest impacts associated with the COVID-19 pandemic," said Barry Perry, President and Chief Executive Officer, Fortis. "Given the critical infrastructure we operate and the need to keep the lights on and natural gas flowing, we are focused on the health and safety of our employees, customers and communities, and the continued reliability of our systems."

Net Earnings
The Corporation reported first quarter net earnings attributable to common equity shareholders of $312 million, or $0.67 per common share, compared to $311 million, or $0.72 per common share, for the same period in 2019. Rate base growth at the regulated utilities, led by ITC and the Corporation's Western Canadian utilities, was tempered by a higher weighted average number of common shares outstanding, due to the Corporation's $1.2 billion common equity issuance in late 2019, and lower earnings at UNS Energy resulting from costs associated with approximately $1 billion of utility infrastructure investments spent over the past few years that have not yet been reflected in rates. While later than expected, UNS Energy anticipates new rates to be approved at Tucson Electric Power ("TEP") prior to the end of 2020. Financial market volatility also caused a decline in the market value of certain investments that support retirement benefits at UNS Energy.

Adjusted Net Earnings[2]
On an adjusted basis, first quarter net earnings attributable to common equity shareholders were $315 million, or $0.68 per common share, compared to $316 million, or $0.74 per common share, for the same period in 2019.

COVID-19 Pandemic
The uncertainty surrounding the evolution of the pandemic makes it difficult to predict the ultimate operational and financial impacts on Fortis. The Corporation's utilities continue to operate critical infrastructure and generally have regulatory mechanisms that stabilize cash flow and earnings in order for the business to continue to deliver reliable service.

[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 and may not be comparable to similar measures presented by other entities. Fortis presents these non-US GAAP measures because management and external stakeholders use them in evaluating the Corporation's financial performance and prospects. Refer to the Non-US GAAP Reconciliation provided herein.

As businesses have scaled back or closed and residential customers are spending more time at home, the COVID-19 pandemic has impacted energy sales across all of the Corporation's utilities. However, regulatory mechanisms function to protect approximately 63% of the Corporation's annual revenue from changes in sales, with the remaining 37% of revenue not protected from changes in sales, principally at UNS Energy and the Other Electric segment. Of this 37%, approximately 19% is residential and 18% is commercial and industrial. Commercial sales have decreased but are expected to be partially offset by increased residential sales as more people are expected to be working from home during the summer months. Revenue from industrial customers typically has a low contribution margin. Taken together, approximately 82% of the Corporation's revenues are protected by regulatory mechanisms or derived from residential sales.

The Corporation is well positioned from a liquidity standpoint given its debt repayments in 2019 using proceeds from its recent $1.2 billion common equity issuance and $1 billion sale of its Waneta Expansion Hydroelectric Facility. The Corporation's liquidity ranks high in its sector with $4.9 billion of liquidity available on the Corporation's consolidated credit facilities. A number of the Corporation's utilities have been active in the debt capital markets so far in 2020 and have achieved attractive outcomes. All the Corporation's utilities are in a strong financial position and will continue to fund the capital plan and work with customers and their respective regulators.

The capital plan is progressing with $1.2 billion, or 28% of the $4.3 billion 2020 capital plan, spent during the first quarter. Currently, the Corporation does not expect any material change in the 2020 capital plan; however, the impact of the COVID-19 pandemic on forecast capital expenditures will continue to be evaluated. Depending on the length and severity of the pandemic, any change in 2020 capital expenditures is expected to be shifted to subsequent years with no change to the five-year capital plan anticipated.

Fortis will continue to monitor developments and take measures it believes are warranted to protect the health and safety of employees, customers and communities, including actions based on guidance from health and other authorities.

"I'm grateful for our team and the way we quickly responded to the COVID-19 pandemic," said Mr. Perry. "Thank you to all our employees who have shown great commitment as we manage through these difficult times."

Regulatory Proceedings

In March 2020 the Federal Energy Regulatory Commission ("FERC") issued a Notice of Proposed Rulemaking proposing to update its transmission incentives policy for transmission owners, including ITC, to grant incentives to projects based upon benefits to customers regarding reliability and cost savings through the reduction of transmission congestion. FERC has proposed total return on equity ("ROE") incentives of up to 250 basis points that would not be limited by the upper end of the base ROE zone of reasonableness. The outcome of this proceeding may impact the future incentive adders that are included in transmission rates charged by transmission owners, including ITC.

In March 2020 the Arizona Corporation Commission extended the procedural schedule by 60 days related to TEP's general rate application due to the ongoing COVID-19 pandemic. Hearings are expected to resume in June with new rates approved prior to the end of 2020.

In March 2020 the Alberta Utility Commission ("AUC") suspended the generic cost of capital proceeding in response to the COVID-19 pandemic. Expert evidence was filed in January 2020 and public hearings were originally scheduled to commence in April 2020 to establish the allowed ROEs and capital structures for 2021 and 2022. The AUC will reassess this suspension every 30 to 60 days going forward.

Credit Ratings

In March 2020 Standard & Poor's Financial Services ("S&P") affirmed the Corporation's "A-" issuer and "BBB+" senior unsecured debt credit ratings. S&P recognized the steps the Corporation took in 2019 to strengthen its financial position, including the disposition of the Waneta Expansion Hydroelectric Facility and the $1.2 billion common equity issuance. S&P maintained a negative outlook reflecting uncertainty due to the COVID-19 pandemic. This negative outlook is consistent with S&P's outlook for the entire North American regulated utility industry.

In May 2020 DBRS Morningstar affirmed the Corporation's "BBB (high)" issuer and senior unsecured debt credit ratings and revised its trend to positive from stable, also recognizing the Corporation's steps to strengthen its financial position in 2019 and its continued strong business risk profile.

Outlook

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

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

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

Non-US GAAP Reconciliation

Periods ended March 31	**Quarter**		
($ millions, except earnings per share)	**2020**	2019	Variance
Net Earnings Attributable to Common Equity Shareholders	**312**	311	1
Adjusting Item:			
Unrealized loss on mark-to-market of derivatives [1]	**3**	5	(2)
Adjusted Net Earnings Attributable to Common Equity Shareholders	**315**	316	(1)
Adjusted Basic Earnings per Share	**0.68**	0.74	(0.06)

[1] *Represents timing differences related to the accounting of Aitken Creek derivatives, included in the Energy Infrastructure segment*

About Fortis

Fortis is a well-diversified leader in the North American regulated electric and gas utility industry, with 2019 revenue of $8.8 billion and total assets of $57 billion as at March 31, 2020. The Corporation's 9,000 employees serve utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

Forward-Looking Information

Fortis includes forward-looking information in this media release within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: forecast capital expenditures for the period from 2020 through 2024; targeted average annual dividend growth through 2024; the expected timing and outcome of regulatory decisions, including the expectation that new rates will be approved at TEP prior to the end of 2020; the expectation that a decrease in commercial sales will be partially offset by increased residential sales; the expectation that the Corporation's utilities will continue to fund the capital plan; the expectation that depending on the length and severity of the pandemic, any change in 2020 capital expenditures is expected to be shifted to subsequent years with no change to the five-year capital plan; forecast rate base for 2022 and 2024; and the expectation that long-term growth in rate base will support continuing growth in earnings and dividends.

Forward-looking information involves significant risks, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking information. 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 factors or assumptions include, but are not limited to: no material impact from the COVID-19 pandemic; reasonable outcomes for regulatory proceedings and the expectation of regulatory stability; the successful execution of the five-year capital plan; no material capital project and financing cost overrun; sufficient human resources to deliver service and execute the capital plan; the realization of additional opportunities; the impact of fluctuations in foreign exchange; no significant variability in interest rates; and the Board exercising its discretion to declare dividends, taking into account the business performance and financial condition of the Corporation. Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. For additional information with respect to certain risk factors, reference should be made to the continuous disclosure materials filed from time to time by the Corporation with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information herein is given as of the date of this media release. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Teleconference to Discuss First Quarter 2020 Results

A teleconference and webcast will be held on May 6, 2020 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 2020 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 5, 2020. Please call 1.800.585.8367 or 416.621.4642 and enter pass code 4883528.

Additional Information

This media 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, 2020
Dated May 5, 2020

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This Interim MD&A has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*. It should be read in conjunction with the Interim Financial Statements, the 2019 Annual Financial Statements and the 2019 Annual MD&A and is subject to the cautionary statement and disclaimer provided under "Forward-Looking Information" on page 19. Further information about Fortis, including its Annual Information Form filed on SEDAR, can be accessed at www.fortisinc.com, www.sedar.com, or www.sec.gov.

Financial information herein has been prepared in accordance with US GAAP (except for indicated Non-US GAAP Financial Measures) and, unless otherwise specified, is presented in Canadian dollars based, as applicable, on the following US-to-Canadian dollar exchange rates: (i) average of 1.34 and 1.33 for the quarters ended March 31, 2020 and 2019, respectively; (ii) 1.41 and 1.33 as at March 31, 2020 and 2019, respectively; (iii) 1.30 as at December 31, 2019; and (iv) 1.32 for all forecast periods. Certain terms used in this Interim MD&A are defined in the "Glossary" on page 21.

ABOUT FORTIS

Fortis (TSX/NYSE: FTS) is a well-diversified leader in the North American regulated electric and gas utility industry, with 2019 revenue of $8.8 billion and total assets of $57 billion as at March 31, 2020. The Corporation's 9,000 employees serve 3.3 million utility customers in five Canadian provinces, nine US states and three Caribbean countries.

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

SIGNIFICANT ITEM

COVID-19 Pandemic

The COVID-19 Pandemic has, and continues to, evolve rapidly. The Corporation's utilities continue to operate critical infrastructure and will monitor developments and take measures they believe are warranted to protect the health and safety of employees, customers and communities, including actions based on guidance from health and other authorities. As necessary, the Corporation's utilities will prioritize capital expenditures to mitigate supply chain risk and other potential impacts of the pandemic to ensure that they continue providing safe, reliable service while supporting public health.

The uncertainty surrounding the evolution of the pandemic makes it difficult to predict the ultimate operational and financial impacts on Fortis. Potential impacts are discussed under "Business Risks" on page 16. Depending on the severity and length of the pandemic, such impacts could have Material Adverse Effects and affect the Corporation's ability to execute business strategies and initiatives in the expected time frames. To date, the impacts on Fortis have not been material.

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

Revenue
As businesses have scaled back or closed and residential customers are spending more time at home, the COVID-19 Pandemic has impacted energy sales across all of the Corporation's utilities. However, regulatory mechanisms function to protect approximately 63% of the Corporation's annual revenue from changes in sales, with the remaining 37% of revenue not protected from changes in sales, principally at UNS Energy and the Other Electric segment. Of this 37%, approximately 19% is residential and 18% is commercial and industrial. Commercial sales have decreased but are expected to be partially offset by increased residential sales as more people are expected to be working from home during the summer months. Revenue from industrial customers typically has a low contribution margin. Taken together, approximately 82% of the Corporation's revenues are protected by regulatory mechanisms or derived from residential sales. The estimated annual impact on EPS of a 1% change in sales at UNS Energy and the Other Electric segment is summarized below.

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

Capital Expenditures
Currently, the Corporation does not expect any material change in the 2020 capital plan; however, the impact of the COVID-19 Pandemic on forecast capital expenditures will continue to be evaluated. Any change in the 2020 capital expenditures is expected to be shifted to subsequent years with no overall change to the five-year capital plan anticipated. See "Capital Plan" on page 15.

Liquidity
Fortis is well positioned with strong liquidity due, in part, to a $1.2 billion common equity offering and the sale of the Waneta Expansion in 2019. New credit facilities of approximately $740 million have also been completed thus far in 2020 and have increased the total consolidated credit facilities to $6.3 billion with $4.6 billion unutilized, or $4.9 billion including cash.

Fortis was successful in accessing capital markets in April 2020 with UNS Energy issuing 30-year US $350 million unsecured senior notes at 4.00% and Newfoundland Power issuing 40-year $100 million first mortgage sinking fund bonds at 3.61%. See "Liquidity and Capital Resources" on page 11.

The ongoing economic impact of the pandemic may affect customers' ability to pay their energy bills, which could result in higher-than-normal working capital deficiencies in the short-term. The Corporation's utilities have instituted various customer relief initiatives, including the suspension of non-payment disconnects and late fees for certain customer classes, and payment deferral programs to help ease the financial burden on customers. Given the uncertainty, it is too early to assess the full impact of potential credit losses associated with the pandemic. As at March 31, 2020, the Corporation's allowance for credit losses was not materially impacted. See Note 6 in the Interim Financial Statements.

Regulatory Matters
Regulator and other stakeholder work schedule disruptions are causing delays or postponements for various regulatory proceedings. See "Regulatory Highlights" on page 9.

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

Pension expense and funding is based on asset valuations as of December 31. Therefore, the impact on future pension expense and funding, as a result of the recent decline on pension asset values, is uncertain at this time.

PERFORMANCE AT A GLANCE

Key Financial Metrics			
Periods ended March 31		**Quarter**	
($ millions, except as indicated)	**2020**	**2019**	**Variance**
Revenue	**2,391**	2,436	(45)
Common Equity Earnings			
Actual	**312**	311	1
Adjusted [1]	**315**	316	(1)
Basic EPS *($)*			
Actual	**0.67**	0.72	(0.05)
Adjusted [1]	**0.68**	0.74	(0.06)
Dividends Paid per Common Share *($)*	**0.4775**	0.4500	0.0275
Weighted Average Number of Common Shares Outstanding *(# millions)*	**463.9**	429.5	34.4
Operating Cash Flow	**590**	541	49
Capital Expenditures	**1,174**	740	434

(1) *See "Non-US GAAP Financial Measures" on page 8.*

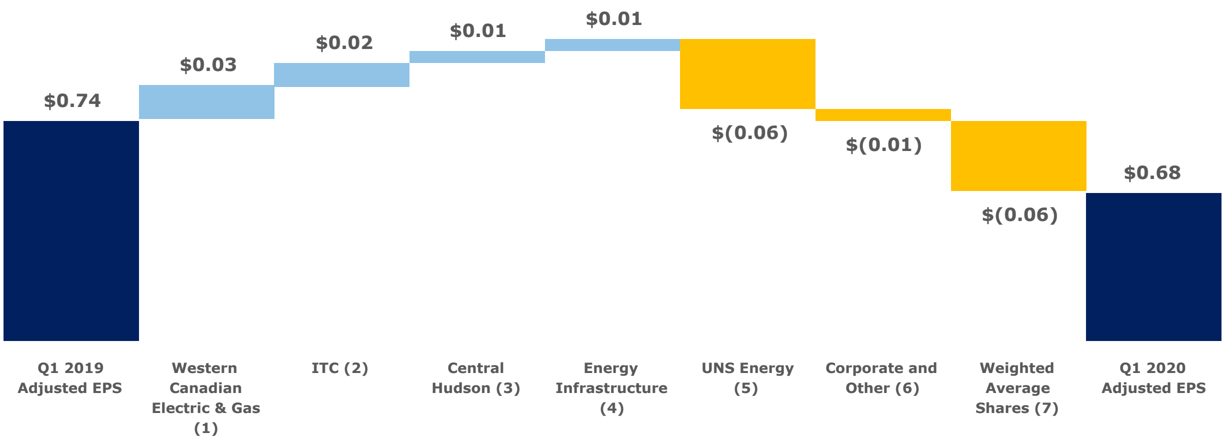
Revenue
The $45 million decrease was due primarily to: (i) lower short-term wholesale sales at UNS Energy; (ii) lower revenue contribution from the Energy Infrastructure segment due primarily to the disposition of the Waneta Expansion in April 2019; and (iii) the flow through of lower energy supply costs. These decreases were partially offset by Rate Base growth at the regulated utilities, led by ITC and the Corporation's Western Canada utilities, and favourable foreign exchange of $16 million.

Earnings and EPS
Earnings were comparable with 2019. Rate Base growth at the regulated utilities, lower non-recoverable operating expenses at ITC, and lower expenses in the Corporate and Other segment were tempered by: (i) higher costs associated with Rate Base growth at UNS Energy not yet reflected in rates; (ii) financial market volatility that caused a decline in the market value of certain investments that support retirement benefits at UNS Energy; and (iii) unrealized losses on foreign exchange contracts in the Corporate and Other segment.

An increase in the weighted average number of common shares outstanding, mainly associated with the Corporation's $1.2 billion common equity issuance in the fourth quarter of 2019, resulted in a decrease in basic EPS of $0.06.

Adjusted Common Equity Earnings and Adjusted Basic EPS decreased by $1 million and $0.06, respectively. Refer to "Non-US GAAP Financial Measures" on page 8 for a reconciliation of these measures. The change in Adjusted Basic EPS is illustrated in the chart below.

First Quarter 2020 Adjusted EPS Drivers



(1) FortisBC Energy, FortisBC Electric and FortisAlberta. Primarily reflects Rate Base/customer growth and lower operating expenses at FortisAlberta
(2) Primarily reflects Rate Base growth and lower operating costs, partially offset by the effect of the November 2019 FERC Order
(3) Primarily reflects Rate Base growth
(4) Primarily reflects higher sales volumes and realized margins at Aitken Creek, partially offset by reduced production at BECOL due to lower rainfall
(5) Primarily reflects higher costs associated with Rate Base growth not yet reflected in customer rates and a decline in the market value of certain retirement-benefit investments due to financial market volatility
(6) Primarily reflects unfavourable changes associated with foreign exchange contracts partially offset by lower operating expense and finance charges
(7) Weighted average shares of 463.9 million in the first quarter 2020 compared to 429.5 million in the first quarter 2019

Dividends and TSR

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

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

Growth of dividends and the market price of the Corporation's common shares have together yielded 1-year, 5-year, 10-year and 20-year annualized TSRs of 13.6%, 11.1%, 10.5% and 14.8%, respectively.

Operating Cash Flow

The $49 million increase reflects overall higher net cash earnings, partially offset by unfavourable working capital changes related primarily to timing differences in the payment of transmission costs at FortisAlberta, income tax and interest.

Capital Expenditures

Capital expenditures were $1.2 billion for the first quarter of 2020, up $0.4 billion compared to the same period in 2019 and represents 28% of the 2020 capital plan of $4.3 billion.

Depending on the length and severity of the COVID-19 Pandemic, any change in 2020 capital expenditures is expected to be shifted to subsequent years with no overall change to the $18.8 billion five-year capital plan currently anticipated. See "Significant Item" on page 1, "Capital Plan" on page 15, and "Business Risks" on page 16.

BUSINESS UNIT PERFORMANCE

Common Equity Earnings	Quarter			
Periods Ended March 31			Variance	
($ millions)	**2020**	2019	FX [1]	Other
Regulated Utilities				
ITC	**101**	92	1	8
UNS Energy	**28**	55	—	(27)
Central Hudson	**35**	32	—	3
FortisBC Energy	**106**	100	—	6
FortisAlberta	**32**	27	—	5
FortisBC Electric	**15**	16	—	(1)
Other Electric [2]	**23**	23	—	—
	340	345	1	(6)
Non-Regulated				
Energy Infrastructure [3]	**9**	8	—	1
Corporate and Other [4]	**(37)**	(42)	(2)	7
Common Equity Earnings	**312**	311	(1)	2

(1) *The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI and BECOL is the US dollar. The reporting currency of Belize Electricity is the Belizean dollar, which is pegged to the US dollar at BZ$2.00=US$1.00. The Corporate and Other segment includes certain transactions denominated in US dollars.*
(2) *Comprised of the utility operations in eastern Canada and the Caribbean: Newfoundland Power; Maritime Electric; FortisOntario; Wataynikaneyap Partnership; Caribbean Utilities; FortisTCI; and Belize Electricity*
(3) *Primarily comprised of long-term contracted generation assets in Belize, Aitken Creek in British Columbia and, until its April 16, 2019 disposition, the Waneta Expansion.*
(4) *Includes Fortis net corporate expenses and non-regulated holding company expenses*

ITC	Quarter			
Periods Ended March 31			Variance	
($ millions)	**2020**	2019	FX	Other
Revenue [1]	**433**	408	5	20
Earnings [1]	**101**	92	1	8

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

Revenue
The increase, net of foreign exchange, was due primarily to growth in Rate Base, tempered by a reduction in ROE associated with the November 2019 FERC Order. See "Regulatory Highlights" on page 9.

Earnings
The increase, net of foreign exchange, was due primarily to growth in Rate Base, tempered by a lower ROE, discussed above, and lower non-recoverable operating expenses including business development costs.

UNS ENERGY	Quarter			
Periods Ended March 31			Variance	
	2020	2019	FX	Other
Retail electricity sales *(GWh)*	**2,168**	2,210	—	(42)
Wholesale electricity sales *(GWh)* [1]	**1,330**	2,219	—	(889)
Gas volumes *(PJ)*	**6**	7	—	(1)
Revenue *($ millions)*	**473**	543	7	(77)
Earnings *($ millions)*	**28**	55	—	(27)

(1) *Primarily short-term wholesale sales*

Sales
The decreases in retail electricity sales and gas volumes were due primarily to reduced heating load as a result of warmer temperatures compared to 2019.

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

Revenue
The decrease, net of foreign exchange, was due primarily to lower sales and the flow through of lower energy supply costs. The decrease was partially offset by higher revenue related to the recovery of non-fuel costs through the normal operation of regulatory mechanisms.

Earnings
The decrease was due primarily to higher costs associated with Rate Base growth not yet reflected in customer rates, and a reduction in the market value of certain investments that support retirement benefits, driven by financial market volatility associated with the COVID-19 Pandemic.

CENTRAL HUDSON	**Quarter**			
Periods Ended March 31			Variance	
	2020	2019	FX	Other
Electricity sales *(GWh)*	**1,243**	1,289	—	(46)
Gas volumes *(PJ)*	**8**	10	—	(2)
Revenue *($ millions)*	**280**	277	3	—
Earnings *($ millions)*	**35**	32	—	3

Sales
The decreases in electricity sales and gas volumes were due primarily to reduced heating load as a result of warmer temperatures compared to 2019.

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

Revenue
Revenue, net of foreign exchange, was comparable with the same period in 2019. An increase due to Rate Base growth was offset by the flow through of lower energy supply costs and lower sales.

Earnings
The increase was due primarily to Rate Base growth.

FORTISBC ENERGY	**Quarter**		
Periods Ended March 31	**2020**	2019	Variance
Gas volumes *(PJ)*	**82**	83	(1)
Revenue *($ millions)*	**466**	485	(19)
Earnings *($ millions)*	**106**	100	6

Sales
Gas volume sales were comparable to 2019.

Revenue
The decrease was due primarily to a lower cost of natural gas recovered from customers, partially offset by Rate Base growth.

Earnings
The increase was due primarily to Rate Base growth.

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

FORTISALBERTA	**Quarter**		
Periods Ended March 31	**2020**	2019	Variance
Energy deliveries *(GWh)*	**4,553**	4,642	(89)
Revenue *($ millions)*	**152**	145	7
Earnings *($ millions)*	**32**	27	5

Deliveries
The decrease was due primarily to lower average consumption by oil and gas customers.

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

Revenue
The increase was due primarily to Rate Base growth and customer additions, partially offset by the recognition of revenue in 2019 associated with the PBR efficiency carry-over mechanism.

Earnings
The increase was due primarily to Rate Base growth and lower operating expenses, partially offset by the impact of the PBR efficiency carry-over mechanism, discussed above.

FORTISBC ELECTRIC	**Quarter**		
Periods Ended March 31	**2020**	2019	Variance
Electricity sales *(GWh)*	**915**	949	(34)
Revenue *($ millions)*	**114**	119	(5)
Earnings *($ millions)*	**15**	16	(1)

Sales
The decrease was due primarily to higher heating load in the first quarter of 2019 as a result of colder temperatures in that period compared to 2020.

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

Earnings
The decrease was due to the sale of the Waneta Expansion, with Rate Base growth offset by operating expense timing differences.

OTHER ELECTRIC	**Quarter**			
Periods Ended March 31			Variance	
	2020	2019	FX	Other
Electricity sales *(GWh)*	**2,938**	2,983	—	(45)
Revenue *($ millions)*	**448**	426	1	21
Earnings *($ millions)*	**23**	23	—	—

Sales
The decrease was due primarily to overall lower average consumption, partially offset by customer additions.

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

Earnings
Earnings were comparable to 2019. Rate Base growth was offset by the timing of power purchase costs and higher storm-related costs at Newfoundland Power.

ENERGY INFRASTRUCTURE	Quarter		
Periods Ended March 31	**2020**	2019	Variance
Energy sales *(GWh)*	**16**	50	(34)
Revenue *($ millions)*	**25**	36	(11)
Earnings *($ millions)*	**9**	8	1

Sales
The Waneta Expansion disposition decreased sales by 26 GWh. The remaining decrease reflects reduced hydroelectric production in Belize due to lower rainfall levels.

Revenue
The decrease reflects the noted sales reduction, partially offset by higher revenue at Aiken Creek due primarily to higher volumes of natural gas sold.

Earnings
The increase was driven by Aiken Creek, reflecting: (i) higher realized margins due to the noted increase in volumes and lower average commodity costs; and (ii) the favourable impact of mark-to-market accounting of natural gas derivatives, with unrealized losses of $3 million during 2020 compared to $5 million during 2019. These favourable results were partially offset by the noted sales reductions.

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

CORPORATE AND OTHER	Quarter			
Periods Ended March 31			Variance	
($ millions)	**2020**	2019	FX	Other
Net expenses	**(37)**	(42)	(2)	7

The decrease in net expenses, net of foreign exchange, was driven by: (i) lower finance charges due to the repayment of debt and credit facilities associated with the disposition of the Waneta Expansion and the $1.2 billion common equity issuance, both completed in 2019; and (ii) lower operating expenses. These decreases were partially offset by unfavourable changes associated with foreign exchange contracts in 2020 compared to 2019.

NON-US GAAP FINANCIAL MEASURES

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

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

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

Non-US GAAP Reconciliation			
Periods Ended March 31	**Quarter**		
($ millions, except as indicated)	**2020**	2019	Variance
Common Equity Earnings	**312**	311	1
Adjusting item:			
Unrealized loss on mark-to-market of derivatives [1]	**3**	5	(2)
Adjusted Common Equity Earnings	**315**	316	(1)
Adjusted Basic EPS *($)*	**0.68**	0.74	(0.06)

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

REGULATORY HIGHLIGHTS

COVID-19 Pandemic Impacts

The COVID-19 Pandemic has resulted in several customer relief initiatives as well as the delay of several regulatory proceedings. Details specific to customer relief initiatives and the delayed regulatory proceedings are discussed below.

Customer Relief Initiatives
UNS Energy: In April 2020 TEP filed a request with the Arizona Corporation Commission to refund to customers, in May and June 2020, approximately US$8 million in over-collected DSM funds in excess of program expenditures. The proposed refund would be in the form of a temporary reduction in the DSM surcharge. A decision is expected in early May 2020.

Central Hudson: In agreement with the New York Public Service Commission, Central Hudson will postpone the collection of previously deferred costs, mainly related to environmental remediation, totalling approximately US$3 million. Central Hudson expects to collect these costs in customer rates effective July 1, 2021, through its normal-course regulatory proceedings.

FortisBC Energy and FortisBC Electric: In April 2020 the British Columbia Utilities Commission granted interim approval to provide three-month bill deferrals and/or credits to certain customer classes and authorized the establishment of customer recovery fund deferral accounts to record uncollectible revenues associated with providing the deferral and relief offerings to customers. The settlement of these deferral accounts will be determined through a future rate filing once the financial impact of the COVID-19 Pandemic is known.

FortisAlberta: In March 2020 the government of Alberta announced a program to provide three-month bill deferrals to certain retail customer classes, with such deferred bills to be repaid within a reasonable time period up to one year. This program is not expected to materially impact distribution facility owners who have no retail customers, including FortisAlberta.

Delayed Regulatory Proceedings
Regulator and other stakeholder work schedule disruptions are causing delays or postponements for various regulatory proceedings. Details specific to material regulatory proceedings are discussed below.

<u>UNS Energy</u>
General Rate Application: Hearings related to TEP's general rate application were held in January and February 2020. In March 2020, due to the ongoing COVID-19 Pandemic, the proceeding schedule was extended by 60 days. Hearings are expected to resume in June 2020 to address the inclusion in customer rates of Gila River Unit 2 and ten RICE Units. A decision, approving new rates, is expected prior to the end of 2020.

FortisAlberta

Generic Cost of Capital Proceeding: In December 2018 the AUC initiated a generic cost of capital proceeding and expert evidence was filed in January 2020. In March 2020, due to the ongoing COVID-19 Pandemic, this proceeding was suspended indefinitely, with a commitment from the AUC to reassess the suspension every 30 to 60 days going forward.

Other Electric

FortisTCI Rate Increase: In February 2020 the Government of the Turks and Caicos Islands approved a 6.8% average increase in FortisTCI's electricity rates, effective April 1, 2020. In March 2020, to help ease customers' financial hardship due to the ongoing effects of the COVID-19 Pandemic, the effective date was deferred to July 1, 2020.

Other Regulatory Matters

ITC

ROE Complaints: The November 2019 FERC Order remains subject to the resolution of a request for rehearing granted by FERC in January 2020. Based on the outcome of the request for rehearing, it is possible the ROE and refunds could materially change from those recognized in 2019 and 2020.

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

FortisAlberta

2018 Alberta Independent System Operator Tariff Application: In September 2019 the AUC issued a decision that addressed, among other things, a proposal to change how the AESO's customer contribution policy is accounted for between distribution facility owners, such as FortisAlberta, and transmission facility owners. Implementation of the order was suspended in October 2019 and the decision remains under review by the AUC. In February 2020 FortisAlberta requested an oral hearing which remains under consideration by the AUC. The likely outcome of this process and potential impacts, if any, cannot be determined at this time.

FINANCIAL POSITION

Significant Changes between March 31, 2020 and December 31, 2019

	Increase/(Decrease)		
Balance Sheet Account	**FX** *($ millions)*	**Other** *($ millions)*	**Explanation**
Regulatory assets (including current and long-term)	103	73	Due primarily to the operation of rate stabilization accounts at ITC and higher manufactured gas plant site remediation deferrals at Central Hudson.
Property, plant and equipment, net	1,743	776	Due primarily to capital expenditures, partially offset by depreciation.
Goodwill	872	—	
Accounts payable and other current liabilities	94	(248)	The decrease was mainly due to lower amounts owing for energy supply costs, lower capital accruals and lower transmission costs payable at FortisAlberta.
Regulatory liabilities (including current and long-term)	196	(35)	The other decrease was not significant.
Deferred income tax liabilities	138	60	Due primarily to timing differences related to capital expenditures.

Significant Changes between March 31, 2020 and December 31, 2019

	Increase/(Decrease)		
	FX	Other	
Balance Sheet Account	*($ millions)*	*($ millions)*	**Explanation**
Long-term debt (including current portion)	1,217	879	Due primarily to the issuance of debt at ITC and higher net borrowings under committed credit facilities at the regulated utilities.
Shareholders' equity	1,073	114	Due primarily to: (i) Common Equity Earnings for the three months ended March 31, 2020, less dividends declared on common shares; and (ii) the issuance of common shares.
Non-controlling interests	129	(10)	The other decrease was not significant.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW REQUIREMENTS

At the subsidiary level, it is expected that operating expenses and interest costs will be paid from Operating Cash Flows, with varying levels of residual cash flows available for capital expenditures and/or dividend payments to Fortis. Capital expenditures are expected to be financed primarily from borrowings under credit facilities, long-term debt offerings and equity injections from Fortis. Borrowings under credit facilities may be required periodically to support seasonal working capital requirements and there could be higher-than-normal working capital deficiencies in the short-term, as the ongoing impacts of the COVID-19 Pandemic affects customers' ability to pay their energy bills. See "Business Risks" on page 16.

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

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

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

As at March 31, 2020: (i) consolidated fixed-term debt maturities/repayments are expected to average $1,087 million annually over the next five years; (ii) approximately 75% of the Corporation's consolidated long-term debt, excluding credit facility borrowings, had maturities beyond five years; and (iii) available credit facilities were $5.8 billion with $4.1 billion unutilized, or $4.4 billion including cash.

Credit facilities are syndicated primarily with large banks in Canada and the US, with no one bank holding more than 20% of the total facilities. Approximately $5.5 billion of the total credit facilities are committed with maturities ranging from 2020 through 2025. Available credit facilities are summarized in the following table.

Credit Facilities			**As at**	
($ millions)	Regulated Utilities	Corporate and Other	**March 31, 2020**	December 31, 2019
Total credit facilities [1]	4,446	1,380	**5,826**	5,590
Credit facilities utilized:				
Short-term borrowings	(421)	—	**(421)**	(512)
Long-term debt (including current portion)	(1,172)	—	**(1,172)**	(640)
Letters of credit outstanding	(82)	(48)	**(130)**	(114)
Credit facilities unutilized	2,771	1,332	**4,103**	4,324

(1) *See Note 15 in the 2019 Annual Financial Statements for a listing of the credit facilities as at December 31, 2019.*

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

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

In April 2020 the Corporation entered into a $500 million one-year revolving term committed credit facility, which increased the consolidated unutilized credit facility balance to $4.6 billion, or $4.9 billion including cash.

While it is too early to determine what impact the COVID-19 Pandemic will have on the Corporation's cash flows, Fortis is well positioned with strong liquidity due, in part, to the $1.2 billion common equity offering and sale of the Waneta Expansion in 2019.

In December 2018 Fortis filed a short-form base shelf prospectus with a 25-month life under which it may issue common or preference shares, subscription receipts or debt securities in an aggregate principal amount of up to $2.5 billion. As at March 31, 2020, $1.1 billion remained available under the short-form base shelf prospectus.

Fortis and its subsidiaries were in compliance with debt covenants as at March 31, 2020 and are expected to remain compliant throughout 2020.

CASH FLOW SUMMARY

Summary of Cash Flows			
Periods Ended March 31		**Quarter**	
($ millions)	**2020**	2019	Variance
Cash, beginning of period	**370**	332	38
Cash provided by (used in):			
Operating activities	**590**	541	49
Investing activities	**(1,189)**	(732)	(457)
Financing activities	**486**	94	392
Foreign exchange	**15**	(8)	23
Change in cash associated with assets held for sale	**—**	6	(6)
Cash, end of period	**272**	233	39

Operating Activities
See "Performance at a Glance - Operating Cash Flow" on page 4.

Investing Activities
Cash used in investing activities reflects a higher capital spending level in 2020. See "Performance at a Glance - Capital Expenditures" on page 4 and "Capital Plan" on page 15.

Financing Activities
Cash flows related to financing activities will fluctuate as a result of changes in the subsidiaries' capital expenditures, the amount of Operating Cash Flows available to fund those capital expenditures and the amount of funding required from debt and common equity issuances. See "Cash Flow Requirements" on page 11.

Debt Financing

Long-Term Debt Issuances Quarter Ended March 31, 2020 *($ millions, except %)*	**Month Issued**	**Interest Rate** (%)	**Maturity**	**Amount**		**Use of Proceeds**
ITC						
Unsecured term loan credit agreement	January	(1)	2021	US	75	(2)(3)
Unsecured term loan credit agreement (4)	January	(5)	2021	US	200	(4)

(1) Floating rate of a one-month LIBOR plus a spread of 0.45%
(2) Repay credit facility borrowings
(3) General corporate purposes
(4) Maximum amount of borrowings under this agreement of US$400 million has been drawn; current period borrowings were used to repay an outstanding commercial paper balance. ITC's ability to issue commercial paper has been limited or may be unavailable due to the impact of the COVID-19 Pandemic.
(5) Floating rate of a two-month LIBOR plus a spread of 0.60%

In April 2020 UNS Energy issued 30-year US$350 million unsecured senior notes at 4.00%. The net proceeds were used to repay credit facility borrowings and for general corporate purposes.

In April 2020 Newfoundland Power issued 40-year $100 million first mortgage sinking fund bonds at 3.61%. The net proceeds were used to repay short-term borrowings and for general corporate purposes.

Common Equity Financing

Common Equity Issuances and Dividends Paid Periods Ended March 31 *($ millions, except as indicated)*	**Quarter** **2020**	2019	Variance
Number of common shares issued (1) *(# millions)*	**0.9**	2.4	(1.5)
Amount of common shares issued	**43**	108	(65)
Non-cash issuances	**(9)**	(76)	67
Cash proceeds from common shares issued	**34**	32	2
Dividends paid per common share *($)*	**0.4775**	0.4500	0.0275
Total dividends paid	**(221)**	(193)	(28)
Non-cash dividend reinvestment plan	**8**	75	(67)
Cash dividends paid	**(213)**	(118)	(95)

(1) Relates to stock options and DRIP. Effective March 1, 2020, the 2% discount offered on common share issuances under the DRIP was terminated. See "Cash Flow Requirements" on page 11 for further information.

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

CONTRACTUAL OBLIGATIONS

There were no material changes to the contractual obligations disclosed in the 2019 Annual MD&A, except issuances of long-term debt and credit facility utilization. See "Cash Flow Summary" on page 12.

Off-Balance Sheet Arrangements

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

CAPITAL STRUCTURE AND CREDIT RATINGS

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

Consolidated Capital Structure	**As at**	
	March 31,	December 31,
(%)	**2020**	2019
Debt [(1)]	**53.7**	53.1
Preference shares	**3.5**	3.8
Common shareholders' equity and minority interest [(2)]	**42.8**	43.1
	100.0	100.0

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

Outstanding Share Data

As at May 5, 2020, the Corporation had issued and outstanding 464.3 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 May 5, 2020, an additional 3.4 million common shares would be issued and outstanding.

Credit Ratings

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

Credit Ratings As at March 31, 2020	**Rating**	**Type**	**Outlook**
S&P	A-	Corporate	Negative
	BBB+	Unsecured debt	
DBRS Morningstar	BBB (high)	Corporate	Stable
	BBB (high)	Unsecured debt	
Moody's	Baa3	Issuer	Stable
	Baa3	Unsecured debt	

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

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

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

CAPITAL PLAN

While uncertainty exists due to the COVID-19 Pandemic, currently, the Corporation does not expect any material change in the 2020 capital plan, with Major Capital Projects continuing to progress on schedule. In addition, the composition of the 2020 capital plan currently remains unchanged with 25% related to growth, 62% sustaining and 13% for other areas.

The impact of the COVID-19 Pandemic on forecast capital expenditures will continue to be evaluated and, depending on the length and severity of the pandemic, any change in 2020 capital expenditures is expected to be shifted to subsequent years. Such amounts are not expected to be material. The Corporation expects no material changes to the overall expected level, nature and timing of the Corporation's five-year capital plan from that disclosed in the 2019 Annual MD&A. See "Performance at a Glance - Capital Expenditures" on page 4, "Business Risks" on page 16 and "Outlook" on page 19.

2020 Capital Plan

Of the $4.3 billion annual capital plan, $1.2 billion has been spent year to date.

Consolidated Capital Expenditures [(1)]
Quarter ended March 31, 2020
($ millions)

	Regulated							**Total**		
	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Regulated Utilities**	**Non-Regulated** [(2)]	**Total**
Total	249	509	73	121	121	28	69	**1,170**	**4**	**1,174**

(1) *Reflects cash outlay for property, plant and equipment and intangible assets as shown on the consolidated statements of cash flows in the Interim Financial Statements, as well as Fortis' share of development costs and capital spending for the Wataynikaneyap Transmission Power Project of $12 million included in the Other Electric segment.*

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

Five-Year Capital Plan

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

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

Major Capital Projects Updates

Eagle Mountain Woodfibre Gas Line Project

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

FortisBC Energy's proposed pipeline expansion remains contingent on Woodfibre LNG Limited making a final decision to proceed with construction of the LNG facility. At this time, the project is expected to be in service before the end of 2024.

Tilbury 1B Project

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

BUSINESS RISKS

The Corporation's business risks remain substantially unchanged from those disclosed in its 2019 Annual MD&A, except as described below. Also see "Regulatory Highlights" on page 9 and "Capital Structure and Credit Ratings" on page 14 for applicable updates.

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

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

ACCOUNTING MATTERS

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

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

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

Future Accounting Pronouncements

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

Critical Accounting Estimates

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

There were no material changes to the nature of the Corporation's critical accounting estimates or contingencies, notwithstanding the impact of the COVID-19 Pandemic, from that disclosed in the 2019 Annual MD&A. See "Business Risks" on page 16.

Allowance for Credit Losses
The amount of estimation and judgment involved in the Corporation's allowance for expected credit losses may increase as the impact that the COVID-19 Pandemic has on forecast economic and other conditions continues to evolve.

Goodwill Impairment
As at March 31, 2020, the Corporation performed a qualitative assessment of its reporting units due to the COVID-19 Pandemic, and determined it is not more-likely-than-not that goodwill is impaired. Therefore, a quantitative assessment was not required.

FINANCIAL INSTRUMENTS

Long-Term Debt and Other

As at March 31, 2020, the carrying value of long-term debt, including current portion, was \$24.4 billion (December 31, 2019 - \$22.3 billion) compared to an estimated fair value of \$26.7 billion (December 31, 2019 - \$25.3 billion). Since Fortis does not intend to settle long-term debt prior to maturity, the excess of fair value over carrying value does not represent an actual liability.

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

Derivatives

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

There were no material changes with respect to the nature and purpose, methodologies for fair value determination, and carrying values of the Corporation's derivatives from that disclosed in the 2019 Annual MD&A. Additional details are provided in Note 14 to the Interim Financial Statements.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue ($ millions)	Common Equity Earnings ($ millions)	Basic EPS ($)	Diluted EPS ($)
March 31, 2020	**2,391**	**312**	**0.67**	**0.67**
December 31, 2019	2,326	346	0.77	0.77
September 30, 2019	2,051	278	0.64	0.63
June 30, 2019	1,970	720	1.66	1.66
March 31, 2019	2,436	311	0.72	0.72
December 31, 2018	2,206	261	0.61	0.61
September 30, 2018	2,040	276	0.65	0.65
June 30, 2018	1,947	240	0.57	0.57

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

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

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

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

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

June 2019/June 2018:
Common Equity Earnings increased by $480 million and basic EPS increased by $1.09, due mainly to: (i) a $484 million gain on the disposition of the Waneta Expansion; (ii) the favourable impact of the mark-to-market accounting of natural gas derivatives at Aitken Creek; (iii) Rate Base growth at the regulated utilities, led by ITC; and (iv) favourable foreign exchange of $7 million. The increase was tempered by: (i) lower retail sales, driven by weather, and higher depreciation and interest expense at UNS Energy; (ii) lower earnings contribution from the Energy Infrastructure segment due to lower hydroelectric production in Belize; and (iii) lower realized margins at Aitken Creek; and (iv) for EPS, a 9.3 million increase in the weighted average number of common shares outstanding due to the ATM Program and DRIP.

RELATED-PARTY AND INTER-COMPANY TRANSACTIONS

Related-party transactions are in the normal course of operations and are measured at the amount of consideration agreed to by the related parties. There were no material related-party transactions for the three months ended March 31, 2020 and 2019.

The Corporation periodically provides short-term financing to subsidiaries to support capital expenditures, acquisitions and seasonal working capital requirements. As at March 31, 2020, there were inter-segment loans outstanding of $125 million (December 31, 2019 - $279 million), payable on demand with a weighted average interest rate of 2.3%. Total interest charged was $1 million for the three months ended March 31, 2020 (three months ended March 31, 2019 - $nil).

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

OUTLOOK

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

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

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

FORWARD-LOOKING INFORMATION

Fortis includes forward-looking information in the MD&A within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: the expectation that depending on the severity and length of the pandemic, potential impacts could have Material Adverse Effects and affect the Corporation's ability to execute business strategies and initiatives in the expected time frames; the expectation that a decrease in commercial sales will be partially offset by increased residential sales; forecast capital expenditures for 2020 and the period 2020 through 2024; the expectation that any change in 2020 capital expenditures associated with the COVID-19 Pandemic is expected to be shifted to subsequent years with no change to the five-year capital plan; targeted average annual dividend growth of 6% through 2024; expected timing, outcome and impact of regulatory filings and decisions, including the expectation that new rates will be approved at TEP prior to the end of 2020; expected or potential funding sources for operating expenses, interest costs and capital plans; the expectation that there could be higher-than-normal working capital deficiencies in the short-term as the ongoing impacts of the COVID-19 Pandemic affects customers' ability to pay their energy bills; the expectation that the ability to access cash through capital markets may be impacted by the COVID-19 Pandemic; the expectation that maintaining existing capital structures will not impact the Corporation's ability to pay dividends; forecast debt maturities for the period 2020 through 2024; the expectation that the Corporation and its subsidiaries will remain compliant with debt covenants throughout 2020; the nature, timing, benefits and expected costs of certain capital projects including the Eagle Mountain Woodfibre Gas Line Project; the expectation that the adoption of future accounting pronouncements will not have a material impact on the consolidated financial statements and related disclosures; forecast Rate Base for 2022 and 2024; and the expectation that long-term growth in Rate Base will support continuing growth in earnings and dividends.

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

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

All forward-looking information herein is given as of May 5, 2020. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

GLOSSARY

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

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

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

Adjusted Common Equity Earnings: net earnings attributable to common equity shareholders adjusted as shown under "Non-US GAAP Financial Measures" on page 8

AESO: Alberta Electric System Operator

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

ASU: Accounting Standards Update

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

AUC: Alberta Utilities Commission

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

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

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

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

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

Common Equity Earnings: net earnings attributable to common equity shareholders

Corporation: Fortis Inc.

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

DBRS Morningstar: DBRS Limited

DRIP: dividend reinvestment plan

DSM: demand side management

EPS: earnings per common share

FERC: Federal Energy Regulatory Commission

Fortis: Fortis Inc.

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

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

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

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

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

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

GWh: gigawatt hour(s)

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

Interim Financial Statements: the Corporation's unaudited condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 2020

Interim MD&A: the Corporation's management discussion and analysis for the three months ended March 31, 2020

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

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

LIBOR: London Interbank Offered Rate

LNG: liquefied natural gas

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

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

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

MISO: Midcontinent Independent System Operator, Inc.

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

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

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

NOPR: notice of proposed rulemaking

November 2019 FERC Order: a FERC order issued in November 2019 that reduced the base ROE for ITC's MISO Subsidiaries

NYSE: New York Stock Exchange

Operating Cash Flow(s): cash from operating activities

PBR: performance-based rate-setting

PJ: petajoule(s)

PPA: power purchase agreement

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

RICE Units: natural gas reciprocating internal combustion engine units

ROA: rate of return on Rate Base

ROE: rate of return on common equity

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

SEDAR: Canadian System for Electronic Document Analysis and Retrieval

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

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

TSX: Toronto Stock Exchange

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

US: United States of America

US GAAP: accounting principles generally accepted in the US

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

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

FORTIS INC.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited)

FORTIS INC.

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

	March 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**$ 272**	$ 370
Accounts receivable and other current assets (Note 6)	**1,308**	1,297
Prepaid expenses	**99**	88
Inventories	**376**	394
Regulatory assets (Note 7)	**417**	425
Total current assets	**2,472**	2,574
Other assets	**666**	620
Regulatory assets (Note 7)	**3,142**	2,958
Property, plant and equipment, net	**36,507**	33,988
Intangible assets, net	**1,356**	1,260
Goodwill	**12,876**	12,004
Total assets	**$ 57,019**	$ 53,404
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (Note 8)	**$ 421**	$ 512
Accounts payable and other current liabilities	**2,224**	2,378
Regulatory liabilities (Note 7)	**555**	572
Current installments of long-term debt (Note 8)	**1,176**	690
Current installments of finance leases	**104**	24
Total current liabilities	**4,480**	4,176
Other liabilities	**1,544**	1,446
Regulatory liabilities (Note 7)	**2,964**	2,786
Deferred income taxes	**3,167**	2,969
Long-term debt (Note 8)	**23,111**	21,501
Finance leases	**334**	413
Total liabilities	**35,600**	33,291
Commitments and contingencies (Note 15)		
Equity		
Common shares [(1)]	**13,688**	13,645
Preference shares	**1,623**	1,623
Additional paid-in capital	**10**	11
Accumulated other comprehensive income	**1,392**	336
Retained earnings	**3,005**	2,916
Shareholders' equity	**19,718**	18,531
Non-controlling interests	**1,701**	1,582
Total equity	**21,419**	20,113
Total liabilities and equity	**$ 57,019**	$ 53,404

[(1)] *No par value. Unlimited authorized shares; 464.2 million and 463.3 million issued and outstanding as at March 31, 2020 and December 31, 2019, respectively*

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Earnings (Unaudited)

For the quarter ended March 31

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

	Quarter Ended	
	2020	2019
Revenue	**$ 2,391**	$ 2,436
Expenses		
Energy supply costs	**750**	833
Operating expenses	**626**	616
Depreciation and amortization	**357**	334
Total expenses	**1,733**	1,783
Operating income	**658**	653
Other income, net (Note 11)	**9**	38
Finance charges	**256**	269
Earnings before income tax expense	**411**	422
Income tax expense	**58**	66
Net earnings	**$ 353**	$ 356
Net earnings attributable to:		
Non-controlling interests	**$ 25**	$ 28
Preference equity shareholders	**16**	17
Common equity shareholders	**312**	311
	$ 353	$ 356
Earnings per common share (Note 12)		
Basic	**$ 0.67**	$ 0.72
Diluted	**$ 0.67**	$ 0.72

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	
	2020	2019
Net earnings	**$ 353**	$ 356
Other comprehensive income (loss)		
Unrealized foreign currency translation gains (losses), net of hedging activities and income tax recovery (expense) of $12 million and $(5) million, respectively	**1,202**	(266)
Other, net of income tax recovery of $9 million and $nil, respectively	**(21)**	—
	1,181	(266)
Comprehensive income	**$ 1,534**	$ 90
Comprehensive income (loss) attributable to:		
Non-controlling interests	**$ 150**	$ (5)
Preference equity shareholders	**16**	17
Common equity shareholders	**1,368**	78
	$ 1,534	$ 90

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	
	2020	2019
Operating activities		
Net earnings	**$ 353**	$ 356
Adjustments to reconcile net earnings to cash from operating activities:		
Depreciation - property, plant and equipment	**321**	298
Amortization - intangible assets	**32**	30
Amortization - other	**4**	6
Deferred income tax expense	**59**	23
Equity component of allowance for funds used during construction (Note 11)	**(14)**	(18)
Other	**47**	34
Change in long-term regulatory assets and liabilities	**(58)**	(50)
Change in working capital (Note 13)	**(154)**	(138)
Cash from operating activities	**590**	541
Investing activities		
Capital expenditures - property, plant and equipment	**(1,111)**	(712)
Capital expenditures - intangible assets	**(51)**	(28)
Contributions in aid of construction	**17**	26
Other	**(44)**	(18)
Cash used in investing activities	**(1,189)**	(732)
Financing activities		
Proceeds from long-term debt, net of issuance costs	**359**	72
Repayments of long-term debt, net of extinguishment costs, and finance leases	**(17)**	(17)
Borrowings under committed credit facilities	**1,756**	1,463
Repayments under committed credit facilities	**(1,263)**	(1,418)
Net change in short-term borrowings	**(132)**	117
Issue of common shares, net of costs and dividends reinvested	**34**	32
Dividends		
Common shares, net of dividends reinvested	**(213)**	(118)
Preference shares	**(16)**	(17)
Subsidiary dividends paid to non-controlling interests	**(25)**	(32)
Other	**3**	12
Cash from financing activities	**486**	94
Effect of exchange rate changes on cash and cash equivalents	**15**	(8)
Change in cash and cash equivalents	**(98)**	(105)
Cash and change in cash associated with assets held for sale	**—**	6
Cash and cash equivalents, beginning of period	**370**	332
Cash and cash equivalents, end of period	**$ 272**	$ 233

Supplementary Cash Flow Information (Note 13)

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, 2019	**463.3**	**$ 13,645**	**$ 1,623**	**$ 11**	**$ 336**	**$ 2,916**	**$ 1,582**	**$20,113**
Net earnings	**—**	**—**	**—**	**—**	**—**	**328**	**25**	**353**
Other comprehensive income	**—**	**—**	**—**	**—**	**1,056**	**—**	**125**	**1,181**
Common shares issued	**0.9**	**43**	**—**	**(2)**	**—**	**—**	**—**	**41**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(25)**	**(25)**
Dividends declared on common shares ($0.4775 per share)	**—**	**—**	**—**	**—**	**—**	**(223)**	**—**	**(223)**
Dividends declared on preference shares	**—**	**—**	**—**	**—**	**—**	**(16)**	**—**	**(16)**
Other	**—**	**—**	**—**	**1**	**—**	**—**	**(6)**	**(5)**
As at March 31, 2020	**464.2**	**$ 13,688**	**$ 1,623**	**$ 10**	**$ 1,392**	**$ 3,005**	**$ 1,701**	**$21,419**
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

See accompanying Notes to Condensed Consolidated Interim Financial Statements

1. DESCRIPTION OF BUSINESS

Nature of Operations

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

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

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

Regulated Utilities

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

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

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

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

FortisAlberta: Represents FortisAlberta Inc., operating in Canada.

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

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

Non-Regulated

Energy Infrastructure: Primarily comprised of long-term contracted generation assets in Belize and the Aitken Creek natural gas storage facility ("Aitken Creek") in British Columbia. The long-term contracted generation assets in British Columbia were sold on April 16, 2019 (Note 10).

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

2. REGULATORY MATTERS

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

COVID-19 Pandemic Impacts

The novel coronavirus ("COVID-19") pandemic has resulted in several customer relief initiatives as well as the delay of several regulatory proceedings. Details specific to customer relief initiatives and the delayed regulatory proceedings are discussed below.

Customer Relief Initiatives
UNS Energy: In April 2020 TEP filed a request with the Arizona Corporation Commission to refund to customers, in May and June 2020, approximately US$8 million in over-collected demand side management ("DSM") funds in excess of program expenditures. The proposed refund would be in the form of a temporary reduction in the DSM surcharge. A decision is expected in early May 2020.

Central Hudson: In agreement with the New York Public Service Commission, Central Hudson will postpone the collection of previously deferred costs, mainly related to environmental remediation, totalling approximately US$3 million. Central Hudson expects to collect these costs in customer rates effective July 1, 2021, through its normal-course regulatory proceedings.

FortisBC Energy and FortisBC Electric: In April 2020 the British Columbia Utilities Commission granted interim approval to provide three-month bill deferrals and/or credits to certain customer classes and authorized the establishment of customer recovery fund deferral accounts to record uncollectible revenues associated with providing the deferral and relief offerings to customers. The settlement of these deferral accounts will be determined through a future rate filing once the financial impact of the COVID-19 pandemic is known.

FortisAlberta: In March 2020 the government of Alberta announced a program to provide three-month bill deferrals to certain retail customer classes, with such deferred bills to be repaid within a reasonable time period up to one year. This program is not expected to materially impact distribution facility owners who have no retail customers, including FortisAlberta.

Delayed Regulatory Proceedings
Regulator and other stakeholder work schedule disruptions are causing delays or postponements for various regulatory proceedings. Details specific to material regulatory proceedings are discussed below.

UNS Energy
General Rate Application: Hearings related to TEP's general rate application were held in January and February 2020. In March 2020, due to the ongoing COVID-19 pandemic, the proceeding schedule was extended by 60 days. Hearings are expected to resume in June 2020 to address the inclusion in customer rates of the Gila River natural gas generation station unit 2 and ten natural gas reciprocating internal combustion engine units. A decision, approving new rates, is expected prior to the end of 2020.

FortisAlberta
Generic Cost of Capital Proceeding: In December 2018 the Alberta Utilities Commission ("AUC") initiated a generic cost of capital proceeding and expert evidence was filed in January 2020. In March 2020, due to the ongoing COVID-19 pandemic, this proceeding was suspended indefinitely, with a commitment from the AUC to reassess the suspension every 30 to 60 days going forward.

Other Electric
FortisTCI Rate Increase: In February 2020 the Government of the Turks and Caicos Islands approved a 6.8% average increase in FortisTCI's electricity rates, effective April 1, 2020. In March 2020, to help ease customers' financial hardship due to the ongoing effects of the COVID-19 pandemic, the effective date was deferred to July 1, 2020.

Other Regulatory Matters

ITC
ROE Complaints: The November 2019 Federal Energy Regulatory Commission ("FERC") Order remains subject to the resolution of a request for rehearing granted by FERC in January 2020. Based on the outcome of the request for rehearing, it is possible the return on common equity ("ROE") and refunds could materially change from those recognized in 2019 and 2020.

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

FortisAlberta
2018 Alberta Independent System Operator Tariff Application: In September 2019 the AUC issued a decision that addressed, among other things, a proposal to change how the Alberta Independent System Operator's customer contribution policy is accounted for between distribution facility owners, such as FortisAlberta, and transmission facility owners. Implementation of the order was suspended in October 2019 and the decision remains under review by the AUC. In February 2020 FortisAlberta requested an oral hearing which remains under consideration by the AUC. The likely outcome of this process and potential impacts, if any, cannot be determined at this time.

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 for rate-regulated entities and are in Canadian dollars unless otherwise noted.

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

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

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

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

New Accounting Policies

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

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

4. FUTURE ACCOUNTING PRONOUNCEMENTS

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

5. SEGMENTED INFORMATION

General

Fortis segments its business based on regulatory 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 three months ended March 31, 2020 and 2019.

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

	Quarter Ended March 31	
($ millions)	**2020**	2019
Lease of gas storage capacity and gas sales from Aitken Creek to FortisBC Energy	**7**	6
Sale of capacity from Waneta Expansion to FortisBC Electric [(1)]	**—**	16

(1) *Reflects amounts to the April 16, 2019 disposition of the Waneta Expansion hydroelectric generating facility ("Waneta Expansion") (Note 10)*

As at March 31, 2020, accounts receivable included approximately $11 million due from Belize Electricity (December 31, 2019 - $8 million).

The Corporation periodically provides short-term financing to subsidiaries to support capital expenditures, acquisitions and seasonal working capital requirements. As at March 31, 2020, there were inter-segment loans outstanding of $125 million (December 31, 2019 - $279 million), payable on demand with a weighted average interest rate of 2.3%. Total interest charged was $1 million for the three months ended March 31, 2020 (three months ended March 31, 2019 - $nil).

	REGULATED								NON-REGULATED			
Quarter Ended March 31, 2020 *($ millions)*	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	**Energy Infra-structure**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Revenue	433	473	280	466	152	114	448	**2,366**	**25**	**—**	**—**	**2,391**
Energy supply costs	—	167	78	160	—	39	305	**749**	**1**	**—**	**—**	**750**
Operating expenses	118	158	134	82	38	27	51	**608**	**8**	**10**	**—**	**626**
Depreciation and amortization	73	81	22	60	55	15	46	**352**	**4**	**1**	**—**	**357**
Operating income	242	67	46	164	59	33	46	**657**	**12**	**(11)**	**—**	**658**
Other income, net	4	(3)	9	1	1	1	3	**16**	**—**	**(7)**	**—**	**9**
Finance charges	80	28	12	36	26	18	19	**219**	**—**	**37**	**—**	**256**
Income tax expense	43	8	8	23	2	1	4	**89**	**3**	**(34)**	**—**	**58**
Net earnings	123	28	35	106	32	15	26	**365**	**9**	**(21)**	**—**	**353**
Non-controlling interests	22	—	—	—	—	—	3	**25**	**—**	**—**	**—**	**25**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**16**	**—**	**16**
Net earnings attributable to common equity shareholders	101	28	35	106	32	15	23	**340**	**9**	**(37)**	**—**	**312**
Goodwill	8,630	1,943	634	913	228	235	266	**12,849**	**27**	**—**	**—**	**12,876**
Total assets	21,676	11,426	4,120	7,297	4,884	2,359	4,342	**56,104**	**727**	**365**	**(177)**	**57,019**
Capital expenditures	249	509	73	121	121	28	57	**1,158**	**4**	**—**	**—**	**1,162**

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

6. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses balance, which is recorded against accounts receivable and other assets, changed from December 31, 2019 as follows.

($ millions)	Quarter Ended March 31, 2020
Beginning of period	**(35)**
Credit loss expense	**(9)**
Write-offs	**4**
Recoveries	**(1)**
Foreign exchange	**(3)**
End of period	**(44)**

7. REGULATORY ASSETS AND LIABILITIES

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

	As at	
($ millions)	March 31, 2020	December 31, 2019
Regulatory assets		
Deferred income taxes	**1,595**	1,556
Employee future benefits	**546**	530
Deferred energy management costs	**297**	279
Rate stabilization and related accounts	**260**	208
Deferred lease costs	**125**	116
Manufactured gas plant site remediation deferral	**123**	81
Derivatives	**106**	119
Generation early retirement costs	**93**	88
Other regulatory assets	**414**	406
Total regulatory assets	**3,559**	3,383
Less: Current portion	**(417)**	(425)
Long-term regulatory assets	**3,142**	2,958
Regulatory liabilities		
Deferred income taxes	**1,554**	1,440
Asset removal cost provision	**1,235**	1,187
Rate stabilization and related accounts	**128**	166
Energy efficiency liability	**108**	101
Renewable energy surcharge	**103**	94
ROE complaints liability	**97**	91
Electric and gas moderator account	**44**	45
Employee future benefits	**35**	45
Other regulatory liabilities	**215**	189
Total regulatory liabilities	**3,519**	3,358
Less: Current portion	**(555)**	(572)
Long-term regulatory liabilities	**2,964**	2,786

8. LONG-TERM DEBT

	As at	
	March 31,	December 31,
($ millions)	**2020**	2019
Long-term debt	**23,106**	21,547
Fair value adjustment - ITC acquisition	**141**	133
Credit facility borrowings	**1,172**	640
Total long-term debt	**24,419**	22,320
Less: Deferred financing costs and debt discounts	**(132)**	(129)
Less: Current installments of long-term debt	**(1,176)**	(690)
	23,111	21,501

The long-term debt issuances for the three months ended March 31, 2020 are summarized below.

($ millions, except %)	**Month Issued**	**Interest Rate** *(%)*	**Maturity**	**Amount**	**Use of Proceeds**
ITC					
Unsecured term loan credit agreement	January	(1)	2021	US 75	(2)(3)
Unsecured term loan credit agreement (4)	January	(5)	2021	US 200	(4)

(1) Floating rate of a one-month LIBOR plus a spread of 0.45%
(2) Repay credit facility borrowings
(3) General corporate purposes
(4) Maximum amount of borrowings under this agreement of US$400 million has been drawn; current period borrowings were used to repay an outstanding commercial paper balance. ITC's ability to issue commercial paper has been limited or may be unavailable due to the impact of the COVID-19 pandemic.
(5) Floating rate of a two-month LIBOR plus a spread of 0.60%

In April 2020 UNS Energy issued 30-year US$350 million unsecured senior notes at 4.00%. The net proceeds were used to repay credit facility borrowings and for general corporate purposes.

In April 2020 Newfoundland Power issued 40-year $100 million first mortgage sinking fund bonds at 3.61%. The net proceeds were used to repay short-term borrowings and for general corporate purposes.

Credit Facilities

As at March 31, 2020, the Corporation and its subsidiaries had consolidated credit facilities of approximately $5.8 billion, of which approximately $4.1 billion was unused, including $1.3 billion unused under the Corporation's committed revolving corporate credit facility, as follows.

			As at	
($ millions)	Regulated Utilities	Corporate and Other	**March 31, 2020**	December 31, 2019
Total credit facilities	4,446	1,380	**5,826**	5,590
Credit facilities utilized:				
Short-term borrowings (1)	(421)	—	**(421)**	(512)
Long-term debt (including current portion) (2)	(1,172)	—	**(1,172)**	(640)
Letters of credit outstanding	(82)	(48)	**(130)**	(114)
Credit facilities unutilized	2,771	1,332	**4,103**	4,324

(1) The weighted average interest rate was approximately 1.7% (December 31, 2019 - 3.2%).
(2) The weighted average interest rate was approximately 1.8% (December 31, 2019 - 2.4%). The current portion was $599 million (December 31, 2019 - $252 million).

Credit facilities are syndicated primarily with large banks in Canada and the United States, with no one bank holding more than 20% of the total facilities. Approximately $5.5 billion of the total credit facilities are committed facilities with maturities ranging from 2020 through 2025.

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

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

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

In April 2020 the Corporation entered into a $500 million one-year revolving term committed credit facility.

9. EMPLOYEE FUTURE BENEFITS

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

	Defined Benefit Pension Plans		**OPEB Plans**	
($ millions)	**2020**	2019	**2020**	2019
Quarter Ended March 31				
Components of net benefit cost				
Service costs	**25**	19	**8**	7
Interest costs	**28**	31	**6**	6
Expected return on plan assets	**(44)**	(40)	**(5)**	(4)
Amortization of actuarial losses (gains)	**8**	6	**(1)**	(1)
Amortization of past service credits/plan amendments	**—**	—	**(1)**	(2)
Regulatory adjustments	**(1)**	1	**1**	2
Net benefit cost	**16**	17	**8**	8

Defined contribution pension plan expense for the three months ended March 31, 2020 was $13 million (three months ended March 31, 2019 - $12 million).

10. DISPOSITION

On April 16, 2019, Fortis sold its 51% ownership interest in the 335-megawatt Waneta Expansion for proceeds of $995 million.

For the three months ended March 31, 2019, the Waneta Expansion contributed $10 million to earnings before income tax expense of which Fortis' share was 51%.

11. OTHER INCOME, NET

($ millions)	Quarter ended March 31 2020	2019
Equity component of allowance for funds used during construction	**14**	18
Derivative (losses) gains	**(11)**	7
Interest income	**5**	4
Other	**1**	9
	9	38

12. EARNINGS PER COMMON SHARE

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

	2020			2019		
	Net Earnings to Common Shareholders (*$ millions*)	**Weighted Average Shares (*# millions*)**	**EPS (*$*)**	Net Earnings to Common Shareholders (*$ millions*)	Weighted Average Shares (*# millions*)	EPS (*$*)
Quarter Ended March 31						
Basic EPS	**312**	**463.9**	**0.67**	311	429.5	0.72
Potential dilutive effect of stock options	**—**	**0.7**		—	0.6	
Diluted EPS	**312**	**464.6**	**0.67**	311	430.1	0.72

13. SUPPLEMENTARY CASH FLOW INFORMATION

($ millions)	Quarter Ended March 31 2020	2019
Change in working capital		
Accounts receivable and other current assets	**38**	(102)
Prepaid expenses	**(4)**	(3)
Inventories	**44**	23
Regulatory assets - current portion	**14**	(6)
Accounts payable and other current liabilities	**(208)**	(57)
Regulatory liabilities - current portion	**(38)**	7
	(154)	(138)
Non-cash investing and financing activities		
Accrued capital expenditures	**324**	298
Right-of-use assets obtained in exchange for operating lease liabilities	**10**	46
Common share dividends reinvested	**8**	75
Contributions in aid of construction	**8**	13
Exercise of stock options into common shares	**2**	2

14. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivatives

The Corporation generally limits derivative usage to those that qualify as accounting, economic or cash flow hedges, or those that are approved for regulatory recovery.

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

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

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

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

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

Unrealized gains or losses associated with changes in the fair value of these energy contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the regulators. As at March 31, 2020, unrealized losses of $106 million (December 31, 2019 - $119 million) were recognized as regulatory assets and unrealized gains were not material.

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, 2020 and 2019.

Total Return Swaps
The Corporation holds total return swaps to manage the cash flow risk associated with forecasted future cash settlements of certain stock-based compensation obligations. The swaps have a combined notional amount of $71 million and terms of one to two years expiring in January 2021 and 2022. 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, 2020 and 2019.

Foreign Exchange Contracts

The Corporation holds US dollar foreign exchange contracts to help mitigate exposure to volatility of foreign exchange rates. The contracts expire in 2020 and 2021, and have a combined notional amount of $272 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, 2020 and 2019.

Interest Rate Swaps

ITC entered into forward-starting interest rate swaps to manage the interest rate risk associated with planned future borrowings, including the refinancing of a US$400 million term loan due in June 2021. The swaps have a combined notional value of $633 million and five-year terms with a mandatory early termination provision. The swaps will be terminated no later than the effective date of October or November 2020. Fair value was measured using a discounted cash flow method based on LIBOR rates. Unrealized gains and losses associated with changes in fair value are recognized in other comprehensive income and will be reclassified to earnings as a component of interest expense over the life of the debt. During the three months ended March 31, 2020, unrealized losses of $31 million (three months ended March 31, 2019 - $nil) were recognized in other comprehensive income.

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, 2020 and 2019.

Recurring Fair Value Measures

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

($ millions)	Level 1 (1)	Level 2 (1)	Level 3 (1)	Total
As at March 31, 2020				
Assets				
Energy contracts subject to regulatory deferral (2) (3)	—	27	—	27
Energy contracts not subject to regulatory deferral (2)	—	6	—	6
Total return swaps (2)	7	—	—	7
Other investments (4)	127	—	—	127
	134	33	—	167
Liabilities				
Energy contracts subject to regulatory deferral (3) (5)	—	(132)	—	(132)
Energy contracts not subject to regulatory deferral (5)	—	(16)	—	(16)
Foreign exchange contracts and interest rate swaps (5)	(6)	(28)	—	(34)
	(6)	(176)	—	(182)

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

[1] *Under the hierarchy, fair value is determined using: (i) level 1 - unadjusted quoted prices in active markets; (ii) level 2 - other pricing inputs directly or indirectly observable in the marketplace; and (iii) level 3 - unobservable inputs, used when observable inputs are not available. Classifications reflect the lowest level of input that is significant to the fair value measurement.*
[2] *Included in accounts receivable and other current assets or other assets*
[3] *Unrealized gains and losses arising from changes in fair value of these contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates as permitted by the regulators, with the exception of long-term wholesale trading contracts and certain gas swap contracts.*
[4] *Included in other assets*
[5] *Included in accounts payable and other current liabilities or other liabilities*

The Corporation has elected gross presentation for its derivative contracts under master netting agreements and collateral positions, which 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, 2020				
Derivative assets	**33**	**25**	**10**	**(2)**
Derivative liabilities	**(148)**	**(25)**	**—**	**(123)**
As at December 31, 2019				
Derivative assets	30	22	10	(2)
Derivative liabilities	(151)	(22)	(2)	(127)

Volume of Derivative Activity

As at March 31, 2020, the Corporation had various energy contracts that will settle on various dates through 2029. The volumes related to electricity and natural gas derivatives are outlined below.

	As at	
	March 31, 2020	December 31, 2019
Energy contracts subject to regulatory deferral (1)		
Electricity swap contracts *(GWh)*	**201**	628
Electricity power purchase contracts *(GWh)*	**3,305**	3,198
Gas swap contracts *(PJ)*	**151**	168
Gas supply contract premiums *(PJ)*	**230**	241
Energy contracts not subject to regulatory deferral (1)		
Wholesale trading contracts *(GWh)*	**1,072**	1,855
Gas swap contracts *(PJ)*	**29**	43

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

Credit Risk

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

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

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

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

The value of derivatives in net liability positions under contracts with credit risk-related contingent features that, if triggered, could require the posting of a like amount of collateral was $112 million as of March 31, 2020 (December 31, 2019 - $161 million).

As at March 31, 2020, the impact of the COVID-19 pandemic on the carrying values of accounts receivable and other current assets, and long-term other receivables or the fair value of derivatives was not material.

Foreign Exchange Hedge

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

As at March 31, 2020, US$2.2 billion (December 31, 2019 - US$2.2 billion) of corporately issued US dollar-denominated long-term debt has been designated as an effective hedge of net investments, leaving approximately US$9.9 billion (December 31, 2019 - US$9.7 billion) unhedged. Exchange rate fluctuations associated with the hedged net investment in foreign subsidiaries and the debt serving as the hedge are recognized in accumulated other comprehensive income.

Financial Instruments Not Carried at Fair Value

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

As at March 31, 2020, the carrying value of long-term debt, including current portion, was $24.4 billion (December 31, 2019 - $22.3 billion) compared to an estimated fair value of $26.7 billion (December 31, 2019 - $25.3 billion).

15. COMMITMENTS AND CONTINGENCIES

Commitments

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

Contingencies

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