FORTIS INC.

St. John's, NL - October 30, 2020

FORTIS INC. REPORTS THIRD QUARTER 2020 EARNINGS

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 third quarter results[1] today.

Highlights

- Continued to deliver safe and reliable service throughout the pandemic
- Delivered third quarter 2020 net earnings of $0.63 per common share and adjusted net earnings[2] of $0.65 per common share
- Execution of $4.3 billion annual capital plan on track with $2.9 billion invested through September
- Released new five-year capital plan of $19.6 billion, up $0.8 billion from prior five-year plan
- Announced common share dividend increase of 5.8%, marking 47 years of consecutive increases
- Established new corporate-wide carbon emissions reduction target of 75% by 2035

"Our teams have been keeping the health and safety of employees, customers and communities top of mind as we continue to deliver reliable service during the pandemic. The Fortis business model, with its use of local teams and focus on local decision making, has never been more valuable," said Barry Perry, President and Chief Executive Officer, Fortis. "With our new five-year capital plan and substantially all of our assets focused on the transmission and distribution of energy, Fortis is in a strong position to continue to grow and deliver on a cleaner energy future. We are excited by the opportunities ahead."

Net Earnings

The Corporation reported third quarter net earnings attributable to common equity shareholders of $292 million, compared to $278 million for the same period in 2019. The $14 million increase reflects: (i) rate base growth at the regulated utilities; (ii) higher sales at UNS Energy, driven largely by weather; and (iii) higher hydroelectric production and equity income in Belize. Fortis delivered this growth despite cost pressure at UNS Energy associated with approximately $1 billion of utility infrastructure investments made by Tucson Electric Power ("TEP") that have not yet been reflected in customer rates. While later than expected due to the pandemic, new rates at TEP that will begin to recover these costs are anticipated to be approved prior to the end of 2020. Third quarter 2020 results were also unfavourably impacted by ITC due to the timing of earnings associated with the return on common equity ("ROE") decisions made by the Federal Energy Regulatory Commission ("FERC"), as well as a lower effective tax rate in 2019. Except for the delay in TEP's general rate application, earnings for the quarter were not materially impacted by the COVID-19 pandemic.

Year-to-date earnings as compared to 2019 reflect significant one-time items: (i) a $484 million gain on the disposition of the Waneta Expansion hydroelectric generating facility ("Waneta Expansion") in April 2019; and (ii) the reversal of a $13 million tax recovery, originally recognized in 2019, due to the finalization in April 2020 of anti-hybrid regulations associated with US tax reform; partially offset by (iii) a $27 million favourable base ROE adjustment at ITC as a result of a May 2020 FERC decision reflecting the reversal of liabilities accrued in prior years.

Notwithstanding these one-time items, earnings grew by $39 million during the first nine months of 2020, reflecting the factors discussed above for the third quarter but further tempered by: (i) lower sales in the Caribbean and higher operational expenses, largely incurred at Central Hudson, associated with the COVID-19 pandemic; and (ii) a decline in the market value of certain investments that support retirement benefits caused by financial market volatility.

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.

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 earnings per common share for the quarter and year to date of $0.04 and $0.13, respectively. The common equity offering and the Waneta Expansion disposition generated a significant portion of the equity funding required to execute our five-year capital plan and significantly strengthened the Corporation's liquidity. As at September 30, 2020, total consolidated credit facilities were $5.8 billion with $4.8 billion unutilized.

Adjusted Net Earnings
On an adjusted basis, third quarter net earnings attributable to common equity shareholders were $302 million, or $0.65 per common share, compared to $287 million, or $0.66 per common share, for the same period in 2019.

Year-to-date adjusted net earnings attributable to common equity shareholders were $875 million, or $1.88 per common share, compared to $838 million, or $1.93 per common share, for the same period in 2019.

COVID-19 Pandemic
Fortis continues to monitor developments and take all appropriate measures to protect the health and safety of employees, customers and communities. 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.

In addition to the efforts across the Fortis group to control costs throughout the pandemic, the Corporation's utilities have regulatory mechanisms that help stabilize cash flow and earnings which support the continued delivery of reliable service. Approximately 82% of the Corporation's revenues are either protected by regulatory mechanisms or are derived from residential sales which have generally increased as a result of work-from-home practices.

Executing the Capital Plan
The capital plan is progressing well with $2.9 billion spent during the first nine months of 2020. Year-to-date expenditures are consistent with expectations and in line with the Corporation's $4.3 billion 2020 annual capital plan. Currently, the Corporation does not expect any material change in the 2020 capital plan; however, any reduction in 2020 capital expenditures is expected to be shifted to subsequent years.

The Oso Grande Wind Project at UNS Energy is 75% complete with turbine construction now finished and system testing in progress. Once operational in 2021, the project will add 250 megawatts ("MW") of wind-powered electric generation to UNS Energy's portfolio, increasing its total renewable generation capacity to over 500 MW.

Progress on the Wataynikaneyap Transmission Power Project continued throughout the third quarter with the first transmission tower erected and substation ground grid installed. The project is on track for completion by the end of 2023 as originally planned.

The Corporation's five-year capital plan for 2021 to 2025 is $19.6 billion, up $0.8 billion from the prior five-year plan. The increase is largely due to: (i) two new major capital projects at FortisBC Energy; (ii) additional investment in information technology systems and storm hardening at Central Hudson; and (iii) interconnections and system rebuilds providing additional capacity and other improvements at ITC. Capital expenditures are expected to be funded primarily with cash from operations, debt issued at the regulated utilities and the Corporation's dividend reinvestment plan.

The new five-year plan supports our investment-grade credit ratings and dividend growth targets.

Sustainability
Delivering a cleaner energy future is a key priority for Fortis. During the third quarter, the Corporation announced its target to reduce carbon emissions across Fortis by 75% by 2035 from a 2019 base year. Fortis expects to achieve the majority of this aggressive target through delivering on TEP's goal to exit coal generation and replace it with approximately 2,400 MW of wind and solar power and 1,400 MW of energy storage. Clean energy initiatives across the Corporation's other utilities will also contribute to achieving this goal.

Executing on this carbon emissions target, and key industry trends including asset resiliency, electrification, grid modernization and the delivery of cleaner energy, are expected to enhance our organic growth strategy and drive incremental investments beyond the five-year capital plan.

Leadership Succession
In September 2020 the Corporation announced the retirement of Barry Perry, President and CEO, effective December 31, 2020. David Hutchens, currently Chief Operating Officer of Fortis and CEO of UNS Energy, will succeed Mr. Perry effective January 1, 2021.

With extensive experience in the electric and gas sectors, Mr. Hutchens has held progressive executive roles with the Fortis group of companies since 2018 and advanced through various management positions over his 25 years with UNS Energy. The Board's long-term CEO succession plan has well positioned the Corporation for this transition.

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

The Corporation's $19.6 billion five-year capital plan is expected to increase rate base from $30.2 billion in 2020 to $36.4 billion by 2023 and $40.3 billion by 2025, translating into three- and five-year compound annual growth rates of 6.5% and 6.0%, respectively. Beyond the five-year capital plan, Fortis continues to pursue additional energy infrastructure opportunities including: 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 infrastructure investments across our jurisdictions.

Fortis expects long-term growth in rate base will support earnings and dividend growth. The Corporation is targeting average annual dividend growth of approximately 6% through 2025. This dividend growth guidance is premised on the assumptions listed under "Forward-Looking Information" below, including the continued 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 September 30	**Quarter**			**Year-to-Date**		
($ millions, except earnings per share)	**2020**	2019	Variance	**2020**	2019	Variance
Common Equity Earnings	**292**	278	14	**878**	1,309	(431)
Adjusting Items:						
May 2020 FERC Order [(1)]	**—**	—	—	**(27)**	—	(27)
Anti-hybrid tax regulations [(2)]	**—**	—	—	**13**	—	13
Unrealized loss on mark-to-market of derivatives [(3)]	**10**	9	1	**11**	13	(2)
Gain on disposition [(4)]	**—**	—	—	**—**	(484)	484
Adjusted Common Equity Earnings	**302**	287	15	**875**	838	37
Adjusted Basic EPS *($)*	**0.65**	0.66	(0.01)	**1.88**	1.93	(0.05)

(1) *Reversal of regulatory liabilities accrued in prior years as a result of an order from FERC in May 2020 establishing a new base ROE, included in the ITC segment*
(2) *Reversal of a tax recovery, originally recognized in 2019, due to the finalization of anti-hybrid tax regulations in April 2020 associated with U.S. tax reform, included in the Corporate and Other segment*
(3) *Represents timing differences related to the accounting of natural gas derivatives at Aitken Creek, included in the Energy Infrastructure segment*
(4) *Gain on sale of the Waneta Expansion hydroelectric generating facility, net of expenses, in April 2019, included in the Corporate and Other 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 $56 billion as at September 30, 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 U.S. Private Securities Litigation Reform Act of 1995 (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: forecast capital expenditures and expected funding sources for 2020 and 2021-2025; targeted average annual dividend growth through 2025; the 2035 carbon emissions reduction target; the expected timing and outcome of regulatory decisions, including the expectation that new customer rates will be approved at TEP prior to the end of 2020; the expectation that there will not be a material change to the 2020 capital plan; the nature, timing, benefits and expected costs of certain capital projects including the Oso Grande Wind Project and Wataynikaneyap Transmission Power Project; TEP's 2035 carbon emissions reduction target; the expectation that execution of the carbon emissions target as well as key industry trends will drive incremental investments beyond the five-year capital plan; forecast rate base and rate base growth for 2020, 2023 and 2025; and the expectation that long-term growth in rate base will support earnings and dividend growth.

Forward-looking information involves significant risks, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking information. 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 Third Quarter 2020 Results

A teleconference and webcast will be held on October 30, 2020 at 8:30 a.m. (Eastern). Barry Perry, President and Chief Executive Officer; Jocelyn Perry, Executive Vice President and Chief Financial Officer; and David Hutchens, Chief Operating Officer will discuss the Corporation's third quarter 2020 results.

Shareholders, analysts, members of the media and other interested parties in North America are invited to participate by calling 1.877.223.4471. International participants may participate by calling 647.788.4922. Please dial in 10 minutes prior to the start of the call. No 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 November 29, 2020. Please call 1.800.585.8367 or 416.621.4642 and enter pass code 1392167.

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 and nine months ended September 30, 2020
Dated October 29, 2020

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

Financial information herein has been prepared in accordance with US GAAP (except for indicated Non-US GAAP Financial Measures) and, unless otherwise specified, is presented in Canadian dollars based, as applicable, on the following US-to-Canadian dollar exchange rates: (i) average of 1.33 and 1.32 for the quarters ended September 30, 2020 and 2019, respectively; (ii) average of 1.36 and 1.33 year-to-date September 30, 2020 and 2019, respectively; (iii) 1.33 and 1.32 as at September 30, 2020 and 2019, respectively; (iv) 1.30 as at December 31, 2019; and (v) 1.32 for all forecast periods. Certain terms used in this Interim MD&A are defined in the "Glossary" on page 26.

ABOUT FORTIS

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

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

SIGNIFICANT ITEM

COVID-19 Pandemic

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

The continued 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 21. To date, excluding the impact of the delayed rate case at TEP (see "Regulatory Highlights" on page 12), the impacts on Fortis have not been material and relate primarily to reduced sales at the Caribbean utilities as well as higher net operational expenses, largely incurred at Central Hudson.

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

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

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

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

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

As compared to the same period in 2019, residential electricity sales at UNS Energy increased by approximately 13% in the third quarter of 2020, due mainly to warmer temperatures and work-from-home practices. Commercial and industrial electricity sales decreased approximately 3%, resulting in an overall increase of approximately 5%. Excluding weather, retail electricity sales increased 1%.

As compared to the same period in 2019, sales at the Other Electric segment decreased by 1% in the third quarter of 2020. This was comprised of a 6% increase in residential sales and a 7% decrease in commercial sales. There was no material change in residential and commercial sales in Eastern Canada. Residential sales in the Caribbean remained comparable with the same period in 2019, while commercial sales decreased approximately 19%, due largely to reduced tourism-related activities.

Capital Expenditures
While the Corporation currently does not expect the COVID-19 Pandemic to impact its overall five-year capital plan, it is possible that certain capital expenditures planned for the remainder of 2020 may be shifted to subsequent years within the five-year plan period. See "Capital Plan" on page 20.

Liquidity
Fortis is well positioned with strong liquidity due, in part, to a $1.2 billion common equity offering and the sale of the Waneta Expansion in 2019. As at September 30, 2020, total consolidated credit facilities were $5.8 billion with $4.8 billion unutilized.

Fortis and its utilities continue to be successful in accessing capital markets. See "Liquidity and Capital Resources" on page 15.

The economic impact of the COVID-19 Pandemic may affect customers' ability to pay their energy bills with commensurate short-term working capital impacts. 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. On a year-to-date basis, the unfavourable impact on cash flow associated with the slower collection of customer balances has been tempered by other changes in Operating Cash Flow (see "Performance at a Glance - Operating Cash Flow" on page 5). For the nine months ended September 30, 2020, the Corporation's credit loss expense was not materially impacted. See Note 6 in the Interim Financial Statements.

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

Pension Plans
The Corporation's exposure to changes in pension expense is limited by regulatory mechanisms which cover approximately 80% of defined benefit pension plans. 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 pension plan valuations as of December 31. Therefore, the ultimate impact on future pension expense and funding is uncertain at this time. As at September 30, 2020, pension asset values had recovered from the decline experienced earlier in 2020.

PERFORMANCE AT A GLANCE

Key Financial Metrics						
Periods ended September 30	**Quarter**			**Year-to-Date**		
($ millions, except as indicated)	**2020**	2019	Variance	**2020**	2019	Variance
Revenue	**2,121**	2,051	70	**6,589**	6,457	132
Common Equity Earnings						
Actual	**292**	278	14	**878**	1,309	(431)
Adjusted [(1)]	**302**	287	15	**875**	838	37
Basic EPS *($)*						
Actual	**0.63**	0.64	(0.01)	**1.89**	3.02	(1.13)
Adjusted [(1)]	**0.65**	0.66	(0.01)	**1.88**	1.93	(0.05)
Dividends Paid per Common Share *($)*	**0.4775**	0.4500	0.0275	**1.4325**	1.3500	0.0825
Weighted Average Number of Common Shares Outstanding *(# millions)*	**464.9**	437.4	27.5	**464.4**	433.3	31.1
Operating Cash Flow	**686**	857	(171)	**2,001**	2,029	(28)
Capital Expenditures	**891**	1,013	(122)	**2,892**	2,596	296

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

Revenue
The $70 million increase in revenue for the quarter was due primarily to: (i) overall higher flow-through costs in customer rates; (ii) Rate Base growth at the regulated utilities; (iii) the impact of favourable weather in Arizona; and (iv) favourable foreign exchange of $10 million.

The $132 million increase in revenue year to date was due primarily to the same factors discussed above for the quarter including favourable foreign exchange of $74 million, as well as the net impact at ITC of the May 2020 FERC Order including a $40 million favourable base ROE adjustment related to the reversal of liabilities established in prior years and a lower base ROE as compared to the same period last year (see "Regulatory Highlights" on page 12). The increase was partially offset by: (i) lower short-term wholesale sales at UNS Energy; and (ii) overall lower revenue contribution from the Energy Infrastructure segment, due primarily to the disposition of the Waneta Expansion in April 2019.

Earnings and EPS

The $14 million increase in earnings for the quarter reflects: (i) Rate Base growth; (ii) increased retail sales at UNS Energy, driven largely by weather; (iii) higher hydroelectric production in Belize; and (iv) higher equity income from Belize Electricity. This growth was tempered by: (i) cost pressure at UNS Energy associated with approximately $1 billion of utility infrastructure investments made by TEP that have not yet been reflected in customer rates; and (ii) lower contributions from ITC, due to the timing of earnings associated with the FERC ROE decisions (see "Regulatory Highlights" on page 12), and a lower effective tax rate in 2019. While later than expected due to the COVID-19 Pandemic, new rates at TEP that will begin to recover these costs are anticipated to be approved prior to the end of 2020. Except for this delay, earnings for the quarter were not materially impacted by the COVID-19 Pandemic.

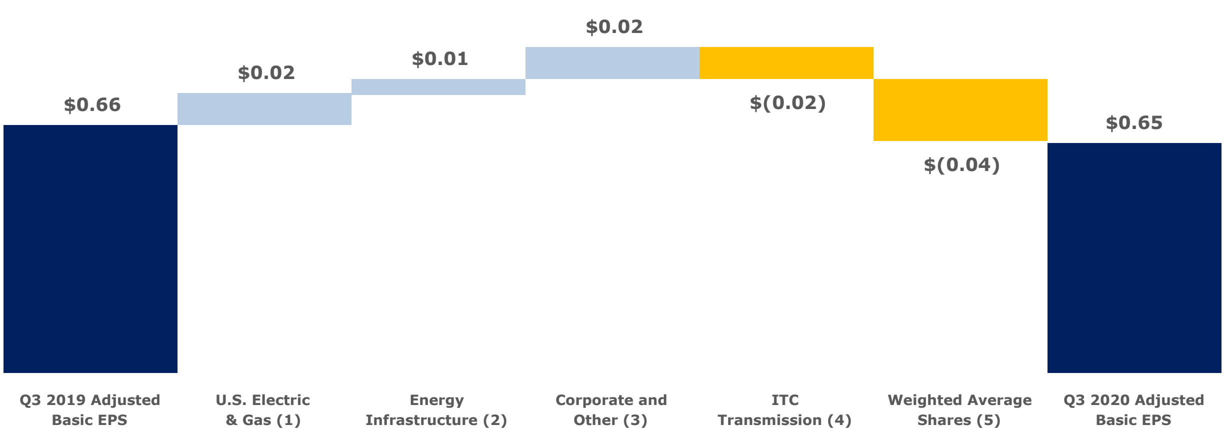
Year-to-date earnings reflect significant one-time items: (i) a $484 million gain on the disposition of the Waneta Expansion in April 2019; and (ii) the reversal of a $13 million tax recovery, originally recognized in 2019, due to the finalization in April 2020 of anti-hybrid regulations associated with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

Excluding the significant one-time items, the Corporation delivered higher earnings of $39 million during the first nine months of 2020 reflecting the same factors discussed above for the quarter but further tempered by: (i) the impact of the COVID-19 Pandemic, including lower sales in the Caribbean and higher net operational expenses, largely incurred at Central Hudson; and (ii) a decline in the market value of certain investments that support retirement benefits caused by financial market volatility.

An increase in the weighted average number of common shares outstanding, mainly associated with the Corporation's $1.2 billion common equity issuance in the fourth quarter of 2019, resulted in a decrease in basic EPS for the quarter and year to date of $0.04 and $0.13, respectively.

For the quarter and year to date: (i) Adjusted Common Equity Earnings increased by $15 million and $37 million, respectively; and (ii) Adjusted Basic EPS decreased by $0.01 and $0.05, respectively. Refer to "Non-US GAAP Financial Measures" on page 11 for a reconciliation of these measures. The changes in Adjusted Basic EPS are illustrated in the charts below.

Third Quarter 2020 Adjusted Basic EPS Drivers



(1) UNS Energy and Central Hudson. Earnings at UNS Energy reflect higher retail sales driven by favourable weather, partially offset by higher costs associated with Rate Base growth not yet reflected in customer rates. Earnings at Central Hudson reflect Rate Base growth and the timing of operating expenses.

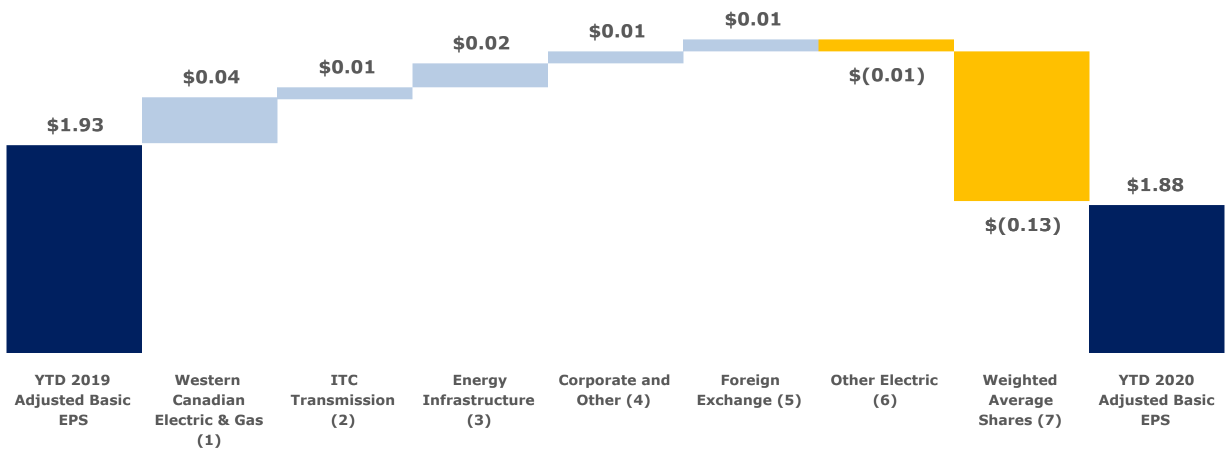
(2) Primarily reflects increased hydroelectric production in Belize due to higher rainfall

(3) Primarily reflects lower finance charges and operating expenses

(4) Primarily reflects the timing of earnings related to the FERC ROE decisions and a lower effective tax rate in 2019

(5) Weighted average shares of 464.9 million in 2020 compared to 437.4 million in 2019

Year-to-Date 2020 Adjusted Basic EPS Drivers



(1) FortisBC Energy, FortisBC Electric and FortisAlberta. Primarily reflects Rate Base/customer growth and timing of operating expenses, partially offset by a higher effective tax rate and the elimination of the PBR efficiency carry-over mechanism at FortisAlberta.
(2) Primarily reflects Rate Base growth and lower business development costs, partially offset by the timing of earnings related to the FERC ROE decisions and a lower effective tax rate in 2019
(3) Primarily reflects increased hydroelectric production in Belize due to higher rainfall
(4) Primarily reflects lower finance and operating costs, partially offset by the gain on repayment of debt recognized in 2019
(5) Average FX of $1.36 in 2020 compared to $1.33 in 2019
(6) Primarily reflects (i) lower sales, mainly in the Caribbean, due to the impacts of the COVID-19 Pandemic, and (ii) the timing of purchased power costs at Newfoundland Power, partially offset by higher equity income from Belize Electricity
(7) Weighted average shares of 464.4 million in 2020 compared to 433.3 million in 2019

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

In September 2020 the Corporation announced a fourth quarter common share dividend of $0.505, up 5.8% from its third quarter common share dividend. This marked the Corporation's 47th consecutive year of dividend increases. The Corporation has targeted average annual dividend per common share growth of approximately 6% through 2025.

Growth of dividends and the market price of the Corporation's common shares have together yielded 3-year, 5-year, 10-year and 20-year annualized TSRs of 10.8%, 11.4%, 9.5% and 13.8%, respectively.

Operating Cash Flow
The $171 million decrease in Operating Cash Flow for the quarter reflects the timing of carbon and provincial sales tax payments at FortisBC and slower collections from customers.

Operating Cash Flow on a year-to-date basis was relatively consistent with the same period in 2019, with a decrease of $28 million year over year. The decrease in Operating Cash Flow related to: (i) the timing of the flow-through of transmission costs at FortisAlberta; (ii) the timing of recovery of higher gas costs at FortisBC Energy; and (iii) slower collections from customers, was substantially offset by higher cash earnings reflecting Rate Base growth and higher retail sales at UNS Energy.

Capital Expenditures
Capital expenditures were $2.9 billion year-to-date 2020, up $0.3 billion compared to the same period in 2019. Year-to-date expenditures are consistent with expectations and in line with the Corporation's $4.3 billion capital plan.

Depending on the length and severity of the COVID-19 Pandemic, it is possible that certain capital expenditures planned for the remainder of 2020 could be delayed. However, the Corporation currently does not expect any material change in the 2020 annual capital plan, and any reduction in 2020 capital expenditures is expected to be shifted to subsequent years. See "Significant Item" on page 1, "Capital Plan" on page 20, and "Business Risks" on page 21.

BUSINESS UNIT PERFORMANCE

Common Equity Earnings	**Quarter**				**Year-to-Date**			
Periods Ended September 30			Variance				Variance	
($ millions)	**2020**	2019	FX (1)	Other	**2020**	2019	FX (1)	Other
Regulated Utilities								
ITC	**101**	107	2	(8)	**340**	300	8	32
UNS Energy	**144**	139	1	4	**257**	254	4	(1)
Central Hudson	**19**	16	—	3	**56**	55	—	1
FortisBC Energy	**(21)**	(22)	—	1	**101**	88	—	13
FortisAlberta	**35**	37	—	(2)	**100**	98	—	2
FortisBC Electric	**11**	11	—	—	**43**	42	—	1
Other Electric (2)	**33**	32	—	1	**80**	84	—	(4)
	322	320	3	(1)	**977**	921	12	44
Non-Regulated								
Energy Infrastructure (3)	**—**	(4)	—	4	**12**	12	—	—
Corporate and Other (4)	**(30)**	(38)	(1)	9	**(111)**	376	(5)	(482)
Common Equity Earnings	**292**	278	2	12	**878**	1,309	7	(438)

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

ITC	**Quarter**				**Year-to-Date**			
Periods Ended September 30			Variance				Variance	
($ millions)	**2020**	2019	FX	Other	**2020**	2019	FX	Other
Revenue (1)	**415**	425	4	(14)	**1,325**	1,261	26	38
Earnings (1)	**101**	107	2	(8)	**340**	300	8	32

(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 decrease in revenue for the quarter, net of foreign exchange, was due primarily to: (i) lower recoverable operating expenses due to cost saving measures implemented as a result of the COVID-19 Pandemic; and (ii) a reduction in the base ROE established for 2020 as a result of the May 2020 FERC Order as compared to the base ROE in effect for the same period in 2019 (see "Regulatory Highlights" on page 12). The decrease was partially offset by growth in Rate Base.

The increase in revenue year to date, net of foreign exchange, was due primarily to: (i) growth in Rate Base; and (ii) a $40 million favourable base ROE adjustment related to prior periods as a result of the May 2020 FERC Order, partially offset by a reduction in the base ROE compared to the same period last year, discussed above. Lower recoverable operating expenses also unfavourably impacted revenue year to date.

Earnings
Decisions issued by FERC in November 2019 and May 2020 are impacting the timing of earnings delivered by ITC as compared to 2019.

The decrease in earnings for the quarter, net of foreign exchange, was due to a lower effective tax rate in 2019 and a lower base ROE as compared to the same period last year. The decrease was partially offset by growth in Rate Base.

The increase in earnings year to date, net of foreign exchange, reflects a $27 million favourable base ROE adjustment related to prior periods as a result of the May 2020 FERC Order, partially offset by a lower base ROE as compared to the same period last year, discussed above. Growth in Rate Base and lower business development costs, which also contributed to the increase in earnings, were tempered by the impact of a lower effective tax rate in 2019.

UNS ENERGY	**Quarter**				**Year-to-Date**			
Periods Ended September 30			Variance				Variance	
	2020	2019	FX	Other	**2020**	2019	FX	Other
Retail electricity sales *(GWh)*	**3,672**	3,495	—	177	**8,575**	8,208	—	367
Wholesale electricity sales *(GWh)* [(1)]	**1,441**	2,161	—	(720)	**3,972**	6,109	—	(2,137)
Gas sales *(PJ)*	**2**	2	—	—	**10**	11	—	(1)
Revenue *($ millions)*	**716**	659	4	53	**1,735**	1,702	31	2
Earnings *($ millions)*	**144**	139	1	4	**257**	254	4	(1)

(1) *Primarily short-term wholesale sales*

Sales

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

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

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

Revenue

The increases in revenue for the quarter and year to date, net of foreign exchange, were due primarily to higher revenue related to the recovery of fuel and non-fuel costs through the normal operation of regulatory mechanisms and higher retail sales. The increases were partially offset by lower flow-through costs related to Springerville Units 3 and 4, primarily in the third quarter of 2020. Lower short-term wholesale sales also unfavourably impacted revenue year to date.

Earnings

The increase in earnings for the quarter, net of foreign exchange, was due primarily to higher retail sales. The increase was partially offset by higher costs associated with Rate Base growth not yet reflected in customer rates. New customer rates at TEP were expected to be effective May 1, 2020 but have been delayed due to the COVID-19 Pandemic (see "Regulatory Highlights" on page 12).

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

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

CENTRAL HUDSON Periods Ended September 30	Quarter				Year-to-Date			
			Variance				Variance	
	2020	2019	FX	Other	**2020**	2019	FX	Other
Electricity sales *(GWh)*	**1,421**	1,374	—	47	**3,769**	3,775	—	(6)
Gas sales *(PJ)*	**4**	3	—	1	**16**	16	—	—
Revenue *($ millions)*	**225**	215	1	9	**711**	691	12	8
Earnings *($ millions)*	**19**	16	—	3	**56**	55	—	1

Sales

The increase in electricity sales for the quarter was due primarily to higher average consumption by residential customers, due partly to work-from-home practices as a result of the COVID-19 Pandemic, and warmer-than-normal temperatures compared to the same period in 2019. The increase was partially offset by lower average consumption by commercial customers as a result of the COVID-19 Pandemic.

The decrease in electricity sales year to date was due primarily to lower average consumption by commercial customers associated with the impact of the COVID-19 Pandemic.

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

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

Revenue

The increases in revenue for the quarter and year to date, net of foreign exchange, were due primarily to an increase in gas and electricity delivery rates effective July 1, 2019 and July 1, 2020, reflecting a return on increased rate base assets as well as the recovery of higher operating and financing expenses. The increase in revenue year to date was partially offset by the flow through of lower energy supply costs.

Earnings

The increases in earnings for the quarter and year to date were due primarily to Rate Base growth, discussed above, and the timing of operating expenses. Higher net operational expenses associated with the COVID-19 Pandemic unfavourably impacted earnings year to date.

FORTISBC ENERGY Periods Ended September 30	Quarter			Year-to-Date		
	2020	2019	Variance	**2020**	2019	Variance
Gas sales *(PJ)*	**29**	33	(4)	**152**	156	(4)
Revenue *($ millions)*	**194**	183	11	**909**	903	6
(Loss) Earnings *($ millions)*	**(21)**	(22)	1	**101**	88	13

Sales

The decreases in gas sales for the quarter and year to date were due primarily to lower consumption by transportation customers, partially offset by higher consumption from residential customers, due partly to work-from-home practices as a result of the COVID-19 Pandemic.

Revenue

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

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

Earnings

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

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

FORTISALBERTA	**Quarter**			**Year-to-Date**		
Periods Ended September 30	**2020**	2019	Variance	**2020**	2019	Variance
Electricity deliveries *(GWh)*	**3,773**	3,997	(224)	**11,954**	12,608	(654)
Revenue *($ millions)*	**155**	153	2	**457**	448	9
Earnings *($ millions)*	**35**	37	(2)	**100**	98	2

Deliveries
The decreases in electricity deliveries for the quarter and year to date were due to lower average consumption by oil and gas and commercial customers, largely associated with the impact of the COVID-19 Pandemic but also due to the downturn in the oil and gas sector. The decreases were partially offset by higher average consumption by residential customers due partly to work-from-home practices as a result of the COVID-19 Pandemic.

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 increases in revenue for the quarter and year to date were due primarily to Rate Base growth, partially offset by the recognition of revenue in 2019 associated with the PBR efficiency carry-over mechanism. Customer additions also contributed to the increase in revenue year to date.

Earnings
The decrease in earnings for the quarter was due primarily to higher operating expenses and the impact of the PBR efficiency carry-over mechanism recognized in 2019, discussed above. The decrease was partially offset by Rate Base growth.

The increase in earnings year to date was due primarily to Rate Base growth, customer additions and the timing of operating expenses. The increase was partially offset by a higher effective tax rate associated with lower current period deductions related to AESO contributions and the impact of the PBR efficiency carry-over mechanism.

FORTISBC ELECTRIC	**Quarter**			**Year-to-Date**		
Periods Ended September 30	**2020**	2019	Variance	**2020**	2019	Variance
Electricity sales *(GWh)*	**791**	764	27	**2,397**	2,438	(41)
Revenue *($ millions)*	**102**	97	5	**307**	306	1
Earnings *($ millions)*	**11**	11	—	**43**	42	1

Sales
The increase in sales for the quarter was primarily due to higher average consumption by residential customers due to work-from-home practices, partially offset by lower average consumption by industrial customers, both as a result of the COVID-19 Pandemic.

The decrease in sales year to date was due to higher heating load in the first quarter of 2019 as a result of colder temperatures compared to 2020. Lower average consumption by commercial and industrial customers, partially offset by higher average residential consumption, both due to the impact of the COVID-19 Pandemic, also contributed to the year-to-date decrease.

Revenue
The increase in revenue for the quarter was due primarily to an increase in third-party contract work. The increase in revenue due to higher electricity sales was largely tempered by the normal operation of regulatory deferrals.

The increase in revenue year to date was due primarily to an increase in third-party contract work and Rate Base growth. The increase was partially offset by: (i) lower electricity sales, tempered by the normal operation of regulatory deferrals; and (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.

Earnings
Earnings for the quarter were comparable to the same period in 2019.

The increase in earnings year to date was due primarily to Rate Base growth, partially offset by the sale of the Waneta Expansion, discussed above.

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

OTHER ELECTRIC	**Quarter**				**Year-to-Date**			
Periods Ended September 30			Variance				Variance	
	2020	2019	FX	Other	**2020**	2019	FX	Other
Electricity sales *(GWh)*	**1,766**	1,782	—	(16)	**6,813**	6,939	—	(126)
Revenue *($ millions)*	**311**	317	1	(7)	**1,104**	1,086	5	13
Earnings *($ millions)*	**33**	32	—	1	**80**	84	—	(4)

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

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

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

Earnings
The increase in earnings for the quarter relates to higher equity income from Belize Electricity partially offset by: (i) lower sales in the Caribbean related to the COVID-19 Pandemic, as discussed above; and (ii) the timing of purchased power costs at Newfoundland Power.

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

ENERGY INFRASTRUCTURE	**Quarter**			**Year-to-Date**		
Periods Ended September 30	**2020**	2019	Variance	**2020**	2019	Variance
Electricity sales *(GWh)*	**76**	11	65	**126**	130	(4)
Revenue *($ millions)*	**3**	2	1	**41**	63	(22)
Earnings (loss) *($ millions)*	**—**	(4)	4	**12**	12	—

Sales
The increase in sales for the quarter was due to increased hydroelectric production in Belize due to higher rainfall levels.

The decrease in sales year to date was due to the Waneta Expansion disposition, partially offset by increased hydroelectric production in Belize. The Waneta Expansion disposition decreased sales by 80 GWh year to date.

Revenue and Earnings

The increase in revenue and earnings for the quarter was due primarily to higher hydroelectric production in Belize and higher other income, partially offset by lower realized margins at Aitken Creek.

The decrease in revenue year to date was due primarily to the Waneta Expansion disposition and lower realized margins at Aitken Creek, partially offset by higher hydroelectric production in Belize.

Earnings year to date were comparable to 2019, as the impact of lower sales were offset by increased hydroelectric production in Belize.

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

CORPORATE AND OTHER	**Quarter**				**Year-to-Date**			
Periods Ended September 30			Variance				Variance	
($ millions)	**2020**	2019	FX	Other	**2020**	2019	FX	Other
Net (expenses) income	**(30)**	(38)	(1)	9	**(111)**	376	(5)	(482)

The decrease in net expenses, net of foreign exchange, for the quarter was due primarily to lower finance charges and operating expenses.

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

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 September 30	**Quarter**			**Year-to-Date**		
($ millions, except as indicated)	**2020**	2019	Variance	**2020**	2019	Variance
Common Equity Earnings	**292**	278	14	**878**	1,309	(431)
Adjusting items:						
May 2020 FERC Order (1)	**—**	—	—	**(27)**	—	(27)
Anti-hybrid tax regulations (2)	**—**	—	—	**13**	—	13
Unrealized loss on mark-to market of derivatives (3)	**10**	9	1	**11**	13	(2)
Gain on disposition (4)	**—**	—	—	**—**	(484)	484
Adjusted Common Equity Earnings	**302**	287	15	**875**	838	37
Adjusted Basic EPS *($)*	**0.65**	0.66	(0.01)	**1.88**	1.93	(0.05)

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

REGULATORY HIGHLIGHTS

COVID-19 Pandemic Impacts

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

Customer Relief Initiatives

UNS Energy
Pursuant to the ACC's approval of the utility's customer relief initiatives, TEP refunded to customers approximately $11 million of collected demand side management funds in excess of program costs.

Central Hudson
In March 2020, as agreed with the PSC, Central Hudson postponed until July 1, 2021 the collection in customer rates of approximately $4 million of deferred costs related mainly to environmental remediation.

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

Delayed Regulatory Proceedings

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

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

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

FortisAlberta
Generic Cost of Capital Proceeding: In December 2018 the AUC initiated a generic cost of capital proceeding which was suspended in March 2020 due to the COVID-19 Pandemic. In October 2020, given the time that had passed since initiation of the proceeding and present economic uncertainty, the AUC concluded the proceeding and set the approved ROE for 2021 at 8.5% using a 37% equity component of capital structure, unchanged from 2020. The AUC is expected to commence a new generic cost of capital proceeding in 2021 to address future periods.

Other Electric
Caribbean Utilities: In August 2020 the Utility Regulation and Competition Office approved the postponement of Caribbean Utilities' scheduled annual rate adjustment effective June 1, 2020 to January 1, 2021, to provide customer relief from the effects of the COVID-19 Pandemic. The deferred revenue associated with the delay will be collected over the two-year period beginning January 2021.

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

Other Regulatory Matters

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

A net regulatory liability of $7 million and $91 million was recorded at September 30, 2020 and December 31, 2019, respectively, reflecting: (i) the terms of the May 2020 and November 2019 decisions; and (ii) $42 million refunded to customers year-to-date September 30, 2020. The May 2020 FERC Order resulted in an increase in Fortis' net earnings of $29 million, including $27 million related to the reversal of liabilities established in prior periods.

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

<u>Central Hudson</u>

General Rate Application: In August 2020 Central Hudson filed a rate application with the PSC requesting an increase in electric and natural gas rates of $44 million (US$33 million) and $19 million (US$14 million), respectively, effective July 1, 2021. The application includes a request to set Central Hudson's allowed ROE at 9.10% and to maintain a 50% equity component in its capital structure. An order from the PSC is expected in June 2021 with the new rates to become effective no later than July 1, 2021.

<u>FortisBC Energy and FortisBC Electric</u>

MRP Applications: In June 2020 the BCUC issued a decision on FortisBC Energy's and FortisBC Electric's MRP applications for 2020 to 2024. The decision sets the rate-setting framework for the next five years, including: (i) the level of operation and maintenance expense and capital to be included in customer rates, subject to an incentive formula; (ii) the level of investment in gas innovation initiatives to be included in customer rates; and (iii) a 50/50 sharing between customers and the utilities of variances from the allowed ROE. In August 2020 FortisBC Energy and FortisBC Electric filed updated 2020 rate filings, including a request for approval of 2021 delivery rates, reflecting the terms of this decision. Current interim rates will remain in effect pending a final determination of 2020 rates by the BCUC.

<u>FortisAlberta</u>

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

Performance-Based Regulation: In May 2020 FortisAlberta filed an application for anomaly adjustments to rates based on new criteria established by the AUC in January 2020. Final submissions on this proceeding were filed in September 2020 and a decision is expected in the fourth quarter of 2020.

FINANCIAL POSITION

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

	Increase/(Decrease)		
Balance Sheet Account	**FX** *($ millions)*	**Other** *($ millions)*	**Explanation**
Cash and cash equivalents	4	120	Related to the timing of debt and equity issuances and the related reinvestment in capital and operating requirements.
Regulatory assets (including current and long-term)	32	127	Due primarily to deferred income taxes, higher manufactured gas plant site remediation deferrals at Central Hudson and the operation of energy management cost deferrals, partially offset by lower derivative loss deferrals at UNS Energy.
Property, plant and equipment, net	538	1,724	Due primarily to capital expenditures, partially offset by depreciation.
Goodwill	269	—	
Short-term borrowings	13	(498)	Reflects the repayment of commercial paper at ITC and short-term borrowings at UNS Energy.
Accounts payable and other current liabilities	29	(159)	Reflects seasonal fluctuations in the amounts owing for energy supply costs at the Canadian regulated utilities, lower transmission costs at FortisAlberta and the timing of capital work and related payments.

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

Balance Sheet Account	Increase/(Decrease) FX (*$ millions*)	Increase/(Decrease) Other (*$ millions*)	Explanation
Other liabilities	21	83	Reflects refundable deposits received by ITC for transmission network upgrades and higher manufactured gas remediation costs at Central Hudson.
Deferred income tax liabilities	43	270	Due to higher temporary differences associated with ongoing capital investment.
Long-term debt (including current portion)	376	2,217	Reflects debt issuances partially offset by debt repayments at the regulated utilities, primarily at ITC and UNS Energy.
Shareholders' equity	329	262	Due primarily to: (i) Common Equity Earnings for the nine months ended September 30, 2020, less dividends declared on common shares; and (ii) the issuance of common shares.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW REQUIREMENTS

At the subsidiary level, it is expected that operating expenses and interest costs will be paid from Operating Cash Flows, with varying levels of residual cash flows available for capital expenditures and/or dividend payments to Fortis. Capital expenditures are expected to be financed primarily from borrowings under credit facilities, long-term debt offerings and equity injections from Fortis. Borrowings under credit facilities may be required periodically to support seasonal working capital requirements and there could be higher-than-normal working capital deficiencies in the short-term, as the ongoing impacts of the COVID-19 Pandemic affects customers' ability to pay their energy bills. See "Business Risks" on page 21.

Cash required of Fortis to support subsidiary capital expenditures is generally derived from borrowings under the Corporation's committed credit facility, proceeds from the DRIP and issuances of common shares, preference shares and long-term debt. Although Fortis and its utilities continue to be successful in accessing capital markets, 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 September 30, 2020: (i) consolidated fixed-term debt maturities/repayments are expected to average $896 million annually over the next five years; (ii) approximately 81% 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 $4.8 billion unutilized.

Credit facilities are syndicated primarily with large banks in Canada and the US, with no one bank holding more than 25% of the total facilities. Approximately $5.5 billion of the total credit facilities are committed with maturities ranging from 2021 through 2025. Available credit facilities are summarized in the following table.

Credit Facilities			**As at**	
($ millions)	Regulated Utilities	Corporate and Other	**September 30, 2020**	December 31, 2019
Total credit facilities [(1)]	3,870	1,881	**5,751**	5,590
Credit facilities utilized:				
Short-term borrowings	(27)	—	**(27)**	(512)
Long-term debt (including current portion)	(692)	(60)	**(752)**	(640)
Letters of credit outstanding	(78)	(53)	**(131)**	(114)
Credit facilities unutilized	3,073	1,768	**4,841**	4,324

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

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

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

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

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

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

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

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

CASH FLOW SUMMARY

Summary of Cash Flows						
Periods Ended September 30	**Quarter**			**Year-to-Date**		
($ millions)	**2020**	2019	Variance	**2020**	2019	Variance
Cash, beginning of period	**380**	191	189	**370**	332	38
Cash provided by (used in):						
Operating activities	**686**	857	(171)	**2,001**	2,029	(28)
Investing activities	**(900)**	(1,031)	131	**(2,897)**	(1,664)	(1,233)
Financing activities	**332**	209	123	**1,019**	(473)	1,492
Foreign exchange	**(4)**	2	(6)	**1**	(11)	12
Change in cash associated with assets held for sale	**—**	—	—	**—**	15	(15)
Cash, end of period	**494**	228	266	**494**	228	266

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

Investing Activities
Cash used in investing activities for the third quarter of 2020 reflects the timing of capital expenditures as compared to the same period in 2019. On a year-to-date basis, cash used in investing activities reflects a higher level of capital spend as compared to 2019. See "Performance at a Glance - Capital Expenditures" on page 5 and "Capital Plan" on page 20. Cash used in investing activities year-to-date 2019 was partially offset by proceeds from the Waneta Expansion disposition.

Financing Activities
Cash flows related to financing activities fluctuate largely as a result of changes in the subsidiaries' capital expenditures and the amount of Operating Cash Flows available to fund those capital expenditures, which together impact the amount of funding required from debt and common equity issuances. See "Cash Flow Requirements" on page 15.

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

Debt Financing

Long-Term Debt Issuances **Year-to-date September 30, 2020** *($ millions, except %)*	**Month Issued**	**Interest Rate (%)**	**Maturity**		**Amount**	**Use of Proceeds**
ITC						
Unsecured term loan credit agreement	January	*(1)*	2021	US	75	*(2)(3)*
Unsecured term loan credit agreement *(4)*	January	*(5)*	2021	US	200	*(4)*
Unsecured senior notes	May	2.95	2030	US	700	*(2)(3)(6)*
First mortgage bonds	July	3.13	2051	US	180	*(2)(3)(7)*
UNS Energy						
Unsecured senior notes	April	4.00	2050	US	350	*(2)(3)*
Unsecured senior notes	August	1.50	2030	US	300	*(7)*
Unsecured senior notes	September	2.17	2032	US	50	*(2)(3)*
Central Hudson						
Unsecured senior notes	May	3.42	2050	US	30	*(3)*
Unsecured senior notes	July	3.62	2060	US	30	*(3)(7)*
Unsecured senior notes	September	2.03	2030	US	40	*(8)*
FortisBC Energy						
Unsecured debentures	July	2.54	2050		200	*(7)*
FortisBC Electric						
Unsecured debentures	May	3.12	2050		75	*(2)*
Newfoundland Power						
First mortgage sinking fund bonds	April	3.61	2060		100	*(2)(3)*
FortisTCI						
Unsecured senior notes *(9)*	June	5.30	2035	US	15	*(7)(8)*

(1) *Floating rate of a one-month LIBOR plus a spread of 0.45%*
(2) *Repay credit facility borrowings*
(3) *General corporate purposes*
(4) *Maximum amount of borrowings under this agreement of US$400 million has been drawn; current period borrowings were used to repay an outstanding commercial paper balance.*
(5) *Floating rate of a two-month LIBOR plus a spread of 0.60%*
(6) *Early redemption of unsecured term loan credit agreement of US$400 million*
(7) *Finance capital expenditures*
(8) *Repay maturing long-term debt*
(9) *Maximum amount of borrowings under this agreement is US$30 million; in October 2020 the remaining US$15 million was drawn to finance capital expenditures and repay maturing long-term debt*

In October 2020 ITC issued 35-year US$150 million secured senior notes at 3.02%. The net proceeds were used to repay maturing long-term debt, repay credit facility borrowings, finance capital expenditures and for general corporate purposes.

Common Equity Financing

Common Equity Issuances and Dividends Paid						
Periods Ended September 30	**Quarter**			**Year-to-Date**		
($ millions, except as indicated)	**2020**	2019	Variance	**2020**	2019	Variance
Common shares issued:						
Cash [(1)]	**6**	51	(45)	**50**	247	(197)
Non-cash [(2)]	**11**	74	(63)	**30**	227	(197)
Total common shares issued	**17**	125	(108)	**80**	474	(394)
Number of common shares issued *(# millions)*	**0.3**	2.5	(2.2)	**1.6**	9.8	(8.2)
Common share dividends paid:						
Cash	**(212)**	(123)	(89)	**(636)**	(359)	(277)
Non-cash [(3)]	**(10)**	(73)	63	**(28)**	(224)	196
Total common share dividends paid	**(222)**	(196)	(26)	**(664)**	(583)	(81)
Dividends paid per common share *($)*	**0.4775**	0.4500	0.0275	**1.4325**	1.3500	0.0825

(1) *Common shares issued under stock options, employee share purchase plans and in 2019 the ATM program.*

(2) *Common shares issued under the DRIP and stock options. Effective March 1, 2020, the 2% discount offered on common share issuances under the DRIP was terminated. See "Cash Flow Requirements" on page 15 for further information.*

(3) *Common share dividends reinvested under the DRIP.*

On February 12, 2020 and July 29, 2020, Fortis declared a dividend of $0.4775 per common share paid on June 1, 2020 and September 1, 2020, respectively. On September 23, 2020, Fortis declared a dividend of $0.505 per common share payable on December 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.

Effective December 1, 2020, the 2% discount offered on common share issuances under the DRIP will be reinstated.

CONTRACTUAL OBLIGATIONS

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

Off-Balance Sheet Arrangements

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

CAPITAL STRUCTURE AND CREDIT RATINGS

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

Consolidated Capital Structure	**As at**	
	September 30,	December 31,
(%)	**2020**	2019
Debt [(1)]	**54.4**	53.1
Preference shares	**3.6**	3.8
Common shareholders' equity and minority interest [(2)]	**42.0**	43.1
	100.0	100.0

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

Outstanding Share Data

As at October 29, 2020, the Corporation had issued and outstanding 465.0 million common shares; and the following First Preference Shares: 5.0 million Series F; 9.2 million Series G; 7.7 million Series H; 2.3 million Series I; 8.0 million Series J; 10.0 million Series K; and 24.0 million Series M.

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

If all outstanding stock options were converted as at October 29, 2020, an additional 3.3 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 September 30, 2020	**Rating**	**Type**	**Outlook**
S&P	A-	Corporate	Negative
	BBB+	Unsecured debt	
DBRS Morningstar	BBB (high)	Corporate	Positive
	BBB (high)	Unsecured debt	
Moody's	Baa3	Issuer	Stable
	Baa3	Unsecured debt	

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

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

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

In August 2020 Moody's affirmed the Corporation's credit ratings and outlook reflecting its strong business risk profile.

In October 2020 Moody's revised its outlook on Central Hudson to negative from stable citing the company's capital program and the possible impact on financial metrics considering the current regulatory environment in New York State.

CAPITAL PLAN

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

The impact of the COVID-19 Pandemic on forecast capital expenditures will continue to be evaluated and, depending on the length and severity of the pandemic, any change in 2020 capital expenditures is expected to be shifted to subsequent years. See "Performance at a Glance - Capital Expenditures" on page 5, "Business Risks" on page 21 and "Outlook" on page 24.

2020 Capital Plan

Of the $4.3 billion annual capital plan, $2.9 billion has been spent year to date.

Consolidated Capital Expenditures [(1)]
Year-to-date September 30, 2020
($ millions)

	Regulated							Total		
	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	Regulated Utilities	Non-Regulated [(2)]	Total
Total	768	866	254	310	307	88	283	**2,876**	**16**	**2,892**

(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 $94 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 2021-2025 capital plan of $19.6 billion is $0.8 billion higher than the 2020-2024 capital plan of $18.8 billion disclosed in the 2019 Annual MD&A. The increase is largely due to: (i) two new major capital projects at FortisBC Energy including the Tilbury LNG Resiliency Tank project and the AMI project, with total expected capital spend of approximately $500 million; (ii) $200 million of additional investment in information technology systems and storm hardening at Central Hudson; and (iii) $100 million of interconnections and system rebuilds providing additional capacity and other improvements at ITC.

The Tilbury LNG Resiliency Tank will allow for increased LNG storage at the Tilbury site and increase the available regasification capacity to provide lower mainland customers with short-term backup supply. FortisBC Energy plans to file a CPCN application for this project with the BCUC by early 2021.

The AMI project will replace residential and small commercial meters and install bypass valves to avoid future interruption of gas service. The project will assist in load management by allowing remote meter reading on a near real time basis and remote shutoff of gas flow. FortisBC Energy plans to file a CPCN application for this project with the BCUC in early 2021.

The capital plan is low risk and highly executable, with 99% of planned expenditures to occur at the regulated utilities and only 15% relating to Major Capital Projects.

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.

BUSINESS RISKS

The Corporation's business risks remain substantially unchanged from those disclosed in its 2019 Annual MD&A, except as described below. Also see "Regulatory Highlights" on page 12 and "Capital Structure and Credit Ratings" on page 19 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 continues to be an evolving situation that has caused volatility in capital markets and adversely impacted economic activity and conditions around the world, including the Corporation's service territories. Efforts to reduce the health impacts and control the spread of the virus have led many jurisdictions around the world, including Canada, the US and Caribbean, to institute restrictions on travel, public gatherings and business operations. Certain risks and uncertainties that could be expected as a result of the COVID-19 Pandemic are outlined in the "Business Risks" section of the 2019 Annual MD&A. The Corporation is monitoring the "General Economic Conditions" business risk, which states that a "severe and prolonged economic downturn could have a Material Adverse Effect despite compensatory regulatory measures, including making it more difficult for customers to pay their bills". While the Corporation and its utilities have been subjected to government and regulatory action in response to the COVID-19 Pandemic, including restrictions on business operations, customer deferrals and suspension of disconnections, other potential impacts on the Corporation's operations are currently unknown but may include reduced labour availability and productivity, disruptions to capital markets leading to share price volatility and liquidity issues, supply chain disruptions, and a prolonged reduction in economic activity. An extended slowdown of economic activity and growth will likely reduce electricity sales and adversely impact the ability of customers, contractors and suppliers to fulfill their obligations and could disrupt operations and capital expenditure programs or cause impairment of goodwill.

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

ACCOUNTING MATTERS

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

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

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

Future Accounting Pronouncements

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

Critical Accounting Estimates

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

There were no material changes to the nature of the Corporation's critical accounting estimates or contingencies, notwithstanding the impact of the COVID-19 Pandemic, from that disclosed in the 2019 Annual MD&A. See "Business Risks" on page 21.

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

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

FINANCIAL INSTRUMENTS

Long-Term Debt and Other

As at September 30, 2020, the carrying value of long-term debt, including current portion, was $24.9 billion (December 31, 2019 - $22.3 billion) compared to an estimated fair value of $29.5 billion (December 31, 2019 - $25.3 billion). Since Fortis does not intend to settle long-term debt prior to maturity, the excess of fair value over carrying value does not represent an actual liability.

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

Derivatives

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

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

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue ($ millions)	Common Equity Earnings ($ millions)	Basic EPS ($)	Diluted EPS ($)
September 30, 2020	**2,121**	**292**	**0.63**	**0.63**
June 30, 2020	2,077	274	0.59	0.59
March 31, 2020	2,391	312	0.67	0.67
December 31, 2019	2,326	346	0.77	0.77
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

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.

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

June 2020/June 2019:
Common Equity Earnings decreased by $446 million and basic EPS decreased by $1.07. Earnings for the quarter reflected significant one-time items: (i) a $484 million gain on the disposition of the Waneta Expansion in April 2019; and (ii) the reversal of a $13 million tax recovery, originally recognized in 2019, due to the finalization in April 2020 of anti-hybrid regulations associated with US tax reform; partially offset by (iii) a $27 million favourable base ROE adjustment as a result of the May 2020 FERC Order reflecting the reversal of liabilities accrued in prior years. Notwithstanding the significant one-time items, the regulated utilities delivered improved financial results reflecting: (i) Rate Base growth; (ii) increased retail sales at UNS Energy, driven largely by weather; (iii) favourable foreign exchange; and (iv) timing of operating expenses at FortisBC Energy. This growth was tempered by lower sales in the Caribbean due to a decline in tourism-related activities and higher COVID-related expenses, driven by Central Hudson.

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

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

RELATED-PARTY AND INTER-COMPANY TRANSACTIONS

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

The Corporation periodically provides short-term financing to subsidiaries to support capital expenditures, acquisitions and seasonal working capital requirements. As at September 30, 2020, there were inter-segment loans outstanding of $28 million (December 31, 2019 - $279 million) and the total interest charged was not material for the three and nine months ended September 30, 2020 and 2019.

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 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 $19.6 billion five-year capital plan is expected to increase Rate Base from $30.2 billion in 2020 to $36.4 billion by 2023 and $40.3 billion by 2025, translating into three- and five-year CAGRs of 6.5% and 6.0%, respectively. The capital plan reflects the continuation of key industry trends including asset resiliency, 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 beyond 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. The Corporation is targeting average annual dividend growth of approximately 6% through 2025. This dividend growth guidance is premised on the assumptions listed under "Forward-Looking Information" below, including the continued performance of the Corporation's utilities, no material impact from the COVID-19 Pandemic, the expectation of reasonable outcomes for regulatory proceedings, and the successful execution of the five-year capital plan.

FORWARD-LOOKING INFORMATION

Fortis includes forward-looking information in the MD&A within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: the expectation that any change in capital expenditures associated with the COVID-19 Pandemic is expected to be shifted to subsequent years with no material change to the five-year capital plan; targeted average annual dividend growth through 2025; forecast capital expenditures for 2020 and 2020 - 2025; 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 2020 - 2025; 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 Tilbury LNG Resiliency Tank and Advanced Metering Infrastructure 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 2023 and 2025; 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 October 29, 2020. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

GLOSSARY

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

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

ACC: Arizona Corporation Commission

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

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

AESO: Alberta Electric System Operator

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

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

AMI: Advanced Metering Infrastructure

ASU: Accounting Standards Update

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

AUC: Alberta Utilities Commission

BCUC: British Columbia Utilities Commission

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

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

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

Caribbean Utilities: Caribbean Utilities Company, Ltd., an indirect approximately 60%-owned (as at December 31, 2019) 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

CPCN: Certificate of Public Convenience and Necessity

DBRS Morningstar: DBRS Limited

DRIP: dividend reinvestment plan

EPS: earnings per common share

FERC: Federal Energy Regulatory Commission

Fortis: Fortis Inc.

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

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

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

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

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

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

GWh: gigawatt hour(s)

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

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

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

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

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

LIBOR: London Interbank Offered Rate

LNG: liquefied natural gas

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

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

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

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

MISO: Midcontinent Independent System Operator, Inc.

MRP: Multi-Year Rate Plan

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

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

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

NOPR: notice of proposed rulemaking

NYSE: New York Stock Exchange

Operating Cash Flow(s): cash from operating activities

PBR: performance-based rate-setting

PJ: petajoule(s)

PPA: power purchase agreement

PSC: New York Public Service Commission

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

RICE Units: natural gas reciprocating internal combustion engine units

ROE: return on common equity

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

SEDAR: Canadian System for Electronic Document Analysis and Retrieval

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

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

TSX: Toronto Stock Exchange

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

US: United States of America

US GAAP: accounting principles generally accepted in the US

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

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

FORTIS INC.

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

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

	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**$ 494**	$ 370
Accounts receivable and other current assets (Note 6)	**1,232**	1,297
Prepaid expenses	**130**	88
Inventories	**458**	394
Regulatory assets (Note 7)	**436**	425
Total current assets	**2,750**	2,574
Other assets	**699**	620
Regulatory assets (Note 7)	**3,106**	2,958
Property, plant and equipment, net	**36,250**	33,988
Intangible assets, net	**1,332**	1,260
Goodwill	**12,273**	12,004
Total assets	**$ 56,410**	$ 53,404
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (Note 8)	**$ 27**	$ 512
Accounts payable and other current liabilities	**2,248**	2,378
Regulatory liabilities (Note 7)	**438**	572
Current installments of long-term debt (Note 8)	**971**	690
Current installments of finance leases	**91**	24
Total current liabilities	**3,775**	4,176
Other liabilities	**1,550**	1,446
Regulatory liabilities (Note 7)	**2,904**	2,786
Deferred income taxes	**3,282**	2,969
Long-term debt (Note 8)	**23,813**	21,501
Finance leases	**334**	413
Total liabilities	**35,658**	33,291
Commitments and contingencies (Note 16)		
Equity		
Common shares (1)	**13,725**	13,645
Preference shares (Note 9)	**1,623**	1,623
Additional paid-in capital	**11**	11
Accumulated other comprehensive income	**649**	336
Retained earnings	**3,114**	2,916
Shareholders' equity	**19,122**	18,531
Non-controlling interests	**1,630**	1,582
Total equity	**20,752**	20,113
Total liabilities and equity	**$ 56,410**	$ 53,404

(1) *No par value. Unlimited authorized shares; 464.9 million and 463.3 million issued and outstanding as at September 30, 2020 and December 31, 2019, respectively*

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Earnings (Unaudited)

For the periods ended September 30

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

	Quarter Ended		Year-to-Date	
	2020	2019	**2020**	2019
Revenue	**$ 2,121**	$ 2,051	**$ 6,589**	$ 6,457
Expenses				
Energy supply costs	**572**	522	**1,836**	1,851
Operating expenses	**589**	609	**1,814**	1,828
Depreciation and amortization	**358**	335	**1,081**	1,007
Total expenses	**1,519**	1,466	**4,731**	4,686
Gain on disposition (Note 11)	**—**	—	**—**	577
Operating income	**602**	585	**1,858**	2,348
Other income, net (Note 12)	**57**	33	**113**	114
Finance charges	**265**	262	**784**	794
Earnings before income tax expense	**394**	356	**1,187**	1,668
Income tax expense	**58**	32	**174**	223
Net earnings	**$ 336**	$ 324	**$ 1,013**	$ 1,445
Net earnings attributable to:				
Non-controlling interests	**$ 29**	$ 30	**$ 87**	$ 86
Preference equity shareholders	**15**	16	**48**	50
Common equity shareholders	**292**	278	**878**	1,309
	$ 336	$ 324	**$ 1,013**	$ 1,445
Earnings per common share (Note 13)				
Basic	**$ 0.63**	$ 0.64	**$ 1.89**	$ 3.02
Diluted	**$ 0.63**	$ 0.63	**$ 1.89**	$ 3.02

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited)

For the periods ended September 30

(in millions of Canadian dollars)

	Quarter Ended		Year-to-Date	
	2020	2019	**2020**	2019
Net earnings	**$ 336**	$ 324	**$ 1,013**	$ 1,445
Other comprehensive (loss) income				
Unrealized foreign currency translation (losses) gains [(1)]	**(288)**	142	**369**	(381)
Other [(2)]	**2**	—	**(20)**	—
	(286)	142	**349**	(381)
Comprehensive income	**$ 50**	$ 466	**$ 1,362**	$ 1,064
Comprehensive (loss) income attributable to:				
Non-controlling interests	**$ (1)**	$ 47	**$ 123**	$ 40
Preference equity shareholders	**15**	16	**48**	50
Common equity shareholders	**36**	403	**1,191**	974
	$ 50	$ 466	**$ 1,362**	$ 1,064

(1) Net of hedging activities and income tax recovery (expense) of $nil and $6 million for the three and nine months ended September 30, 2020, respectively (three and nine months ended September 30, 2019 - $nil and $(9) million, respectively)

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

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

For the periods ended September 30

(in millions of Canadian dollars)

	Quarter Ended		Year-to-Date	
	2020	2019	**2020**	2019
Operating activities				
Net earnings	**$ 336**	$ 324	**$ 1,013**	$ 1,445
Adjustments to reconcile net earnings to net cash from operating activities:				
Depreciation - property, plant and equipment	**322**	298	**972**	893
Amortization - intangible assets	**32**	31	**98**	95
Amortization - other	**4**	6	**11**	19
Deferred income tax expense	**37**	53	**156**	164
Equity component, allowance for funds used during construction (Note 12)	**(20)**	(17)	**(55)**	(54)
Gain on disposition (Note 11)	**—**	—	**—**	(583)
Other	**59**	37	**129**	111
Change in long-term regulatory assets and liabilities	**66**	5	**8**	(81)
Change in working capital (Note 14)	**(150)**	120	**(331)**	20
Cash from operating activities	**686**	857	**2,001**	2,029
Investing activities				
Capital expenditures - property, plant and equipment	**(817)**	(926)	**(2,653)**	(2,452)
Capital expenditures - intangible assets	**(44)**	(87)	**(145)**	(144)
Contributions in aid of construction	**17**	26	**50**	75
Proceeds on disposition (Note 11)	**—**	—	**—**	995
Other	**(56)**	(44)	**(149)**	(138)
Cash used in investing activities	**(900)**	(1,031)	**(2,897)**	(1,664)
Financing activities				
Proceeds from long-term debt, net of issuance costs	**990**	415	**3,034**	807
Repayments of long-term debt, net of extinguishment costs, and finance leases	**(301)**	(2)	**(903)**	(941)
Borrowings under committed credit facilities	**930**	1,089	**3,937**	4,773
Repayments under committed credit facilities	**(1,079)**	(1,272)	**(3,833)**	(5,235)
Net change in short-term borrowings	**2**	73	**(524)**	334
Issue of common shares, net of costs and dividends reinvested	**6**	51	**50**	247
Dividends				
Common shares, net of dividends reinvested	**(212)**	(123)	**(636)**	(359)
Preference shares	**(15)**	(16)	**(48)**	(50)
Subsidiary dividends paid to non-controlling interests	**(13)**	(17)	**(47)**	(68)
Other	**24**	11	**(11)**	19
Cash from (used in) financing activities	**332**	209	**1,019**	(473)
Effect of exchange rate changes on cash and cash equivalents	**(4)**	2	**1**	(11)
Change in cash and cash equivalents	**114**	37	**124**	(119)
Cash and change in cash associated with assets held for sale	**—**	—	**—**	15
Cash and cash equivalents, beginning of period	**380**	191	**370**	332
Cash and cash equivalents, end of period	**$ 494**	$ 228	**$ 494**	$ 228

Supplementary Cash Flow Information (Note 14)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

For the periods ended September 30

(in millions of Canadian dollars, except share numbers)

	Common Shares *(# millions)*	Common Shares	Preference Shares *(Note 9)*	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total Equity
As at June 30, 2020	**464.6**	**$ 13,708**	**$ 1,623**	**$ 10**	**$ 905**	**$ 3,279**	**$ 1,658**	**$21,183**
Net earnings	**—**	**—**	**—**	**—**	**—**	**307**	**29**	**336**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(256)**	**—**	**(30)**	**(286)**
Common shares issued	**0.3**	**17**	**—**	**—**	**—**	**—**	**—**	**17**
Advances to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(12)**	**(12)**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(13)**	**(13)**
Dividends declared on common shares ($0.9825 per share)	**—**	**—**	**—**	**—**	**—**	**(457)**	**—**	**(457)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(15)**	**—**	**(15)**
Other	**—**	**—**	**—**	**1**	**—**	**—**	**(2)**	**(1)**
As at September 30, 2020	**464.9**	**$ 13,725**	**$ 1,623**	**$ 11**	**$ 649**	**$ 3,114**	**$ 1,630**	**$20,752**
As at June 30, 2019	435.8	$ 12,238	$ 1,623	$ 11	$ 468	$ 2,919	$ 1,555	$ 18,814
Net earnings	—	—	—	—	—	294	30	324
Other comprehensive income	—	—	—	—	125	—	17	142
Common shares issued	2.5	125	—	(1)	—	—	—	124
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(17)	(17)
Dividends declared on common shares ($0.9275 per share)	—	—	—	—	—	(406)	—	(406)
Dividends on preference shares	—	—	—	—	—	(16)	—	(16)
Other	—	—	—	1	—	—	—	1
As at September 30, 2019	438.3	$ 12,363	$ 1,623	$ 11	$ 593	$ 2,791	$ 1,585	$ 18,966

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FORTIS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

For the periods ended September 30

(in millions of Canadian dollars, except share numbers)

	Common Shares *(# millions)*	Common Shares	Preference Shares *(Note 9)*	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total Equity
As at December 31, 2019	**463.3**	**$ 13,645**	**$ 1,623**	**$ 11**	**$ 336**	**$ 2,916**	**$ 1,582**	**$20,113**
Net earnings	**—**	**—**	**—**	**—**	**—**	**926**	**87**	**1,013**
Other comprehensive income	**—**	**—**	**—**	**—**	**313**	**—**	**36**	**349**
Common shares issued	**1.6**	**80**	**—**	**(2)**	**—**	**—**	**—**	**78**
Advances to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(29)**	**(29)**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(47)**	**(47)**
Dividends declared on common shares ($1.46 per share)	**—**	**—**	**—**	**—**	**—**	**(680)**	**—**	**(680)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(48)**	**—**	**(48)**
Other	**—**	**—**	**—**	**2**	**—**	**—**	**1**	**3**
As at September 30, 2020	**464.9**	**$ 13,725**	**$ 1,623**	**$ 11**	**$ 649**	**$ 3,114**	**$ 1,630**	**$20,752**
As at December 31, 2018	428.5	$ 11,889	$ 1,623	$ 11	$ 928	$ 2,082	$ 1,923	$ 18,456
Net earnings	—	—	—	—	—	1,359	86	1,445
Other comprehensive loss	—	—	—	—	(335)	—	(46)	(381)
Common shares issued	9.8	474	—	(5)	—	—	—	469
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(68)	(68)
Dividends declared on common shares ($1.3775 per share)	—	—	—	—	—	(600)	—	(600)
Dividends on preference shares	—	—	—	—	—	(50)	—	(50)
Disposition (Note 11)	—	—	—	—	—	—	(318)	(318)
Other	—	—	—	5	—	—	8	13
As at September 30, 2019	438.3	$ 12,363	$ 1,623	$ 11	$ 593	$ 2,791	$ 1,585	$ 18,966

See accompanying Notes to Condensed Consolidated Interim Financial Statements

1. DESCRIPTION OF BUSINESS

Nature of Operations

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

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

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

Regulated Utilities

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

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

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

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

FortisAlberta: Represents FortisAlberta Inc., operating in Canada.

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

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

Non-Regulated

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

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

2. REGULATORY MATTERS

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

COVID-19 Pandemic Impacts

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

Customer Relief Initiatives

UNS Energy
Pursuant to the Arizona Corporation Commission's approval of the utility's customer relief initiatives, TEP refunded to customers approximately $11 million of collected demand side management funds in excess of program costs.

Central Hudson
In March 2020, as agreed with the New York Public Service Commission ("PSC"), Central Hudson postponed until July 1, 2021 the collection in customer rates of approximately $4 million of deferred costs related mainly to environmental remediation.

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

Delayed Regulatory Proceedings

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

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

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

FortisAlberta
Generic Cost of Capital Proceeding: In December 2018 the Alberta Utilities Commission ("AUC") initiated a generic cost of capital proceeding which was suspended in March 2020 due to the COVID-19 pandemic. In October 2020, given the time that had passed since initiation of the proceeding and present economic uncertainty, the AUC concluded the proceeding and set the approved return on equity ("ROE") for 2021 at 8.5% using a 37% equity component of capital structure, unchanged from 2020. The AUC is expected to commence a new generic cost of capital proceeding in 2021 to address future periods.

Other Electric
Caribbean Utilities: In August 2020 the Utility Regulation and Competition Office approved the postponement of Caribbean Utilities' scheduled annual rate adjustment effective June 1, 2020 to January 1, 2021, to provide customer relief from the effects of the COVID-19 pandemic. The deferred revenue associated with the delay will be collected over the two-year period beginning January 2021.

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

Other Regulatory Matters

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

A net regulatory liability of $7 million and $91 million was recorded at September 30, 2020 and December 31, 2019, respectively, reflecting: (i) the terms of the May 2020 and November 2019 decisions; and (ii) $42 million refunded to customers year-to-date September 30, 2020. The May 2020 FERC Order resulted in an increase in Fortis' net earnings of $29 million, including $27 million related to the reversal of liabilities established in prior periods.

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

Central Hudson
General Rate Application: In August 2020 Central Hudson filed a rate application with the PSC requesting an increase in electric and natural gas rates of $44 million (US$33 million) and $19 million (US$14 million), respectively, effective July 1, 2021. The application includes a request to set Central Hudson's allowed ROE at 9.10% and to maintain a 50% equity component in its capital structure. An order from the PSC is expected in June 2021 with the new rates to become effective no later than July 1, 2021.

FortisBC Energy and FortisBC Electric
Multi-Year Rate Plan Applications: In June 2020 the BCUC issued a decision on FortisBC Energy's and FortisBC Electric's multi-year rate plan applications for 2020 to 2024. The decision sets the rate-setting framework for the next five years, including: (i) the level of operation and maintenance expense and capital to be included in customer rates, subject to an incentive formula; (ii) the level of investment in gas innovation initiatives to be included in customer rates; and (iii) a 50/50 sharing between customers and the utilities of variances from the allowed ROE. In August 2020 FortisBC Energy and FortisBC Electric filed updated 2020 rate filings, including a request for approval of 2021 delivery rates, reflecting the terms of this decision. Current interim rates will remain in effect pending a final determination of 2020 rates by the BCUC.

FortisAlberta

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

Performance-Based Regulation: In May 2020 FortisAlberta filed an application for anomaly adjustments to rates based on new criteria established by the AUC in January 2020. Final submissions on this proceeding were filed in September 2020 and a decision is expected in the fourth quarter of 2020.

3. ACCOUNTING POLICIES

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

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

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

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

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

New Accounting Policies

Financial Instruments

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

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

4. FUTURE ACCOUNTING PRONOUNCEMENTS

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

5. SEGMENTED INFORMATION

General

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

Related-Party and Inter-Company Transactions

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

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

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

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

As at September 30, 2020, accounts receivable included approximately $22 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 September 30, 2020, there were inter-segment loans outstanding of $28 million (December 31, 2019 - $279 million) and the total interest charged was not material for the three and nine months ended September 30, 2020 and 2019.

	REGULATED								NON-REGULATED			
Quarter Ended September 30, 2020 *($ millions)*	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	**Energy Infra-structure**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Revenue	415	716	225	194	155	102	311	**2,118**	**3**	**—**	**—**	**2,121**
Energy supply costs	—	279	55	47	—	28	162	**571**	**1**	**—**	**—**	**572**
Operating expenses	105	156	120	79	36	29	46	**571**	**6**	**12**	**—**	**589**
Depreciation and amortization	73	83	22	59	56	15	45	**353**	**4**	**1**	**—**	**358**
Operating income	237	198	28	9	63	30	58	**623**	**(8)**	**(13)**	**—**	**602**
Other income, net	11	11	7	2	(1)	2	5	**37**	**5**	**15**	**—**	**57**
Finance charges	83	33	12	36	26	18	19	**227**	**—**	**38**	**—**	**265**
Income tax expense	41	32	4	(4)	1	3	5	**82**	**(3)**	**(21)**	**—**	**58**
Net earnings	124	144	19	(21)	35	11	39	**351**	**—**	**(15)**	**—**	**336**
Non-controlling interests	23	—	—	—	—	—	6	**29**	**—**	**—**	**—**	**29**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**15**	**—**	**15**
Net earnings attributable to common equity shareholders	101	144	19	(21)	35	11	33	**322**	**—**	**(30)**	**—**	**292**
Goodwill	8,174	1,840	601	913	228	235	255	**12,246**	**27**	**—**	**—**	**12,273**
Total assets	20,996	11,365	4,013	7,480	5,000	2,410	4,268	**55,532**	**742**	**185**	**(49)**	**56,410**
Capital expenditures	287	181	90	94	103	30	67	**852**	**9**	**—**	**—**	**861**

Quarter Ended September 30, 2019 *($ millions)*	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	Sub Total	Energy Infra-structure	Corporate and Other	Inter-segment eliminations	Total
Revenue	425	659	215	183	153	97	317	2,049	2	—	—	2,051
Energy supply costs	—	229	54	42	—	29	168	522	—	—	—	522
Operating expenses	126	161	113	79	37	25	45	586	7	16	—	609
Depreciation and amortization	69	74	20	59	52	15	42	331	3	1	—	335
Operating income	230	195	28	3	64	28	62	610	(8)	(17)	—	585
Other income, net	9	5	4	5	—	1	—	24	—	9	—	33
Finance charges	80	32	12	34	26	18	19	221	—	41	—	262
Income tax expense	29	29	4	(5)	1	—	5	63	(4)	(27)	—	32
Net earnings	130	139	16	(21)	37	11	38	350	(4)	(22)	—	324
Non-controlling interests	23	—	—	1	—	—	6	30	—	—	—	30
Preference share dividends	—	—	—	—	—	—	—	—	—	16	—	16
Net earnings attributable to common equity shareholders	107	139	16	(22)	37	11	32	320	(4)	(38)	—	278
Goodwill	8,127	1,829	597	913	228	235	254	12,183	27	—	—	12,210
Total assets	20,010	10,138	3,660	7,014	4,769	2,300	4,157	52,048	668	214	(130)	52,800
Capital expenditures	370	190	86	150	95	23	81	995	10	8	—	1,013

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

Year-to-Date September 30, 2019 *($ millions)*												
Revenue	1,261	1,702	691	903	448	306	1,086	6,397	63	—	(3)	6,457
Energy supply costs	—	625	204	286	—	84	650	1,849	2	—	—	1,851
Operating expenses	382	474	338	240	114	77	138	1,763	30	38	(3)	1,828
Depreciation and amortization	200	222	59	177	157	46	128	989	16	2	—	1,007
Gain on disposition	—	—	—	—	—	—	—	—	—	577	—	577
Operating income	679	381	90	200	177	99	170	1,796	15	537	—	2,348
Other income, net	31	19	12	11	1	3	1	78	2	34	—	114
Finance charges	236	98	34	103	78	54	58	661	—	133	—	794
Income tax expense	110	48	13	19	2	6	16	214	(3)	12	—	223
Net earnings	364	254	55	89	98	42	97	999	20	426	—	1,445
Non-controlling interests	64	—	—	1	—	—	13	78	8	—	—	86
Preference share dividends	—	—	—	—	—	—	—	—	—	50	—	50
Net earnings attributable to common equity shareholders	300	254	55	88	98	42	84	921	12	376	—	1,309
Goodwill	8,127	1,829	597	913	228	235	254	12,183	27	—	—	12,210
Total assets	20,010	10,138	3,660	7,014	4,769	2,300	4,157	52,048	668	214	(130)	52,800
Capital expenditures	907	513	228	324	297	74	205	2,548	23	25	—	2,596

6. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses balance (Note 3), which is netted against accounts receivable and other current assets, changed from June 30, 2020 and December 31, 2019 as follows.

	September 30, 2020	
($ millions)	**Quarter ended**	**Year-to-Date**
Beginning of period	**(53)**	**(35)**
Credit loss expensed	**(7)**	**(21)**
Credit loss deferred [1] (Note 2)	**(1)**	**(9)**
Write-offs, net of recoveries	**2**	**8**
Foreign exchange	**—**	**(2)**
End of period	**(59)**	**(59)**

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

The allowance for doubtful accounts balance, which was netted against accounts receivable and other current assets, changed from June 30, 2019 and December 31, 2018 as follows.

	September 30, 2019	
($ millions)	Quarter ended	Year-to-Date
Beginning of period	(33)	(33)
Bad debts expensed	(6)	(15)
Write-offs, net of recoveries	5	13
Foreign exchange	—	1
End of period	(34)	(34)

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)	**September 30, 2020**	December 31, 2019
Regulatory assets		
Deferred income taxes	**1,644**	1,556
Employee future benefits	**517**	530
Deferred energy management costs	**310**	279
Rate stabilization and related accounts	**223**	208
Deferred lease costs	**128**	116
Manufactured gas plant site remediation deferral	**116**	81
Generation early retirement costs	**84**	88
Derivatives	**64**	119
Other regulatory assets	**456**	406
Total regulatory assets	**3,542**	3,383
Less: Current portion	**(436)**	(425)
Long-term regulatory assets	**3,106**	2,958

	As at	
($ millions)	**September 30, 2020**	December 31, 2019
Regulatory liabilities		
Deferred income taxes	**1,427**	1,440
Asset removal cost provision	**1,243**	1,187
Rate stabilization and related accounts	**135**	166
Renewable energy surcharge	**104**	94
Energy efficiency liability	**92**	101
Electric and gas moderator account	**35**	45
Employee future benefits	**31**	45
ROE complaints liability	**17**	91
Other regulatory liabilities	**258**	189
Total regulatory liabilities	**3,342**	3,358
Less: Current portion	**(438)**	(572)
Long-term regulatory liabilities	**2,904**	2,786

8. LONG-TERM DEBT

	As at	
($ millions)	**September 30, 2020**	December 31, 2019
Long-term debt	**24,055**	21,547
Fair value adjustment - ITC acquisition	**128**	133
Credit facility borrowings	**752**	640
Total long-term debt	**24,935**	22,320
Less: Deferred financing costs and debt discounts	**(151)**	(129)
Less: Current installments of long-term debt	**(971)**	(690)
	23,813	21,501

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

($ millions, except %)	**Month Issued**	**Interest Rate** *(%)*	**Maturity**	**Amount**	**Use of Proceeds**
ITC					
Unsecured term loan credit agreement	January	(1)	2021	US 75	(2)(3)
Unsecured term loan credit agreement (4)	January	(5)	2021	US 200	(4)
Unsecured senior notes	May	2.95	2030	US 700	(2)(3)(6)
First mortgage bonds	July	3.13	2051	US 180	(2)(3)(7)
UNS Energy					
Unsecured senior notes	April	4.00	2050	US 350	(2)(3)
Unsecured senior notes	August	1.50	2030	US 300	(7)
Unsecured senior notes	September	2.17	2032	US 50	(2)(3)
Central Hudson					
Unsecured senior notes	May	3.42	2050	US 30	(3)
Unsecured senior notes	July	3.62	2060	US 30	(3)(7)
Unsecured senior notes	September	2.03	2030	US 40	(8)
FortisBC Energy					
Unsecured debentures	July	2.54	2050	200	(7)
FortisBC Electric					
Unsecured debentures	May	3.12	2050	75	(2)
Newfoundland Power					
First mortgage sinking fund bonds	April	3.61	2060	100	(2)(3)
FortisTCI					
Unsecured senior notes (9)	June	5.30	2035	US 15	(7)(8)

(1) *Floating rate of a one-month LIBOR plus a spread of 0.45%*
(2) *Repay credit facility borrowings*
(3) *General corporate purposes*
(4) *Maximum amount of borrowings under this agreement of US$400 million has been drawn; current period borrowings were used to repay an outstanding commercial paper balance.*
(5) *Floating rate of a two-month LIBOR plus a spread of 0.60%*
(6) *Early redemption of unsecured term loan credit agreement of US$400 million*
(7) *Finance capital expenditures*
(8) *Repay maturing long-term debt*
(9) *Maximum amount of borrowings under this agreement is US$30 million; in October 2020 the remaining US$15 million was drawn to finance capital expenditures and repay maturing long-term debt*

In October 2020 ITC issued 35-year US$150 million secured senior notes at 3.02%. The net proceeds were used to repay maturing long-term debt, repay credit facility borrowings, finance capital expenditures and for general corporate purposes.

Credit Facilities

			As at	
($ millions)	Regulated Utilities	Corporate and Other	**September 30, 2020**	December 31, 2019
Total credit facilities	3,870	1,881	**5,751**	5,590
Credit facilities utilized:				
Short-term borrowings [(1)]	(27)	—	**(27)**	(512)
Long-term debt (including current portion) [(2)]	(692)	(60)	**(752)**	(640)
Letters of credit outstanding	(78)	(53)	**(131)**	(114)
Credit facilities unutilized	3,073	1,768	**4,841**	4,324

(1) *The weighted average interest rate was approximately 1.9% (December 31, 2019 - 3.2%).*
(2) *The weighted average interest rate was approximately 1.1% (December 31, 2019 - 2.4%). The current portion was $524 million (December 31, 2019 - $252 million).*

Credit facilities are syndicated primarily with large banks in Canada and the United States, with no one bank holding more than 25% of the total facilities. Approximately $5.5 billion of the total credit facilities are committed facilities with maturities ranging from 2021 through 2025.

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

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

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

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

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

9. PREFERENCE SHARES

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

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

10. EMPLOYEE FUTURE BENEFITS

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

	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2020**	2019	**2020**	2019
Quarter Ended September 30				
Components of net benefit cost				
Service costs	**24**	20	**8**	6
Interest costs	**29**	31	**6**	6
Expected return on plan assets	**(44)**	(41)	**(4)**	(4)
Amortization of actuarial losses (gains)	**8**	6	**(1)**	(1)
Amortization of past service credits/plan amendments	**—**	—	**(1)**	(1)
Regulatory adjustments	**3**	1	**1**	2
Net benefit cost	**20**	17	**9**	8
Year-to-Date September 30				
Components of net benefit cost				
Service costs	**74**	58	**24**	20
Interest costs	**86**	94	**17**	19
Expected return on plan assets	**(132)**	(121)	**(14)**	(12)
Amortization of actuarial losses (gains)	**25**	18	**(4)**	(3)
Amortization of past service credits/plan amendments	**(1)**	(1)	**(2)**	(5)
Regulatory adjustments	**1**	2	**3**	5
Net benefit cost	**53**	50	**24**	24

Defined contribution pension plan expense for the three and nine months ended September 30, 2020 was $12 million and $34 million, respectively (three and nine months ended September 30, 2019 - $9 million and $31 million, respectively).

11. DISPOSITION

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

Up to the date of disposition, excluding the gain as noted above, Waneta Expansion contributed $17 million to earnings before income tax expense, of which Fortis' share was 51%.

12. OTHER INCOME, NET

($ millions)	**Quarter ended September 30** **2020**	2019	**Year-to-Date September 30** **2020**	2019
Equity component, allowance for funds used during construction	**20**	17	**55**	54
Derivative gains	**12**	8	**12**	21
Equity income	**11**	(1)	**17**	(2)
Interest income	**2**	4	**10**	12
Gain on repayment of debt	**—**	—	**—**	11
Other	**12**	5	**19**	18
	57	33	**113**	114

13. EARNINGS PER COMMON SHARE

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

	2020			2019		
	Net Earnings to Common Shareholders *($ millions)*	**Weighted Average Shares *(# millions)***	**EPS *($)***	Net Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(# millions)*	EPS *($)*
Quarter Ended September 30						
Basic EPS	**292**	**464.9**	**0.63**	278	437.4	0.64
Potential dilutive effect of stock options	**—**	**0.6**		—	0.6	
Diluted EPS	**292**	**465.5**	**0.63**	278	438.0	0.63
Year-to-Date September 30						
Basic EPS	**878**	**464.4**	**1.89**	1,309	433.3	3.02
Potential dilutive effect of stock options	**—**	**0.6**		—	0.6	
Diluted EPS	**878**	**465.0**	**1.89**	1,309	433.9	3.02

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Quarter Ended September 30		Year-to-Date September 30	
($ millions)	**2020**	2019	**2020**	2019
Change in working capital				
Accounts receivable and other current assets	**18**	55	**125**	190
Prepaid expenses	**(64)**	(56)	**(39)**	(38)
Inventories	**(55)**	(16)	**(56)**	—
Regulatory assets - current portion	**(43)**	8	**(15)**	(8)
Accounts payable and other current liabilities	**4**	93	**(190)**	(163)
Regulatory liabilities - current portion	**(10)**	36	**(156)**	39
	(150)	120	**(331)**	20
Non-cash investing and financing activities				
Accrued capital expenditures	**387**	330	**387**	330
Common share dividends reinvested	**10**	73	**28**	224
Contributions in aid of construction	**10**	14	**10**	14
Exercise of stock options into common shares	**—**	1	**2**	5
Right-of-use assets obtained in exchange for operating lease liabilities	**—**	—	**1**	48

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivatives

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

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

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

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

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

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

Unrealized gains or losses associated with changes in the fair value of these energy contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the regulators. As at September 30, 2020, unrealized losses of $64 million (December 31, 2019 - $119 million) were recognized as regulatory assets and unrealized gains of $36 million (December 31, 2019 - $2 million) were recognized as regulatory liabilities.

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

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

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

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

Foreign Exchange Contracts
The Corporation holds US dollar foreign exchange contracts to help mitigate exposure to volatility of foreign exchange rates. The contracts expire between 2020 and 2022 and have a combined notional amount of $312 million. Fair value was measured using independent third-party information. Unrealized gains and losses associated with changes in fair value are recognized in other income, net and were not material for the three and nine months ended September 30, 2020 and 2019.

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

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

Recurring Fair Value Measures

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

($ millions)	**Level 1** [(1)]	**Level 2** [(1)]	**Level 3** [(1)]	**Total**
As at September 30, 2020				
Assets				
Energy contracts subject to regulatory deferral [(2)] [(3)]	**—**	**55**	**—**	**55**
Energy contracts not subject to regulatory deferral [(2)]	**—**	**8**	**—**	**8**
Foreign exchange contracts and total return swaps [(2)]	**17**	**—**	**—**	**17**
Other investments [(4)]	**126**	**—**	**—**	**126**
	143	**63**	**—**	**206**
Liabilities				
Energy contracts subject to regulatory deferral [(3)] [(5)]	**—**	**(83)**	**—**	**(83)**
Energy contracts not subject to regulatory deferral [(5)]	**—**	**(27)**	**—**	**(27)**
	—	**(110)**	**—**	**(110)**

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

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

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

Energy Contracts *($ millions)*	**Gross Amount Recognized on Balance Sheet**	**Counterparty Netting of Energy Contracts**	**Cash Collateral Received/ Posted**	**Net Amount**
As at September 30, 2020				
Derivative assets	**63**	**25**	**10**	**28**
Derivative liabilities	**(110)**	**(25)**	**(3)**	**(82)**
As at December 31, 2019				
Derivative assets	30	22	10	(2)
Derivative liabilities	(151)	(22)	(2)	(127)

Volume of Derivative Activity

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

	As at September 30, 2020	As at December 31, 2019
Energy contracts subject to regulatory deferral [(1)]		
Electricity swap contracts *(GWh)*	**549**	628
Electricity power purchase contracts *(GWh)*	**3,154**	3,198
Gas swap contracts *(PJ)*	**139**	168
Gas supply contract premiums *(PJ)*	**247**	241
Energy contracts not subject to regulatory deferral [(1)]		
Wholesale trading contracts *(GWh)*	**2,273**	1,855
Gas swap contracts *(PJ)*	**45**	43

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

Credit Risk

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

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

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

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

The value of derivatives in net liability positions under contracts with credit risk-related contingent features that, if triggered, could require the posting of a like amount of collateral was $75 million as at September 30, 2020 (December 31, 2019 - $161 million).

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

Hedge of Foreign Net Investments

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

As at September 30, 2020, US$2.3 billion (December 31, 2019 - US$2.2 billion) of corporately issued US dollar-denominated long-term debt has been designated as an effective hedge of net investments, leaving approximately US$10.1 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 September 30, 2020, the carrying value of long-term debt, including current portion, was $24.9 billion (December 31, 2019 - $22.3 billion) compared to an estimated fair value of $29.5 billion (December 31, 2019 - $25.3 billion).

16. COMMITMENTS AND CONTINGENCIES

Commitments

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

Contingencies

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