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Unless otherwise specified, all financial information is in Canadian dollars and rate base refers to mid-year rate base.

THOMSON REUTERS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Lisa, and I'll be your conference operator today. Welcome to the Fortis Q4 2019 Conference Call and Webcast. (Operator Instructions)

At this time, I would like to turn the conference over to Stephanie Amaimo. Please go ahead, Ms. Amaimo.

Stephanie A. Amaimo ***Fortis Inc. - VP of IR***

Thanks, Lisa, and good morning, everyone. And welcome to Fortis' 2019 Fourth Quarter Results Conference Call. I'm joined by Barry Perry, President and CEO; and Jocelyn Perry, Executive VP and CFO; other members of the senior management team as well as CEOs from certain subsidiaries.

Before we begin today's call, I want to remind you that the discussion will include forward-looking information, which is subject to the cautionary statement contained in the supporting slide show. All non-GAAP financial measures referenced in our prepared remarks are reconciled to the related U.S. GAAP financial measures in our 2019 annual MD&A. Also, unless otherwise specified, all financial information referenced is in Canadian dollars.

With that, I will turn the call over to Barry.

(technical difficulty)

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

I'm going to start again. Thank you, Stephanie, and good morning, everyone. Before providing details on our 2019 results, I would like to take a moment to say that we are deeply saddened by the recent passing of Ida Goodreau. Ida served as Chair of our Governance and Nominating Committee of the Fortis Board and as Chair of the Board of FortisBC. She was an international business leader, a mentor and a cherished colleague, who provided years of thoughtful leadership to Fortis. Ida will be greatly missed by the Fortis family.

Now turning to our annual results. 2019 was another strong year for Fortis. Our energy delivery businesses invested approximately $4 billion in our systems. These investments enhance the service we provide to our customers, while focusing on delivering cleaner energy in a safe, reliable and affordable manner. These investments supported earnings of $1.1 billion or $2.55 per common share on an adjusted basis for 2019. Earnings were impacted by FERC's ROE decision received in the fourth quarter. Jocelyn will spend more time discussing this decision in our prepared remarks. Additionally, in the fourth quarter, the quarterly dividend paid increased by 6.1%, marking 46 consecutive years of increases, a record we are very proud of.

On the sustainability front, we advanced our plans to deliver energy as clean as we can as fast as we can with customer affordability top of mind. In British Columbia, FortisBC set a new target to reduce greenhouse gas emissions associated with its customers' energy use by 30% by 2030. In Arizona, our team secured the 250-megawatt Oso Grande Wind Project, which will become Tucson Electric Power's largest renewable resource. This project will help the utility to reach its goal of delivering 30% renewable power to customers by 2030. TEP is expected to approach this level as early as 2021, 9 years ahead of schedule.

In addition, we issued our sustainability update in the second quarter, which included information on the performance of our utilities as well as new indicators. Specifically, we included disclosure around our efforts to advance the United Nations' Sustainable Development Goals. Our improvements on the sustainability front were validated in late 2019 when we received an upgrade from a key ESG rating agency, MSCI. We are pleased to share that we are now rated a AA company. This positions us in the top quartile and profiles us as a leader on the ESG front. Our focused efforts in this area over the past 5 years have resulted in significant improvements in our rating, as shown on Slide 4.

Even with this strong position, we aim to do better in 2020 and beyond, keeping sustainability core to the success of Fortis. In 2020, we are focused on furthering our efforts by advancing the shift to cleaner energy and improving our disclosures. We also executed on our funding plans in 2019. This was accomplished with the sale of the Waneta Expansion Hydroelectric Project in British Columbia for $1 billion and a successful $1.2 billion common equity issuance completed in the fourth quarter. Overall, these 2 items position the balance sheet nicely as we look to deploy our capital plan in 2020 and beyond.

Before we get into our operational performance, we want to discuss our efforts surrounding talent management and the development of our team. Over the last several years, Fortis and our utilities have placed significant focus on these initiatives. 2019 was no exception. During the year, we broadened the responsibilities of the following executives reporting into me. First, Jim Laurito role was expanded in 2019 and to include oversight of our information technology, cybersecurity and innovation function, serving as our Executive Vice President of Business Development and Chief Technology Officer. And more recently, David Hutchens was appointed to Chief Operating Officer. In this newly created role, Dave's responsibilities are broadened to include operational oversight of our 10 utilities across Canada, the United States and the Caribbean, as we look to strengthen our energy networks and execute on our large capital plan.

When we reflect on the past 5 years, we closed our largest utility acquisition, shifted our focus to an organic growth strategy, all while performing well operationally. Operational excellence is a key pillar of our long-term success. On the safety and reliability front, we have consistently outperformed our Canadian and U.S. peers on leading industry indicators. Recently, system reliability was tested at Newfoundland Power. The city of St. John's experienced a record blizzard, bringing over 75 centimeters of snow and hurricane force winds in a 24-hour stretch. Fortunately, our system held up extremely well despite the city being in a state of emergency for a week. In fact, less than 10% of Newfoundland Power's customers lost power during the storm. The reliability of our system highlights the operational expertise of our teams, but also underscores the importance and the need for further investments to harden the systems in our footprint, especially as we think about the impacts of climate change. As we look forward to the next 5 years, our teams will strive for continued strong operational performance and look to improve our safety and reliability metrics.

Our long history of achieving strong shareholder returns continued in 2019 with a 1-year total shareholder return of 22.7%. Looking back over a 20-year time frame, Fortis has delivered superior average annual total shareholder returns of 14.3% or over 1,300% in total. As shown on Slide 6, this far exceeds the returns generated by the benchmark indices. All in all, 2019 maintained our track record of delivering strong total returns to our shareholders.

Turning to Slide 7 and our 5-year capital outlook. We are increasing the 2020 to 2024 capital plan from $18.3 billion to $18.8 billion or $500 million more to account for capital that shifted from 2019 into 2020 and 2021. Specifically, $300 million of expected investment in 2019 has shifted to January 2020, driven by the timing of payments on the Oso Grande Wind Project. The remaining $200 million was shifted to 2021 to account for changes in time of other projects in Arizona. As a reminder, the capital plan is focused on our regulated businesses and consist of a diverse mix of highly executable, low-risk projects needed to maintain and upgrade our existing infrastructure. Only 10 projects in our 5-year capital plan have a value of $200 million or more.

Over the next 5 years, as we execute on the capital plan, we expect our rate base will grow by approximately $10 billion or by $1 billion every 6 months. Our 2019 rate base of $28 billion is expected to grow to $38 billion by 2024. This yields 3- and 5-year compound annual growth rates of approximately 7%, which is consistent with our prior rate base growth guidance.

As mentioned, 2019 was our 46th consecutive year of dividend increases. The strength and durability of our locally operated energy delivery businesses, coupled with our diverse geographic and regulatory footprint, positions us well to continue this record into the future. Looking ahead, we remain committed to our 6% 5-year average annual dividend growth guidance through 2024.

Now I'll turn the call over to Jocelyn for an update on our fourth quarter and 2019 annual results.

Jocelyn H. Perry ***Fortis Inc. - Executive VP & CFO***

Thank you, Barry, and good morning, everyone. Turning to Slide 11. Reported earnings for the fourth quarter of 2019 were $346 million or $0.77 per common share, which were significantly higher than $0.61 per common share in the fourth quarter of 2018. Earnings in the quarter reflect the impact of FERC's ROE decision received this past November. In this order, FERC authorized a base ROE of 9.88%, up to a maximum of 12.24% with incentive adders. Including ROE incentive adders, this implies an all-in, go-forward ROE of 10.63% for ITC compared to the previous all-in ROE of 11.07%.

In the order, FERC also dismissed complaint #2. As you might recall, ITC had previously accrued amounts related to the expected refunds for the ROE complaints. Overall, a net favorable earnings impact of $63 million was recognized in the quarter. This favorable impact was comprised of the reversal of prior period accruals of $83 million, which were tempered by $20 million related to the reduced ROE for 2019 that I just discussed. I'll get into the order a little more in the next couple of slides.

On an adjusted basis for the quarter, EPS was $0.62, $0.06 higher compared to the previous year. And this reflects rate-based growth in our regulated businesses, partially offset by the lower ROE at ITC. On an annual basis, reported earnings of approximately $1.7 billion or $3.79 per common share were significantly higher than last year. This was driven by the $484 million net gain on the sale of our 51% interest in the Waneta Expansion recorded in the second quarter and the impact of the FERC order.

Adjusted EPS for 2019 was $2.55 per common share, $0.04 higher than 2018. Again, rate base growth at our regulated businesses was partially offset by the FERC's ROE decision at ITC as well as weather impacts in Belize and Arizona.

Now on Slide 12, I'll walk through the details of the EPS drivers for the quarter. Rate base growth at our regulated utility businesses was led by our Western Canadian utilities, which contributed a $0.04 increase in EPS during the quarter. FortisAlberta's earnings were also favorably impacted by lower operating costs.

In Arizona, UNS Energy increased EPS by $0.03 during the quarter. Lower operating costs associated with scheduled outages and maintenance, along with lower taxes were the main drivers. This increase was partially offset by higher costs associated with rate base growth not yet included in rates due to the historical test year. Weather was not a significant driver of results for the fourth quarter.

In New York, Central Hudson increased EPS by $0.01, driven by rate base growth. And rate base growth at ITC was tempered by the approximate $0.04 annual impact of the lower ROE, all of which was recognized in the fourth quarter of 2019. And at our nonregulated energy infrastructure businesses, EPS decreased by $0.01 for the quarter. This was mainly driven by lower production in Belize as the country continues to experience drought-like conditions. With the lower rainfall, production in the fourth quarter was 14 gigawatt hours compared to 53 gigawatt hours in the previous year.

Now turning to 2019 annual results on Slide 13. Adjusted 2019 earnings per share increased $0.04 to $2.55 compared to 2018. Our Western Canadian utilities improved EPS by $0.05, largely reflecting rate base growth at FortisBC and FortisAlberta, coupled with lower operating expenses at FortisAlberta. ITC, our largest utility, improved EPS by $0.04, driven mainly by its strong rate-based growth and lower business development costs. This was partially offset by the unfavorable $0.04 annual impact of the 2019 FERC order. A higher U.S. dollar to Canadian dollar foreign exchange rate for 2019 resulted in a $0.04 EPS increase. The 2019 average rate was $1.33 compared to $1.30 last year.

Central Hudson contributed $0.02 to EPS over last year. This was driven by rate base growth and lower storm restoration costs in 2019. The nonregulated energy infrastructure businesses reduced annual EPS by $0.06. Again, lower rainfall in Belize resulting in lower production, reduced EPS by $0.05 for 2019. With the drought-like conditions, production for 2019 was 64 gigawatt hours compared to 233 gigawatt hours for 2018.

EPS contribution from UNS was $0.02 lower compared to last year. This was largely driven by higher costs associated with rate base growth not yet in rates due to the historical test year and cooler temperatures in Arizona during the second quarter. The decrease was partially offset by higher AFUDC and lower operating costs associated with scheduled outages and maintenance.

And lastly, the $0.03 EPS decrease in the corporate and other segment was driven by a higher number of weighted average common shares, partially offset by lower corporate costs. Higher average common shares reflect the $1.2 billion equity issuance completed in the fourth quarter, the company's dividend reinvestment plan and the ATM program. And I'll discuss the recent equity issuance in a couple of slides. Absent the unfavorable impacts of the lower ROE at ITC and weather in Belize and Arizona, 2019's adjusted EPS increased by approximately 6% over 2018.

Turning now to our regulatory outlook. At ITC, we previously mentioned that we received an order from FERC on the base ROE in November 2019. In December, the transmission owners in the MISO region, including ITC, filed a request for rehearing on the basis that, among other things, the order will not allow utilities to earn a reasonable rate of return on investment. Last month, FERC issued an order granting the rehearing for further consideration, effectively extending FERC's review. Currently, there is no designated time for FERC to act on this particular matter.

With regard to the 2 notices of inquiry issued in March 2019 by FERC, we still await a decision. As you will recall, the first NOI sought comment on how FERC could improve its transmission incentive policy and the second on FERC's policies for determining the ROE used in setting rates should be modified. And lastly, ITC still awaits a response from the U.S. Court of Appeals regarding its appeal of FERC's 2018 order, which reduced the independence adder. Again, there's no specified time frame for the court to decide on this matter.

Moving to our business in Arizona. TEP filed its rate case early in 2019 using 2018 as a test year. TEP's current rates are based on a mid-2015 test year, and we have invested an additional USD 700 million of rate base since then. The filing request rates that recognize these additional investments. Intervenor testimony, including the ACC staff testimony was filed in October 2019. TEP revised its application in November, which now request an allowed ROE increase of 25 basis points to 10% and increased equity thickness to 53%. Hearings commenced in January, and we anticipate a decision by midyear.

As discussed last quarter, FortisBC filed its multiyear rate plan last March as the current term expired at the end of 2019. The proposed plan seeks approval for a rate setting framework for 2020 through 2024.

Now moving to Alberta. Back in September, the Alberta Utilities Commission issued a decision proposing to change how the Alberta electric system operators' customer contribution policy is accounted for between distribution owners, including FortisAlberta and transmission owners. The decision would prevent these transmission-related investments by FortisAlberta in the future and directs that the unamortized balance of approximately $400 million, which forms part of FortisAlberta's current rate base, be transferred to the transmission facility owner. We immediately filed a request for a review and variance and stay on implementation of the decision, which was granted. The matter is on hold, pending a review by the AUC, and we received notice in December that the AUC's decision would be delayed into 2020 as additional information was requested before they reach a decision.

And lastly, expert evidence was filed in the AUC's ongoing generic cost of capital proceeding in January. This proceeding will establish the allowed ROEs and capital structures for 2021 and 2022, and we expect this proceeding to conclude later in 2020.

In the fourth quarter, we completed the issuance of $1.2 billion of common shares. The net proceeds of the equity issue were used to repay debt, including the redemption of USD 500 million unsecured notes and the repayment of credit facility borrowings. This equity issuance accelerated our funding needs to support our capital plan. As a result, we terminated both our ATM program and the 2% discount previously offered under our dividend reinvestment plan.

Last year, we indicated that we expected to meet all credit rating agency thresholds in 2019 and stated our commitment to improve our metrics over the 5-year plan. In 2019, we achieved our objectives by significantly improving both our cash flow to debt and our holding company debt metrics. This improvement is reflective of our funding plan, particularly the recent equity issuance and the sale of the Waneta Expansion in the second quarter. Fortis' low business risk profile, driven by the geographic and regulatory diversity of our subsidiaries, coupled with our credit metrics, support our investment-grade credit ratings. Fortis is well positioned to execute on our 5-year capital plan and maintain our strong credit profile.

This concludes my remarks, and I'll now turn the call back to Barry.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Thank you, Jocelyn. To summarize, 2019 was another great year for Fortis that couldn't have been made possible without the hard work and dedication of our 9,000 employees. So thank you to our teams across North America. As we kick off 2020, we are focused on continuing to deliver safe, reliable and affordable energy to our customers. Our goals are to execute our capital plan, obtain constructive regulatory outcomes, pursue operational excellence and explore new ways to embrace the delivery of cleaner energy.

I'll now turn the call back to Stephanie.

Stephanie A. Amaimo ***Fortis Inc. - VP of IR***

Thank you, Barry. This concludes the presentation. At this time, we'd like to open the call to address questions from the investment community.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question today will come from the line of Robert Kwan from RBC Capital Markets. Your line is open.

Robert Michael Kwan ***RBC Capital Markets, Research Division - MD & Energy Infrastructure Analyst***

Maybe if I can start on sustainability and ESG topics and specifically, just how it's guiding some of your business decisions. And Barry, you talked about this kind of clean as you can, as fast as you can. Can you talk about that from the perspective of how you're just viewing gas distribution businesses in general and the existential risk to those businesses or potential existential risk?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Thank you, Robert. So first of all, Robert, from a Fortis perspective, our footprint is in the sort of the energy delivery. So we're already -- we're very strongly positioned from a sustainability perspective but clearly, we're still doing work to improve. And the 2 areas of focus, I would say, is our Arizona business, where we do have some thermal generation. And David and his team are really on a great path to reduce their coal generation over time. And the other area is British Columbia, and Roger and his team out there really have been working with the B.C. government and the regulator to really clean up the gas supply, frankly. And we've set some really aggressive targets now to reduce the amount of GHG in customers' gas by 2030 by -- reducing by 30%, actually. And it's -- that target is not an easy target to get to, but it's what's required, I think, to really maintain the momentum in our gas business to find ways to grow. And I'm pretty excited about where that's headed, frankly.

Clearly, there is a lot of conversation that's going on about natural gas, but it remains a critical fuel in the energy mix. And if you look at British Columbia, I still believe natural gas is the #1 source of energy in that province. So really, it's irreplaceable, frankly. And so I think Roger and his team have done a great way -- great job of finding ways to grow the business, working with the regulator and the government, on cleaning up gas, going to renewable natural gas, gas for transportation, all of those things and bunkering of vessels. So these are the kind of initiatives that natural gas companies have to do now to be able to succeed.

I would say our regulator and the government, British Columbia, are very progressive on these issues, probably the most in all of North America. And that we're happy that we do have that business in British Columbia. And we have a couple of smaller gas businesses in the U.S., but our primary exposure there would be in B.C.

Robert Michael Kwan ***RBC Capital Markets, Research Division - MD & Energy Infrastructure Analyst***

Okay. Got it. If I can just finish with some questions just here on the funding plan. You've obviously done the equity issue. I'm just wondering as you look at where you are today and back to Investor Day, you had that 3% ATM wedge plus the DRIP. So I guess the first question is, do you have an updated number where the DRIP participation has now shaken out now that you've taken the discount out of that? And just generally, how you're looking at funding moving forward? One other aspect is, is just on -- are you looking at any potential asset monetizations, particularly given some of your smaller Canadian electric utilities are some of the slowest growing in the portfolio, and you've previously commented that you're not particularly enthused with the cost of capital parameters?

Jocelyn H. Perry ***Fortis Inc. - Executive VP & CFO***

Robert, this is Jocelyn. I'll take the DRIP part of that question. So we -- right now, our DRIP participation is pushing 40%. We do expect to see a drop in that participation. It's hard to quantify exactly, but we'll know more as we go forward. So March 2 will be our first DRIP participation under the new terms of the DRIP program. But we do expect to see a decrease. And when we look to our funding plan, back to the Investor Day, I mean, we've accelerated the equity that we talked about at Investor Day. It clearly sets us up well from a credit profile perspective. We've met our credit metrics per se a couple of years prior to when we figured we would. That clearly is a credit positive when we are engaging and having conversations with our credit rating agencies, which we anticipate to do in the upcoming weeks. So I think it positions us nicely. And for the growth program that we have, we don't see any further discrete equities required and we're positioned well.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

And Robert, I got to say I'm not being interested in selling any of our utilities. Don't like the idea of Fortis getting smaller on a regulated perspective. That being said, if someone makes us a great offer for a business, we have to consider it. So -- but don't really get many great offers for our Canadian businesses, frankly.

So in terms of growth, yes, you're right. These businesses are probably growing a little slower, I would say except for our gas business in British Columbia. That business grows on par with our U.S. businesses. I'm hopeful, over time, with all the efforts around hardening of the systems, preparing for climate change, all of that, that we'll see some stronger growth in our Canadian business. I just know recently, I think Canadian Standards Associations are talking about what needs to be done on the electrical systems in Canada to prepare for more intensity, I guess, on storms and all of that. And I think that's going to drive some capital in the business here. So overall, we're focused on keeping our Canadian and U.S. businesses that we have.

The returns are still a problem. I think we're still much lower in Canada than in the U.S. That is a lingering material issue for Fortis that we have to make progress on over time, in my view. And it's not just the Fortis issue. It's an industry-wide issue, frankly, to have such disparity between the 2 countries is just not good for anyone over the long haul.

Robert Michael Kwan ***RBC Capital Markets, Research Division - MD & Energy Infrastructure Analyst***

Great. Thank you very much.

Operator

And our next question comes from the line of Ben Pham from BMO. Your line is open.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

Okay, thanks. Good morning. And Barry, just maybe to your comments around monetizations and Canadian utilities maybe not getting fantastic offers relative to your hold. Could you comment generally on just what do you think about some of the takeout multiples that you've seen in North America, like AltaGas Canada, El Paso, relative to that great offer that you've characterized it? And who's the buyer here that you've tended to have conversations with? Is this strategic or financial players?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Ben, I didn't say we're having conversations about offers and stuff. But clearly, the utility industry is -- the values that are being transacted at are -- have been up from where they were historically. I think it's a sign that there's a shortage of good utility businesses to buy out there. There's been a lot of consolidation happening. The businesses are continuing to grow in North America. You see 6% and 7% growth rates in these businesses. That's pretty good growth and that stability of cash flow and the regulation generally has made these businesses very attractive to a lot of parties, and I don't see that changing, frankly. I think the growth rates for the industry are going to remain strong for the foreseeable future, given all the challenges and big trends that we're dealing with in our sector as we move to cleaner energy and reduce greenhouse gases. These things are going to continue to drive growth for a long time. And I think now that's becoming reflective in the values of these businesses. And I fully expect that we're going to see that continue for the next few years here.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

All right. And sorry about that, Barry, I misheard you. So just to clarify, and just for the record. You're saying that really, if someone comes along with a very attractive offer for the Canadian utilities, you would look at it, but you didn't necessarily say that you're getting really any inbounds.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

No, exactly. And clearly, as a public company, Ben, any time we receive a strong offer for a business, we're obligated to review that offer. And if it makes sense from a shareholder perspective, that we have to execute on that. So that's just a message we've been preaching for a long time. Capital allocation in our business is very, very important. We have a very large capital plan. The days are gone when you just -- the only source of capital is the equity capital markets. That's not how we look at it anymore. We look at our balance sheet. We look at the assets that we have, and we review them on a regular basis to determine what's the appropriate funding strategy for our company.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

Okay. And I may just flip it on the M&A side, the BD side. Have you thought -- I mean, notwithstanding the loss evaluation, just the water utility business, is that something that's on your radar screen? And would that fit your core competencies?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

No, we're not looking at water.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

Ok. Alright. Thank you.

Operator

Our next question comes from the line of Julien Dumoulin-Smith from Bank of America. Your line is open.

Julien Patrick Dumoulin-Smith ***BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research***

Hi. Good morning team. How are you? So a couple of questions here. First, Arizona, I'll start there. In terms of some of the latest headlines in the state, there's talk of moving to an appointed commission. Some talk about like bipartisan legislation here. Any initial perhaps preliminary thoughts about that? And then separately and perhaps somewhat related, how are you thinking about prospects for settlement? I know that there's been some talk amongst peers and the commission again here, too. But just want to hear your thoughts more broadly.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

So Julien, I got David here, David Hutchens. So instead of repeating ourselves, I'm just going to let David deal with those 2 questions right off to start here.

David Gerard Hutchens ***Fortis Inc. - COO***

Yes. So on the appointed commission, we really don't have any comment on that. We think we get good commissioners either way. We think that there's -- it's right to have a good balance of commissioners. We don't think it makes that much difference whether they're appointed or whether they're elected. So we don't really have a position on that at all. And then on -- what was your other question? Oh, settlement. Oh, yes.

Julien Patrick Dumoulin-Smith ***BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research***

About settlement. And where we stand in the same in terms of just policy here?

David Gerard Hutchens ***Fortis Inc. - COO***

Yes, I think the whole anti-settlement policy is going to be pretty short term. It was, I think, a result of one settlement that the commissioners weren't a big fan of, and so they sort of put a pause on having settlements done, and they want to have more fully litigated -- they want to have more formally litigated processes. So I think that after our rate case, which, of course, we couldn't do a settlement in because of that, I think and I'm hopeful that we'll be able to get back to that. Because I think settlements provide a much more balanced result for all the stakeholders than litigating it topic by topic.

Julien Patrick Dumoulin-Smith ***BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research***

Got it. All right. Excellent. And then just quickly, if I can, perhaps, more of a macro question. Woodfibre, how are you thinking about prospects there? Listen, I know it's several years out, et cetera. Just sort of in consideration of the macro environment for LNG.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Great question, Julien. I would say that we continue to have that project in our 5-year plan, it's about $350 million. The main reason is Woodfibre is a customer. Really, we're building a pipe to supply a customer with natural gas. And obviously, they're building a small-scale LNG export terminal. We're still spending money on behalf of that customer. They are providing us cash as we sort of get ready to build that line. So what's missing, obviously, is a final decision by that party to move forward with their project. But there is still a fair amount of activity going on related to the work that needs to be done for us to commence the pipeline. So it is something that we monitor and we sort of review as we head into the September, I guess, period, when we do our new 5-year plan. We'll have to consider whether this is still something that we feel confident that should be included in our plan, and we'll consult with that customer over that period of time and make our decision at that point. But based on the information we have today, it is something that we still expect will be completed in that 5-year period.

Julien Patrick Dumoulin-Smith ***BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research***

Thank you guys very much for the patience and the questions.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Thank you.

Operator

Our next question comes from the line of Rob Hope from Scotiabank. Your line is open.

Robert Hope ***Scotiabank Global Banking and Markets, Research Division - Analyst***

Morning everyone. A couple of follow-up questions. Just when you look at Arizona, and I know you're going to hit that 30% renewables ahead of schedule, and this could be a couple of years out. But what's the path forward to further increasing renewables in the state there for you?

David Gerard Hutchens ***Fortis Inc. - COO***

Yes, Rob, this is Dave again. We're really evaluating that right now in our integrated resource planning process. We brought a lot of stakeholders together, customers, government, et cetera. We're using climate experts from the University of Arizona, and we're really focused on trying to develop a greenhouse gas reduction goal because we think that's the most important target to have. We're in the process of running, oh, it seems like a million different scenarios related on input from those stakeholders, and we plan on rolling that out sometime later this year. So stand by for that. Obviously, the 30 by 30 is going to be hit early. So I can tell you, we're not going down on those goals, and we're definitely focused on trying to get to, as Barry mentioned, to get that clean energy as fast as we possibly can and making sure that we're managing the reliability and affordability effects of what we're doing.

Robert Hope ***Scotiabank Global Banking and Markets, Research Division - Analyst***

All right. That's helpful. And then a bit of a broader question. The MISO ROE rehearing, a bit of a uncertain process right now. How do you think it plays out? And kind of what timeline? And what do you think are the key or how in-depth do you think it will go?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Thanks, Rob. So some of our folks are saying their kids will be through high school and college before it's all done. But Linda, maybe you can just provide some more flavor on that for Rob.

Linda H. Blair Apsey ***ITC Holdings Corp. - President, CEO & Director***

Yes, Rob. Good morning. Look, I wish I could look into my crystal ball and answer those questions with a little bit more clarity. But look, I think the commission understands. I think they signaled pretty quickly that they were willing to rehear their order. I take that as a positive signal that obviously, there was a strong vocal industry response to their order. And so I remain, I would say, cautiously optimistic that they are going to undertake the review of the matter seriously. I think they understand we're probably one of the most transformative points in the utility industry in terms of where we're going over the course of the next 20 to 30 years, and they understand that transmission plays a vital part in realizing our future energy composition in this country. And I think they know they understand that ROEs are an important component of that. So I remain cautiously optimistic that they're going to seriously review the matter to look at their methodology, not only kind of from -- in terms of how it applied under the period under consideration but obviously, how it also applies prospectively.

And in terms of timeline, I'm hopeful that perhaps with maybe the sort of decision with Commissioner McNamee leaving the commission under at least his current term at the end of June. However, he could stay through the end of the congressional session, which presumably will be December. I am hopeful that they will act sooner rather than later, while they know they have a quorum. But again, I don't have any particular knowledge or insight that suggests what they might do or when.

Robert Hope ***Scotiabank Global Banking and Markets, Research Division - Analyst***

Alright, thank you for the color.

Operator

And our next question comes from the line of David Quezada from Raymond James. Your line is open.

David Quezada ***Raymond James Ltd., Research Division - Equity Analyst***

Thanks. Good morning everyone. My first question here, I understand there's legislation proposed in New York that could enable regulated utilities to invest in renewable generation. I'm wondering if that's an opportunity you could potentially look at. And if you see that as being something realistic over your kind of 5-year outlook?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

I guess, David, anything is possible, although I find it difficult with -- in terms of competing in some of this sort of bidding processes on renewable energy. It's -- you have some of the bigger players that are sort of almost owning that space. Their supply chains have been developed and all of that. But clearly, these are the things we'd always look at, and I know Charlie is on the phone. Charlie, anything else that you want to offer around that area?

Charles A. Freni ***Central Hudson Gas & Electric Corporation - President, CEO & Director***

I mean, I think, first of all, legislation is probably a bit of a long shot in getting through. We've often said that if the market doesn't deliver, we want the opportunity to deliver. Or if we could deliver it at a lower cost, we want that opportunity. And so I think consistent with what Barry said, it's not as though I think we're going to go out and kind of compete for these projects, but where there is opportunity for us to be able to serve a segment of the market that's not being served, we think we can do that best.

David Quezada ***Raymond James Ltd., Research Division - Equity Analyst***

Okay, great, thank you. I appreciate that. And then maybe just one other question. On the MISO -- in the next round of the MISO MVP projects, any thoughts on timing and how those might be awarded?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Linda, do you want to provide some color?

Linda H. Blair Apsey ***ITC Holdings Corp. - President, CEO & Director***

Sure. I continue to be more and more optimistic in terms of when you understand what's needed in terms of various state RPF standards or particular utility renewable goals. They cannot be met without a kind of what I'd say is a large regional build-out. I think there is a lot of recognition with from state governors, from state commissions, the utility industry at large, that we do need another MVP-like portfolio. I think there's a lot of people that would agree that the last round of MVP projects, how that was accomplished, was a good model for us to sort of try to replicate.

MISO right now is currently in the process of doing a regional study that would sort of help identify based on all the known variables and goals from each of those respective states. So I think the industry awaits sort of the outcome of MISO's study process. But I do think sort of on a sort of a parallel path, the biggest issue and the one that we have to get solved is sort of the cost allocation. That continues to remain the biggest barrier. But I do think there is increasing recognition that we do need to sort of move forward in this approach.

I, from a time line perspective -- again, this is just my opinion and perspective. I do think we will hopefully see progress on that front probably within the next 12 to 24 months. But obviously, there are large unknowns, large variables, particularly when it comes to who pays. And that's really the -- I think the focus of the effort once the actual sort of lines and plan is identified. That will be the biggest focus for us all.

David Quezada ***Raymond James Ltd., Research Division - Equity Analyst***

Great. That's great color. Thank you very much.

Operator

And our next question comes from the line of Michael Sullivan from Wolfe Research. Your line is open.

Michael Sullivan

Hi everyone. Good morning. My first question was just on the -- now that you guys have done the equity issuance late last year, and I think you mentioned meeting with the credit rating agencies in the next couple of weeks, not to get too far in front of that, but just thoughts on the potential for action from Moody's given the spread in rating. I think, previously, that it seemed like a more longer-term type deal, but any chances that, that can shift up given the equity acceleration?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Just a comment, Michael, from me, and then Jocelyn can provide some more color. But clearly, we've made great strides in improving our balance sheet. We listen to the input of our rating agencies, and we wanted to make sure that there was no doubt that Fortis' intent was to have a stronger set of credit metrics. And we've acted on that. And we're looking forward to engaging with these agencies in the next few weeks here to really tell them the story and get further input from them.

Jocelyn H. Perry ***Fortis Inc. - Executive VP & CFO***

Barry, I agree with that conclusion. I mean we would look certainly to -- with S&P to get removal of the negative outlook. And with Moody's, we've always said that we are not we're not pleased with the Baa3, and we're always looking to improve that. We do have a good story. The recent equity issuance, certainly, again, is a credit positive that I think is going to bode well when we're having these discussions but -- so we look forward to having those discussions, and hopefully, we can make progress in that area.

Michael Sullivan

Great, thanks. And then my other one, just shifting to Alberta. First, just any more specifics on the potential timing regarding the transmission issue and the review and variance there? And then maybe just also expectations, what we can expect out of the cost of capital proceeding that's going to go on this year?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Michael, do you want to comment on the sort of process a little bit, add some more flavor on the AESO issue?

Michael L. Mosher ***FortisAlberta Inc. - President, CEO & Director***

Sure. The only thing -- Barry, thank you. The only thing we have out of the commission was the ruling at the end of December, which really indicated that there was still a lot of uncertainty with respect to elements required for them to reconsider their decision. So they've tendered some IRs to parties here. But we don't have any visibility into the timeline and expect that it may go beyond the end of the first quarter and even into the second quarter. Yesterday, we filed a motion with the AUC seeking additional information and clarity as to the process and requesting an oral hearing on several of the matters.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

And I guess with the -- on the cost of capital, do you want to just add on that as well?

Michael L. Mosher ***FortisAlberta Inc. - President, CEO & Director***

Yes. And the cost of capital, that proceeding, we expect -- we've filed evidence in January. We'll have a hearing in April. And the intention is to have a commission decision before year-end to set new ROEs and capital structure for the next-year PBR. And there has been a sort of signaling that there may be a desire to return to a formula for the 2022 period.

Michael Sullivan

Okay, great. Thanks a lot.

Operator

And our next question comes from the line of Mark Jarvi from CIBC Capital Markets. Your line is open.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Director of Institutional Equity Research***

Thanks, good morning everyone. Maybe on MISO, as you go through this process of the rehearing, curious to hear your thoughts on whether or not you think the second complaint gets revisited and the dismissal could be potentially reversed?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Well, there's any group of possible outcomes, so we really can't prejudge what will happen there. Clearly, from our perspective, we did under the accounting rules, book the refund in the fourth quarter. We did remove it in terms of our adjusted earnings. So that's -- that was the correct way of handling it, but it has been, I guess, for lack of a better word, appealed as well. As much as we're appealing the order, they're appealing the fact there wasn't a refund granted on complaint 2. So I just think there's just going to be a lot more conversations around that over the course of the next 12 months.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Director of Institutional Equity Research***

Okay. And then a couple of questions on B.C. One would be just mechanics around the interim rates while you wait for the final decision. Is it going to be just sort of flattish year-over-year and then potentially a retroactive true-up once you get your filing decision later on in 2020?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Roger, do you want to add some color on the sort of the mechanisms?

Roger A. Dall'Antonia ***FortisBC Inc. - President, CEO & Director***

Yes, you bet. Good morning. On the interim rates, it applies to both the natural gas company as well as the electric. It's I think 2% increase on gas and 1% electric. It sets rates for the year once we get the decision, which we expect mid-2020, depending on the outcome of that decision. There are likely to be an adjustment starting in the following year and either an increase or decrease to adjust for whatever the final decision is.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Director of Institutional Equity Research***

So no adjustments in 2020. It would come 2021.

Roger A. Dall'Antonia ***FortisBC Inc. - President, CEO & Director***

Yes. If it's happening later in the year, just for convenience, they'll probably do the rate adjustment January 1, so there isn't 2 rate changes. Because we also then have to set rates for 2021, so it's going to be really a question of when in 2020 the decision is received and what's most expedient so customers aren't dealing with 2 rate changes.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Director of Institutional Equity Research***

Okay. That's helpful. And then my second question on B.C. would just maybe, Barry, you can extend your thoughts on your commentary on Woodfibre to Tilbury and just your view. Even the concept of ESG principles as well as just the LNG environment right now.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

We're very excited about the Tilbury facility generally. That facility is acting currently as a peaking facility as well as a storage facility for natural gas that we're using for local transportation, fueling the ferries and heavy-duty trucking and that kind of thing. We are also looking at the possibility of expanding that facility to increase the storage capability to provide some resiliency for the natural gas networks in British Columbia and as you mentioned, the possibility of a small-scale export terminal. These are longer-term projects. You do have to work through various processes to make them happen. We are starting on those paths.

Clearly, the spot price of LNG in Asia, I haven't looked at it today but over the last few weeks, given everything that's happening in the world, has dropped dramatically. It's not been helpful for LNG exporters, but these are temporary things, in my view. And these are projects you look at over very long periods of time.

What we do know is that there's tremendous amount of natural gas in British Columbia. That gas does have to get out of the province, and any sort of avenue that could be available to allow that to happen is attractive to the owners of that gas. And we do have that possibility with our Tilbury facility to play a small role in export of LNG. And we continue to sort of examine that opportunity.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Director of Institutional Equity Research***

So to summarize, just if you take a long-term view, really nothing has really changed in the last few months from what you guys would have had maybe at the Investor Day in terms of outlook for that.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Yes, I would say we're further along on our work with regards to the resiliency conversation, for example as well as we are working on getting a jetty approved for the site so that we can bring vessels up to the plant. So it has to go through the environmental process. We're working on that. So we're knocking things off. So we are further ahead. In terms of making a final decision, I can't say when we're going to be including it in our capital plans, but we're definitely putting a lot of effort into progressing the opportunities that are there.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Director of Institutional Equity Research***

Okay, thanks for that.

Operator

And our next question comes from the line of Linda Ezergailis from TD Securities. Your line is open.

Linda Ezergailis ***TD Securities Equity Research - Research Analyst***

Thank you. I'm wondering if you could maybe give us a sense of the nature of the resiliency standards that CSA is looking at implementing for Canadian utilities? And when might Fortis start incorporating that into your Canadian utility plans? And what might be the magnitude and timing of the investments that might be required for that?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

So Linda, I do have my guru here, Gary Smith, on all things related to standards in the electricity industry in Canada. And Gary, you want to just comment on that?

Gary J. Smith ***Fortis Inc. - EVP of Eastern Canadian & Caribbean Operations***

Sure, Linda. A couple of years ago, the Canadian Standards Association unleashed a project with the National Research Council to review the effects of climate change for Canada. And the output of that is a document that was published last year, and it highlights significant changes required in standards for overhead systems. And in the next year or so, those standards will be reviewed by the industry and updated, and it will likely lead to additional requirements to increase the strength of the asset.

Linda Ezergailis ***TD Securities Equity Research - Research Analyst***

And so it wouldn't be included in your 5-year capital budget this September, but potentially next September?

Gary J. Smith ***Fortis Inc. - EVP of Eastern Canadian & Caribbean Operations***

I think what will happen, Linda, is that it will take probably a year or so to go through these standards and to make the revisions. When you deal with the CSA standard, there's a balloting process that the industry needs to look at. So it will probably take a year to 18 months to revise the standards. And then once that's happened, it will then filter into utility budgets.

Linda Ezergailis ***TD Securities Equity Research - Research Analyst***

And would these be incremental or quite significant in their nature versus prior revisions?

Gary J. Smith ***Fortis Inc. - EVP of Eastern Canadian & Caribbean Operations***

I think that remains to be seen, Linda. The areas that are looked at, of course, is wind loading, ice loading, the effects on pole strength, conductor strength. So I think it remains to be seen what the output will be but there's no doubt that the signals that were sent by the National Research Council that are captured in the document that was published last year signals that significant changes are required.

Linda Ezergailis ***TD Securities Equity Research - Research Analyst***

Okay, that's helpful context. Thank you. And maybe just more from an operational perspective, when we look at -- across your North American utilities, 2019 and factoring in weather and timing of operating expenses, et cetera, can you comment on kind of what your achieved ROE was versus allowed? And how we might think of that in 2020?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

So Linda, it's Barry. Obviously, there's -- with 10 utility businesses, it's -- I don't have the list in front of me, but we actually -- from an achieved perspective, generally have done pretty well actually at our businesses. And the businesses that have forward test years, frankly, obviously, we typically achieve our allowed returns, maybe a little more. And the Arizona business had a reasonable year last year as well. So it did pretty well. ITC with its formulaic rates at FERC clearly earns its allowed return. It's a true-up process. And that is the strength of that FERC formula rates, so that's very, very positive.

Our Caribbean businesses are still, I would say, a little light, but they had a reasonable year. And what's needed in the Caribbean now is that we're seeing a fair bit of growth coming, and the economies have strengthened there. So I'm excited, even though they're small, I'm excited about those businesses for the next number of years. So overall, from an ROE perspective in terms of what we were allowed to earn, I think we really did a pretty reasonable job last year.

Linda Ezergailis ***TD Securities Equity Research - Research Analyst***

Thank you and maybe also just to help us look forward a little bit. In your Energy Infrastructure segment, I realize it's not a big part of your business, but there is some variability there year-over-year. Can you comment on what the rainfall so far has been this year? And any sort of outlook, if you can even see forward what that might -- what sort of forecast there might be locally? And then margins so far this year in Aitken Creek and what 2020 might hold for Aitken Creek as well.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Thank you, Linda. I really -- it would be helpful if everyone on this call did a rain dance for us because we do need rain in Belize. We are in the dry season now, going into sort of the beginning part of it. So I'm not expecting any real improvement in Belize until midyear as we go back into the rainy season. Hopefully, we get to fill those reservoirs quickly, and we have a good second half related to that.

What's interesting is sort of 10 years that we've held those assets in Belize, this is really sort of an off-the-chart kind of -- this past year was an aberration, frankly, because we've tended to generate pretty well around the normal in that business. So definitely a strange year there for sure.

I'm going to allow Roger to comment on the Aitken Creek facility in B.C., and I don't think there's probably any big trends we can comment on right now. But Roger, do you want to just maybe offer a comment on the year there?

Roger A. Dall'Antonia ***FortisBC Inc. - President, CEO & Director***

Yes. Thanks, Barry. As far as the first quarter, it's too soon. We're still in a fairly low-cost environment out there. So we're strong inventory levels, and we'll take care of opportunities based on market shifts here as we move forward. So nothing -- fairly consistent with what we saw as we ended 2019. Too early to say really though on 2020.

Linda Ezergailis ***TD Securities Equity Research - Research Analyst***

Okay, thank you.

Operator

And our next question comes from the line of Andrew Kuske from Crédit Suisse. Your line is open.

Andrew M. Kuske ***Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research***

Thank you. Probably a quick one for me and congrats on navigating your way through the state of emergency in the province earlier this year. Given what's happened with Nalcor and Muskrat Falls and the federal government, do you see any longer-term opportunities rising out of Nalcor and just some of the assets that they hold?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

I would say I hope so, but I wouldn't be counting on it too much. We've tried to play a bigger role in the province, and it's just not been available, frankly. So we obviously have Newfoundland Power. It's a great business. Our people there do a great job. We saw that in the state of emergency. We are very open to doing more. Maybe we can be part of some solution in the future, but it doesn't look like that, that's possible at this point.

Andrew M. Kuske ***Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research***

Okay, I will leave it at that.

Operator

And our next question comes from the line of Patrick Kenny from National Bank. Your line is open.

Patrick Kenny ***National Bank Financial, Inc., Research Division - MD***

Yes, good morning everyone. Just a quick follow-up here on the rehearing on the MISO ROE. Just wondering, depending on the outcome, whenever that is, I know you've quantified the impact on EPS for every 100 basis points downside to the 10.6%. But also wondering if there is any reduction in ROE, might that have an impact on the 5-year capital plan for ITC or that 6% to 7% rate base CAGR over the next 5 years?

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Patrick, listen, clearly, we have to see what FERC does here. If ROEs are -- go dramatically lower than any -- I think any business has to evaluate its plans, and we would have to do that at ITC. Clearly, we're always going to do our jobs of making sure the system is reliable and all of that. But this conversation on ROE is very, very important to the industry and to all the things that need to be done in terms of moving to clean energy and reliability of the system. So this is why it's so important for FERC to get this right. And we believe they will, frankly, at the end of the day, and we're going to work hard to play our part in making sure that, that happens.

Patrick Kenny ***National Bank Financial, Inc., Research Division - MD***

Great. Appreciate that. And then just on the ESG front with respect to any land use agreements you may have with First Nations communities across Canada. I know you guys have done a great job over the years managing relationships. But I just wanted to confirm if there were any near-term negotiations we should be keeping on the radar here. Or perhaps, Barry, any comment you might have on just navigating the broader indigenous sensitivity right now around energy infrastructure in general.

Barry V. Perry ***Fortis Inc. - President, CEO & Director***

Well, for any Canadian business involved in infrastructure, this has been a matter that's been with us for some time. And in the case of Fortis, we have been working with our First Nation partners for a very long time. And British Columbia, especially since we've owned the company, but even before that, whether it be the Terasen business when we bought it, those folks have developed a really strong relationship with many of their First Nation partners. We've actually utilized a lot of that sort of expertise as we looked at our Northern Ontario transmission project, Wataynikaneyap. And that project is off and running at this point in time, and the relationships there are strong.

We -- like you would expect, obviously, do have a lot of infrastructure on First Nation sort of lands, for lack of a better description. And -- but have just a pretty normal working relationship at this point in time. There's no -- that I can recall, Patrick, no sort of current issues from our perspective there. And -- but it's something we've got to continue to work on to make sure that we're listening and have great relationships with the indigenous folks so...

Patrick Kenny ***National Bank Financial, Inc., Research Division - MD***

Okay, that's great. Thanks Barry.

Operator

And we have no further questions in queue. I'd like to turn the call back to Stephanie Amaimo for any closing remarks.

Stephanie A. Amaimo ***Fortis Inc. - VP of IR***

Thank you, Lisa. We have nothing further at this time. Thank you for participating in our fourth quarter 2019 results call. Please contact Investor Relations should you need anything further. Thank you for your time, and have a great day.

Operator

Thank you for participating. Ladies and gentlemen, this concludes today's conference. You may now disconnect.