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Welcome to the 2018 Fortis Investor Day in New York. Happy to see a full room here. Before we get started, if you wouldn't mind, take your seats and silence your phone, and please join us with a short employee video that we have before the formal presentation.

(presentation)

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

Good morning, everyone. Before we get started, I want to introduce a couple of people. I'm Barry Perry. I'm the CEO of Fortis. I do want to introduce one of the folks in the video. We did have an employee contest for submitting pictures and stuff for the video, and we selected a winner, I guess, you could say, from all the submissions and a winner got to come to New York to be with us today. Michael Suther is here from FortisAlberta. Stand up, Michael. He was the power line technician that was up in the bucket there, looking over, I think, some part of FortisAlberta -- Turks and Caicos. So Michael actually went to Turks and Caicos and put the power back on last fall after the hurricanes hit the islands. And I actually went to Grand Turk. Provo was hit bad, but Grand Turk was devastated. You'd almost wonder why anyone wanted to go back there, frankly, after the hurricane passed through. But he spent 2.5 weeks helping put the power back on in Grand Turk. And we thank you, Michael. I'm glad you're here with us today.

There is another person I want to recognize, although she didn't want me to this. Maura Clark is here. Maura, stand up. She is a Director of Fortis, Inc. She is a resident of Manhattan, so she's here with us today.

My team is here as well, all in the front. You get a chance to meet them over the course of the morning, hopefully, and we'll get started.

So forward-looking information. Just to caution that we obviously have forecasted the information in our materials today. It may or may not happen the way we expect things to happen, but take caution when you look at our materials.

So today, we're going to talk about sort of 3 things: empowering growth, sustaining growth; and executing growth. And I'm going to lead off, sort of, reviewing our overall strategy. In terms of sustaining growth, we're going to have 3 of our largest businesses, their CEOs, talk about their growth strategies. And then finally, our CFO will come back, Jocelyn Perry, and talk about our 5-year plan, how we're going to fund it. And I'll -- then I'll return for some concluding remarks, and we'll open up to Q&A at the end of that process.

So to cut right to it, we've announced, as of yesterday morning, a new 5-year capital plan totaling $17.3 billion. That's going to allow us to grow our rate base between 6% and 7% annually over the next 5 years, which supports our new dividend guidance of 6% annually through 2023. So in a nutshell, that's what we are able -- we expect to be able to achieve over the next 5 years.

In terms of strategy, it has not changed. I don't think strategy should change, especially when you've been as successful of a company as Fortis has been over the last number of years. We're basically leveraging the footprint of our utilities to identify and find growth opportunities, and we've been very, very successful at that. And this new iteration of our 5-year plan is evidence of that.

Clearly, we're also focused on all the areas that most utility businesses are focused on right now, system resiliency, cybersecurity, sustainability, delivery of cleaner energy. All these trends are driving the capital plans of Fortis going forward.

One of the things about Fortis that once you really understand our company is really focused on customer relationships and regulatory relationships. We're really -- because of our business model being very local, it's an area that we excel in, in my view, and it's really critical to the long-term success of the company.

We're also focused on some other opportunities in some of our businesses. LNG infrastructure, transmission, energy infrastructure and other areas that are maybe not as normal in terms of regulated CapEx, but has similar characteristics to regulated CapEx, and we'll talk a little bit more about that today.

So if you look at the Fortis time line, we did start in Newfoundland a long time ago in 1885. And for the first 100 years or so, we focused on Canada. I would say, in the early 2000s, we started expanding across Canada. And based on the East Coast, we went right across the country, buying utility businesses and, frankly, got to the West Coast of Canada and realized there wasn't a lot left to do in Canada. And we really started spending a lot of time in the U.S., starting in the mid-2000s, looking for opportunities. And really, were not successful until 2013 with the purchase of Central Hudson, but went through a very intense period of growth in the U.S. We bought 4 -- sorry, 3 very good businesses: Central Hudson; UNS Energy in Arizona, which is primarily Tucson Electric Power; and then ITC. We closed that deal in 2016, which is the largest independent owner of transmission in the United States. So I would say we were very successful in that push into the U.S.

Since ITC, we've been focused on organic growth. And this year's iteration of our CapEx plan, the $17.3 billion is our third capital plan now post-ITC. And it's gone up each year since we -- since we've owned ITC. And that continues to be our focus, this organic growth.

So strategy is good, but it's only good if you actually can deliver strong returns to your shareholders. Fortis has delivered, on average, 12.2% annualized shareholder returns for the last 20 years. 10 years, we're around 10%; 5 years, around 10%. So strong execution as we've grown throughout North America and now become one of the largest utilities in North America.

We do have a very high quality and diverse utility portfolio. We're probably the most diversified utility in North America. 97% of our assets are in the regulated space. $26 billion of rate base now. The other sort of really key feature of Fortis is our focus on transmission and distribution. We're a T&D business, primarily poles and wires and gas lines. That's our business. That's where we like to be, sort of very close to the customer. We don't have a lot of thermal generation. We have some renewables, some hydro. We do have a little bit of thermal and coal and gas in Arizona. But overall, we have very little in terms of our total asset mix.

We serve now about 3.3 million electric and gas customers across North America. That really doesn't include the sort of Midwest customers that ITC would touch, really. This is really our state and provincially regulated businesses that make up that number. And now 60% of the company's earnings are coming from the U.S.

So the business model. We look at the company as 10 locally operated utilities making 1 strong North American company. We have just under 60 people on our corporate head office in St. John's. When I started in 2003 at Fortis, I think we had 10 people. So we've grown that dramatically to 60 since that period of time, but the business has also grown dramatically. I'm a little uncomfortable with where we are in corporate. I don't want to get the people back in St. John's concerned, but it is different around the office with 60 people. I think we have enough for a little while here, that's for sure. But we had to do that because of the need. We became listed in New York, SOXS compliance, tax, all the things you need to do as

a big public company. We're doing that. We have a lot of support from our subsidiaries, obviously, who have their own teams. They have their own management, their own local boards of directors that, in case of the larger businesses, are independent. The majority of those directors are independent drawn from the service territories that they -- that utility serves. We think that model is what's needed if you're going to own utilities in multiple jurisdictions in North America. We have never ever had an issue with our regulators about that model and, in fact, is what allowed us to quickly move into the United States, be successful in our acquisitions. We never really were challenged about the impact of Fortis ownership on the businesses that we bought because they knew we were going to keep the teams in place that were running those utilities. And in fact, that's what the regulators wanted us to do. So that's worked out very well for us.

We do -- we still want to make sure that market understands that we are one company. We're doing lots of good things to bring the company together. We do, for example, joint purchasing on some of the large commodity items that we buy, whether it be line trucks or conductor or substations. We make sure we have the -- sort of the economies of scale that we have, the benefits of that will go to our customer. So we do some of that key buying. We don't have a big purchasing office anywhere. We get our teams together, identify the volumes and then present ourselves to the market in a very efficient way. And then each company gets billed from those suppliers directly. It doesn't come through Fortis, for example. It really works tremendously well. We also have a lot of networks within the company that share best practices. And if something -- if someone's looking at doing something new, it's likely been done at another part of the organization and they can learn very quickly how that's gone. So overall, the model works really well. We are wedded to it. And again, as long as regulation is state-based and provincially based, rather than national in scope, this -- we think, this is the right model for our ownership of utilities in North America.

In terms of people, I would say this is my favorite picture. This is a picture taken from a bunch of our folks from corporate office on the day we listed on the New York Stock Exchange. We had lots of pictures from that event. We had a lot of employees at the Exchange, but this is my favorite because it shows the spirit of our people. They took it upon themselves to sort of march down the streets of St. John's and up to Signal Hill and, in a foggy day, really take some pictures about how proud they were to be part of our company. And frankly, you can go across the entire continent in North America and our people, and we see this in every one of our operations. People really are focused on their local communities, their customers. And it's -- I really marvel sometimes at how we have actually pushed into America in the last 5 years. And we have now 4,000 employees in the U.S. We don't have any Canadians that we'd moved down to the U.S., not that we wouldn't do some of that over time for leadership development and all that, but we haven't put a Canadian in our U.S. business. And I can't imagine Fortis without these 3 U.S. companies that we own at this point in time. It seems like they've been part of us for the last 100 years. How we've achieved that, culturally and all that, is hard to describe, but it has happened and it's working incredibly well at this point in time.

So safety and reliability. Obviously, very key attributes. Being good in these areas is very important for the long-term success of utility operation. And in Fortis, these are priorities for us. We're doing very well in our -- some of these measures. The typical one is the injury frequency rate. We are performing better than the industry averages, whether you take Canada or the U.S. But frankly, we need to get better here constantly, and it is a real continued focus. And now with multiple businesses, we can compare what each of our businesses are doing. Some are top decile in this area. Some are not in top decile or top quartile. So we really are working, taking the best ideas out of each of our businesses and making sure we're making progress here.

In terms of outages, we're also performing very well. It is, again, difficult when you think about the geographies that we serve. Newfoundland probably has some of the worst weather in the world. We always say, typically, if you can run a utility in north -- in Newfoundland, you can run it anywhere in the world. That being said, no disrespect, David, Arizona has somewhat more, I would say, normal weather, although it does get very hot there in the summertime, but it doesn't get the hurricanes, for example. So the measures are different, but we have tried to come up with a -- sort of overall view. And we are doing much better than industry averages, as well, in reliability.

So you guys in the room, obviously, know that the industry has been facing multiple challenges, threats, opportunities, too, over the last number of years. And I would say, 4 or 5 years ago, the -- there was a real concern about some of these threats. I would have this say at this point, the industry, generally, in Fortis is we're feeling better about these areas. We see them, in many cases, as opportunities for growth. We don't see the utility industry in any way in a death spiral or anything like that. If anything, especially on the poles and wires side, the grid, I'll call it, we see the growing importance of a strong resilient grid. And a lot of the things that policymakers want to achieve requires a very robust grid. And if anything, there will be substantially more investment in the wires side of the business going forward. I think we're nowhere near the peak of that investment from our perspective.

So we're dealing with all these matters. We're -- depending on jurisdictions, some are more important than others. If you're in Arizona, obviously, the move to solar, to renewables is probably further ahead. ITC is very much hooking up a lot of the wind in the Midwest. Up in Canada, we have the issues around our pipeline integrity. And British Columbia, we're putting capital into those areas. So overall, we're touching a lot of these trends across the group of companies.

Cybersecurity is a priority for us, protecting the grid against attack, both from a technology perspective and physical security. We've learned a lot in this area, frankly. And when you buy company sometimes, it's all about the numbers. Is it accretive? What's the growth? And the somewhat qualitative factors get discounted sometimes. But I can tell you, the things we've learned from ITC in this area, particularly in cybersecurity, have been very, very important to the overall success of Fortis. ITC has been a frontrunner in protecting its grid in the Midwest against attack. If you ever get a chance to go to Novi, Michigan to see their operations center, control center of cyber -- 24-hour cyber protection center, it's pretty damn impressive and probably leading in the U.S. at this point in time. And we're taking a lot of the learnings from what they've been doing to our other businesses and, frankly, creating some investment opportunities across the group of companies.

At Fortis, we have really focused in this area. I've appointed a CIO, Phonse Delaney, and Phonse is here with us today. He reports directly to me. He's coordinating our response to cybersecurity across the group of companies. Each one of our utilities would have a CIO, but Phonse is overseeing the overall movement of the company towards more protection in this area.

ITC was using an assessment model called C2M2 in how they assess their operations. And that's -- those are the buckets on -- or the circles on the left in terms of the different areas that, that model focuses on. It's a government-sponsored sanction model. We've actually taken that model across all of our group of companies now and assess where we stand in terms of cybersecurity. And obviously, every company is not in the same place. And there are gaps, and we're working to close those gaps across the group of companies.

One of the things with Fortis, because of our business model where every business has a separate system, we're not linked together in a big mainframe or anything. That in itself is a strong protective measure for the company. So we're also now instituting objectives around phishing attacks and all these things, which, I'm sure, a lot of companies are doing. But in our view, we have to approach this like safety, like reliability. Cyber has to be in the same category, and that's what we're doing. So we'll become like things we do every day to protect the company.

Investment opportunities. I think, really, this involves more on the making sure we can communicate without relying on others in our system or big substations, those kind of things. It also means our legacy systems that maybe take us days now to patch when there's a problem, we need to be able to do that almost instantaneously. The best companies are doing patching in an hour rather than days. So when you're presenting replacement of systems to regulators in the future, I think cyber becomes a greater part of the logic to get approvals to replace legacy IT systems. So overall, I think we're very much in a good space on cyber. You can be humbled at any moment, obviously, but we are making it a priority in the business.

Sustainability. I think this is some -- probably the first time that we've incorporated a couple of slides on sustainability in our materials. We've been very good in this area. But increasingly, shareholders are looking to hear from us on ESG matters. And we just, on Friday, issued our first sustainability report. Nora Duke is here with us today. She heads up sustainability at Fortis, working for me. We've actually previously issued 3 environmental reports. But now we've broadened out this sustainability report to include all the sort of ESG factors. And I think we really are in a better place than most companies in this area, mainly because we are a deliverer of energy. We're not a producer of energy. So the stat here is we deliver 19x more energy than we generate in 2017. Essentially, we get paid to move electrons and gas through our infrastructure. So where we positioned the company in this T&D space, our environmental footprint is very much diminished compared to a big vertically integrated utility that would have lots of thermal generation, for example. So we're really strongly placed.

And again, another qualitative factor in terms of ITC, buying ITC 2016, you just think about the amount of energy that ITC delivers. A lot of it is renewable energy in the Midwest. That in itself allowed Fortis' carbon intensity factor to drop massively from '15 to 2017, a 63% drop in our carbon intensity factor. So we are, I would say, one of the best positioned companies in terms of how we are perceived from an environmental perspective in North America at this point.

In other areas, in terms of diversity, gender diversity especially, Fortis has been a leader. We now have 5 women on our board. In 2013, we had one. We had 2 NEOs at Fortis who are female. In Canada, the TSX 60 to 60 largest companies in Canada only have 28 NEOs in total that are female, and we have 2 of those. It is arguably embarrassing, frankly, and I always have to point out, look at this room. We have a problem in North America, especially in the financial services sector on diversity. Just -- and I would suggest, gender diversity, at this point, there's lots of other definitions of diversity, but we do have a problem. And it's -- it can be fixed over time. And at Fortis, we are very focused on this concern at this point and are ahead of the pack in many areas.

In terms of communities, we are focused on our communities. Any utility work worth its salt is good at interacting with its communities and being part of the places where the employees live. And we've donated $12.5 million last year to our communities. This is just dollars. We obviously have our employees volunteer hours that they've put forward are probably well in excess of all of this. But it is really part of being a good business and being part of the community. And I think at Fortis, clearly, we're looking for all of our employees to be engaged in their communities.

So let's get into our CapEx. Our 5-year plan has gone from $14.5 billion last year to $17.3 billion this year. And where did that come from? Where did the increase come from? First of all, $600 million related to our Wataynikaneyap Power Transmission project in Northern Ontario. That project, we included, over the past year, in our numbers. It is a project that will connect up 22 remote First Nation communities in Northern Ontario to the Ontario grid for the first time. Many people would not understand, there are still communities in Canada that are not part of the electric grid, and these communities were not. And the benefits, clearly, are very strong for this project in terms of getting these communities off small diesel generation. In most -- in many cases, they were maxed out under capacity. They couldn't build a new house in their community because their generating capacity was maxed out. So there are lots of benefits. The project is supported by the federal government of Canada, by the provincial government of Ontario, by the First Nations and clearly by Fortis. Our share of the project is 49%. It's worth about $600 million. The project is in front of the Ontario Energy Board at this point. We expect to see an approval in early 2019. We have included it in our 5-year plan, largely, because the federal government of Canada has committed $1.6 billion to making this project happen. And with that kind of support and the agreement of the province, we felt that it was very appropriate at this point to include it in our 5-year capital plan.

We're seeing increases at ITC, at UNS in Arizona and our FortisBC business that Roger operates. They're going to talk about those increases. But I can tell you that we've been focused on making sure, in all of our businesses, that we're spending the appropriate amount of capital to serve our customers and that we're dealing with all those key trends that are impacting the industry. So you're going to hear some consistent themes when these 3 folks come up and start talking to you about their businesses. And you're going to be able to go back and say, "Okay, what's delivering renewable energy or it's grid resiliency, it's pipeline integrity." Those are the themes that you're going to hear. And these are the things that the industry is doing. Fortis is not -- this is -- our capital spending here at about 6% growth is not outsized compared to many other players in the industry. It's probably about the average of where the industry is. So just historically, we have not been at quite these levels.

So rate-based growth. We're growing our rate base from $26 billion to $35.5 billion over the 5-year period. 7% CAGR in the next 3 years. And over the 5 years at 6.3% CAGR. These are strong numbers. Clearly, we'll continue to work on opportunities. So if anything, my gut is we'll be slightly higher over the 5-year period. But it seems like we're running at about that 7% rate base growth because the last 5 years, that's what we've had if you strip out the acquisitions and do it like a same-store sales kind of comparison. So 5 years at 7%. Next 3, we're at 7%. So that will be eight full years at 7% CAGR rate base growth. And so my comfort level is around that 7%. So -- but overall, we're guiding to the 6% to 7% growth rate.

There are additional opportunities that we have not built into our plan that we continue to work on, and some of these are very exciting. And they could happen pretty quickly if certain things fell into place. For example, the Erie Connector in Ontario that ITC is working on, it's a project that's been on their books for a while. They've spent about $40 million on that project to date. It's permitted on both sides of the border at this point. It's a transmission project that would connect the Ontario grid, which is about 26,000 megawatts, to the PJM grid through a line that would run underneath Lake Erie. Fairly -- I would say easy project, but not overly technically difficult to do. But connecting those 2 grids together for the first time would create a lot of benefits. The National Energy Board in Canada estimated the annual benefits for that project in the range of $250 million a year. And so we continue to move forward with that project, trying to get a party on the Ontario side to be a off-taker for the project. We're not going to build a merchant line or anything. We need a long-term off-taker for the project. We continue to have discussions on that. Many of you would know there was a recent election in Ontario. So when these things happen, it takes a little bit of time to -- I know it's a change of government, so it takes a little bit of time to get up to speed with the new government, and we're working on that at this point in time.

Other things we're working on is LNG infrastructure in British Columbia. Roger will talk about that. We have some real potential to use some brownfield existing assets to expand and create some opportunities to invest some capital in gas infrastructure there. In Arizona, we have opportunities in storage and transmission and renewables. In the Caribbean, even, this -- the islands are really starting to think about moving more to renewable power, using the price they pay for diesel fuel, which is substantial at times, in a range of $0.15 to $0.20 a kilowatt hour just for the fuel. So if you can put renewables in some amount and use that fuel to pay for the cost of the renewables, I think that can be done. And there's still some money in the bank, frankly, that can lower customer rates. So we're working on some of those opportunities in the Caribbean. Those will not be big opportunities, but they -- they're important for those islands.

So my favorite chart. We're obviously Canadian-based company. Dividends for our income-oriented investors in Canada are very, very important. 70% of our shares are still held by Canadians. We have a 45-year history of raising our dividend each year. And now we've guided out another 5 years of dividend increases at around 6% off a base of $1.70, which is where we were this past year. That will mean a dividend of $2.27 in 2023. And in our view, we can do that and maintain our payout ratios around where they've been in the last 5 years. We've averaged, from -- in the early part of last 5 years, around the 73%, dropping down to last couple of years in the 64%, 65% payout ratio. We believe we can stay within that range in the next 5 years on our payout ratio, which is substantially better than our Canadian peers and about sort of where the U.S. peer group is for the sector.

So now we're going to move into middle part of our materials. We're going to have Roger and David come up. And then we're going to take a slight break in between those 2. And we'll go finish off with Linda and Jocelyn.

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

Thanks, Barry. Good morning, everyone. I'm Roger Dall'Antonia. I head up the Fortis Assets in BC. Pleasure to be here, especially given the excitement we had last week in British Colombia with the Enbridge pipeline rupture. Some of you may have followed the story. Enbridge has 2 main lines. It bring gas into Pacific Northwest and serve about 70% of our customers in the Lower Mainland of BC, Vancouver, Vancouver Island. And they lost their 36-inch line, so we had a couple of days of wondering whether it would be able to provide service to our customers. It was a testament to the efforts of the women and men that work for our company. The utilities in the Pacific Northwest, quite frankly, came together to make sure that we kept gas flowing. And most of all our customers who heeded our cry for conservation, so we ended up having an example of great coordination across the region. And a heartfelt thank you to everyone who contributed to avoiding a major disruption. Not out of the woods yet. We need Enbridge to get the 36-inch line up, which they're working on right now. So hopefully, we could hear in the next few weeks. So how do these work? There you go.

So just for those who don't know the assets in BC, we're primarily a gas LDC as well as a smaller electric DC. We have 1.2 million customers combined on the gas side. We're just over 1 million customers on the electric side. We have 175,000 customers. The map on the left, the natural gas service area, we are the predominant gas provider in the province of British Columbia. We serve over 96% of the gas customers across the province from Fort Nelson, which is the blue circle at the very top, down to the middle of BC and across the bottom of BC onto Vancouver Island.

On the electric side, our assets are domiciled in the Southern interior part of British Columbia. We're actually the oldest utility in BC. We're older than BC Hydro starting in the trail area on top of the 56,000 kilometers of T&D lines. We also, on the gas side, have 2 above -- 3 aboveground tank LNG storage facilities. And on the electric side, we run 4 hydroelectric facilities within our rate base. So vertically integrated on the electric side.

Just a little bit about what's been going on in BC from utility perspective. We've enjoyed a very strong customer growth the last number of years. We've been averaging about 1.4% average growth across both utilities. In the last year -- couple of years, we've added about 20,000 new customers to the gas side and on the electric about 2,500. That growth is really driven by the BC economy. We've had strong fundamentals in British Columbia. On a GDP perspective, the last 5 years, we've been averaging north of 3%, well above the Canadian average, probably the fastest growing economy in Canada the last number of years. We've enjoyed very low unemployment rate, at or below 5% recently. And housing starts been very robust in BC. Our capture rate on the -- on single-family homes on the gas side is around 75% to 80%, very strong demand for natural gas service.

What's adding the natural gas customer growth, what's aiding it is really the BC natural gas story. We've got abundant reserves. And we've seen, in the last 5 to 7 years, that continuing march down of natural gas prices. Our competitiveness compared to electricity on a kilowatt-hour basis,

we're about $0.035 to $0.04 natural gas. And in BC, we have a 2-tier rate structure electricity. Tier 1 is about $0.095 to $0.10. Tier 2 is closer to $0.14. So on a blended basis, around $0.12 to $0.13 for electricity where 1/3 of that translate that into dollars, if you're a single-family home, you're probably saving $1,500 to $2,000 a year on your energy bill if you're using natural gas. So that's really driven a lot of the growth we've enjoyed.

The other unique feature, or maybe not so unique nowadays, but BC has always been a leader from a provincial point of view on energy policy. Mixing it with environmental policy, BC has always had a very green tilt to it. First, carbon tax in North America, the highest carbon tax currently in Canada. And that's really driven the utilities to look at innovation. For us, we are the first utility to provide renewable natural gas as an end use offering for our customers. You can elect to have anywhere from 5% up to 100% of your commodity come from renewable natural gas versus that renewable natural gas is, either landfill, agricultural waste. We take the landfill gas, scrub it up to basically methane and then reinject it into our system.

The picture in the middle is, as far as we know, in North America, maybe worldwide, the first on board truck-to-ship LNG loading. That's one of our LNG tankers loading a car ferry in BC, fueling LNG for marine purposes.

And the last picture is something that we're just starting to look at and that's testing hydrogen injection into our natural gas system. In Europe, there's some systems that are blending 5% to 10% of hydrogen into the natural gas stream to decarbonize. We're looking to do something similar. We look to create the hydrogen from renewable sources, either solar or wind or waste recovery and then blend it into our system to decarbonize our natural gas. On the electric side, we are pursuing investment in EV infrastructure, charging station infrastructure, within the utility to try to support the expansion of electric vehicles for the faster fleet vehicle in our service territory as well.

I'm just going to move on to the capital plan. We -- we've laid out our capital for the next 5 years, really, in 4 areas. The main part is our sustainment capital and customer growth, really, the base capital to run the business, both gas and electric in the province. As Barry mentioned, big push on integrity. So we have a fairly significant program over the next 5 years focused on integrity projects on our gas pipeline system. We are still seeing quite a bit of opportunity around liquefied natural gas in BC. And then finally, as noted with environmental policy in the province, we see quite a bit of opportunity following along with sustainability investments, which I'll talk about at the end.

So our plan over the next 5 years is $3.5 billion. It's a $600 million increase over the previous plan of $2.9 billion. And the big jump is really coming from integrity. We've spent quite a bit of time focused on pipeline reliability and safety. And we have some fairly extensive plans on pipeline integrity work. The base business capital is still quite significant given that we are growing. And we do have a fairly broad network of assets. So overall, a fairly good plan from our perspective with a significant increase.

We've broken the plan down into those 4 buckets. The main bucket is $2 billion of sustainment and customer growth. So again, ongoing maintenance of the gas and electric business. There's a significant growth component in there as well as general plan, facility spending infrastructure, IT spending as well. The major integrity projects worth $1 billion there, that's going to be focused on 3 major projects: the inland gas upgrade project; and the transmission integrity management capabilities project. Those are targeted to the transmission pressure system on our gas side. And then the Lower Mainland intermediate pressure system upgrade is a backbone pipeline replacement for gas into the Vancouver area.

On LNG, we have $400 million on LNG opportunities. The main one is the Eagle Mountain, the Woodfibre gas line project as well as expanding our own LNG facilities at our Tilbury site in Vancouver. And then finally, about $100 million on sustainability initiatives, expanding our renewable natural gas program in BC as well as furthering deployment of natural gas for transportation, primarily road and marine transport, uses of liquefied natural gas or compressed natural gas to displace diesel.

Now on the $2 billion of sustainment and growth, it's fairly evenly split within the category. Just $1.5 billion on the natural gas side, about $0.5 billion on the electric side. And if you see the breakdown between customer growth, transmission, distribution, IT and other, there's no one overarching area that we're spending. It's really spread out across the base business. In either utility, there's not a significant one single project on the gas side. The largest project is about $40 million. It's a capacity upgrade project for natural gas at the bottleneck area in our interior part of our system.

Additionally, we have over $35 million for a pipe replacement that has to -- the government is moving a bridge. We're going to have to take our pipe off that bridge and run it under the Fraser River in Vancouver. So that will be about a $35 million project. On the electric side, the 2 main projects in that $0.5 billion, one is a replacement of spill gates at one of our generating facilities, one of our hydro dams. In total, that's about $65 million. We started the project this year. So within that plan, it might be $35 million total. The second largest project in that plan is we run the oldest dam in BC. It's commissioned in 1908. There's 4 turbines there, and we're doing a unit life extension project and overhaul to keep that facility running. If you're you'll see a lot of concrete go to that facility.

And then the customer growth piece, about 20% in each side, that's about $45 million a year -- $40 million to $45 million a year on the gas side and about $10 million a year on the electric side. So again, fairly well distributed spending. And no one area, no one project that's very significant in that $2 billion.

And then let's talk a little bit about the major integrity projects. It is the new area for us, increased focus there. So the graph on the right, the age of our transmission gas lines, about 58% of our transmission pressure pipe predates 1990. The remainder, 42%, is post-1990. Now that age dispersion isn't indicative of pipeline health. Just because a pipe may be old does not necessarily mean that it's in need of integrity work. But it what -- what it does show us is that the older pipe, different specifications, different construction practices, that's where we're really focused on, ensuring increase in integrity work because that's typically where you may see issues. So we have a fairly good distribution from an age perspective. And the first 2 projects, the inland gas upgrade project as well as the transmission integrity management capabilities project, I'll talk about each in a bit. But in a nutshell, it's really expanding -- or extending the use of our existing in-line inspection tools to improve our overall integrity work on our transmission pipeline. The last project on the list, the Lower Mainland Intermediate Pressure Upgrade project, we have about a 20-kilometer piece of pipe that goes down in the middle of Vancouver that service about 300,000 of our Lower Mainland customers. We are in the midst of replacing that project. We're halfway through it. It should be done early 2020.

So when we think about our integrity project, our transmission integrity projects, we have about 3,000 kilometers of our 49,000-kilometer gas system runs at transmission pressure that's 500 psi or above. Within that 3,000 kilometers, we run transmission pipe from 2-inch diameter up to 42-inch diameter pipeline. If you look at the dark blue part of the circle, of that 3,000-or-so kilometers, about 2,000 or 2/3 right now, we run inline inspection tools, standard industry inline inspection tools to test for weakness in the pipe, deformity of the pipe. The remainder, the other 1/3 right now is typically done as direct assessment. So the first project, I was mentioning, the Inland Gas upgrade project. If you see the gray and the green, about 400 kilometers, we're going to be introducing or extending the use of our ILI tools into the 6-inch and 8-inch diameter pipe. Right now, our inspection tools are really 10-inch and above. So we'll be bringing our existing inline inspection capabilities to our 6-inch, 8-inch laterals, and that's about 400 kilometers of our overall transmission system.

The Transmission Integrity Management project, what we're really talking about there is new tools in the -- in that 2,000 kilometers that we're already running inline inspection tools where we're going to be introducing something called Electro-Magnetic Acoustic Transducing (sic) , which I'll explain is a new tool. It's becoming the industry standard for pipeline inspection. And then we'll still have about 300 kilometers that will be done through direct assessment. That will be a very small diameter, 2-inch to 6-inch transmission pipeline.

So on the Inland Gas Upgrade project, we run a number of high-pressure laterals off of the main transmission lines in BC to serve communities throughout BC. So if you look at the map, there's those purple circles. At the top, down, the middle, you'll see Prince George, Williams Lake. You probably can't read it, but those are the two small purple circles at the top. So we run laterals off of the Enbridge line that I mentioned earlier and bring gas into those communities. Along the southeastern corner from Alberta into the bottom of BC, TransCanada runs their transmission line. We run laterals off of that to a number of small communities like Cranbrook in the southeast corner. And then we have our own Southern Crossing transmission line that goes from the U.S. border into the interior British Columbia. And again, we run laterals to serve small communities along the way. Those laterals tend to be 6- to 8-inch high-pressure laterals. Those are about 400 kilometers. And those are the laterals that we're really targeting with the Inland Gas Upgrade project, and it'll be a combination of pipe reconfiguration. So take out the bends so it's easier to run tools through those as well as changing operating pressure on some portions of that pipe to reduce the stress on the steel, which will improve integrity.

Now the Transmission Integrity Management project, again, is about 2/3 of our transmission pressure system that we are currently running inline inspection tools in. A standard inline inspection tool is basically a magnetic field that the tool runs inside the pipe, uses a magnetic field that tests

really for wall thickness along the pipe as well. It technically has fingers on it that run along the inside of the pipe to see if there's any deformation, any widening of the pipe that would then be an area we'd look at for integrity or rehabilitation.

Industry standard for larger diameter pipe is something called the Electro-Magnetic Acoustic Transducer. So it's now becoming the established industry method, and what it's really good at is gas line cracking, stretch grows and cracking. The old tools are not quite adept to doing that EMAT. It's very much focused on the vertical cracking that some pipeline has. So basically, from a technical point of view, you're running an electromagnetic frequency down the pipe. You're measuring changes in the sound waves along the pipe to see if there's any horizontal cracking within the pipe. So that'll be deployed in our 12- to 16-inch diameter pipeline and above. And that project should give us quite a bit of enhanced capability on integrity work for a larger pipe.

So moving over to the LNG opportunity. We have about $400 million in the plan focused on our LNG opportunities. The story of LNG in BC has been evolving. We see really strong demand coming from Asia for BC LNG. That LNG demand is really driven by 2 things: one is there's significant natural gas reserves in BC. The BC government on a possible reserves basis, I think the number's 3,300 trailing cubic feet. The NEB on what's -- what you can product under current technology is about 550 trillion cubic feet, and then you've seen a fairly significant discount for price in natural gas at station 2. The main price point in BC versus Henry Hub, it's about $1, $1.25 discount. So you've got a massive reserve of natural gas fairly cheap. You also have the shipping advantage for BC LNG. It's about 7 days, 8 days shorter than coming off of the Gulf Coast. So you've seen that renewed interest in BC LNG from Asia, especially as oil prices have rebounded and you've seen the price of LNG landed in Japan up north of $10, $11 estimates from BC LNG is something probably in $8 to $9 range landed. So you're seeing a significant demand pick up. You just had the LNG Canada announcement, which we view as very positive announcement for the industry. It really does two things. It proves the market fundamentals of BC LNG. But more importantly, it shows very strong government support, both provincially and federally, to support that project. And we see both provincial and federal governments still very positive on the LNG story in BC.

Our opportunity is both local and export. We've been at the LNG for transportation business here for a few years, and we're really looking to expand the use of LNG for transportation to help the province meet emissions reduction targets. We also see a very big opportunity in the marine bunkering business. Marine industry, with soft restrictions, looking at ways to reduce emissions from marine fuel. LNG can play that role quite nicely. It's cheaper, cleaner burning. Our opportunity is to work with Port Metro Vancouver federal government to develop the requisite fueling infrastructure to do marine bunkering as well as ensure that there's a bit of a port network on the Pacific side of the shipping lanes to make sure that you can do cross-ocean voyages and still be able to fuel LNG either side. And then finally, as Barry mentioned, we do have some small-scale LNG exporting opportunities from our site landed in Asia.

The main opportunity in our plan for LNG, though, still is the Eagle Mountain-Woodfibre gas line project. So for those who aren't familiar, Woodfibre LNG is -- has a site just south of Squamish or just north of Vancouver on the Howe Sound. It's a deepwater port. It's an old pulp and paper site. They've got a plan for a 2.1 million-ton-per-annum LNG export facility. Our project will be to expand our existing gas pipeline that serves that site to allow them to produce LNG baseload compared to the current capacity of that pipeline. So it will be about a $350 million rate base addition for us in the utility. We're working with Woodfibre quite closely on engineering and procurement permitting plans. Our hope here is that they'll have a notice to proceed for -- to construct in the next number of months. The provincial government is very engaged with Woodfibre as well in ongoing discussions with First Nation, so quite a bit of activity on this project.

And then on our own LNG project, so this is a schematic of our Tilbury Island facility in Delta just north of -- sorry, just south of Vancouver on the Fraser River. So ocean access. There's what's called the legacy Tilbury tank, which is a white tank with containment wall around it, and then there's Tilbury 1A, which is the other white tank. Those are currently in our rate base. They're used for on-storage use for LNG as well as our current domestic transportation opportunities. We are fueling BC Ferries and Seaspan barge ferries from our Tilbury site. And we were also the first company to send BC LNG to China. We sent, last year, about 25 shipments. This year, we've had about another similar amount, and we've got more shipments planned. And those are basically container -- shipping containers but with a cylinder inside that we fill with -- liquified natural gas, put it on the back of container ships and ship them across with other freight. So that's what we currently have within our utility.

Phase 1B, which is the yellow bar with a Jetty, that's really adding additional liquefaction to our existing facilities and then having a Jetty where we can do proper marine bunkering within the region. The Jetty is being built by a company called WestPac who's our partners on this Phase 1B. The liquefaction is within our utility. And now, we really support the marine bunkering opportunity. Phase 2 and Phase 3, those would be nonregulated

opportunities. That would be additional LNG storage tank with liquefaction and that would be based on a long-term contract for LNG export to Asia with counterparties. It would really be set up -- our expectation is a tolling arrangement. Gas would be provided by the counterparties. They'll be responsible for the shipping logistics. We'll really be focused on the liquefaction services in that process, and those are the projects that we're pursuing right now with potential buyers from Asia.

So the final slide, just the sustainability initiatives in BC. As I mentioned, BC has been fairly aggressive on environmental policy and energy policy. They've adopted the Canadian targets of 80% emissions reduction by 2050. They have a significant focus on the marine side of it, has a large source for emissions in BC, very much in support of our natural gas for transportation in BC. About 40% of the GHG emissions come from the transportation sector. So they see a very large opportunity in emissions reduction through the transportation sector. Where we play in that, we see as an opportunity. We have an opportunity to increase the use of renewable natural gas in our portfolio of supply, and we have about $60 million over the next 5 years planned for new RNG projects in the province. The natural gas for transportation, we have about $40 million on incentives for engine conversion to LNG as well as CNG. So everything from the big 12-liter tractor trailer vehicles for LNG down to buses running CNG in BC. And then we do have a focus on electric vehicle charging, again, in our electric service territory. A couple of projects that are not in the plan yet but are quite interesting for us is partnering with First Nations and BC large landholders, and we develop some utility scale solar with First Nations as partners and then sell that solar into the grid under contract.

So that's the sustainability story. I think it's one that's quite exciting for us. We've been at it for a while, but we've got a very strong partner in the government to support these initiatives. We see quite a bit of opportunity on that front going forward.

And on that note, I'm going to ask Mr. Hutchens to come up and talk about Arizona.

David G. Hutchens - *UNS Energy - President & CEO and Fortis Inc. - EVP, Western Utility Operations*

Thank you, Roger, and good morning, everybody. Just for a little fun, even though we're a U.S. utility, we're going to keep all these dollars in Canadian to keep you on your toes. 1.28 conversion factor, I'm looking in the audience, knowing your backgrounds, I'm sure you can do the math. I really like it because it makes our utilities in Arizona look just a little bit better, 28% better to be exact.

So let me give you a little bit of an overview of UNS Energy and our Arizona properties. But before I do, I think I'd be remiss that when Barry was talking about the Fortis business model, I had to flashback to just over 4 years ago when I was at the time President of UNS Energy and then became President and CEO during the transaction process. And I remember how important that story of that business model was to us, I see Frank shaking his head because he was involved in that transaction with us, and how important that story was and how important the cultural alignment was between UNS Energy and Fortis. And it was probably the biggest decision that I was a part of that I've had to make in my entire career. And I got to tell you, I've never been more pleased and more happy with the outcome of the decision other than my marriage. Oh, yes, that would've been close because you never know if the wife is streaming this online. So that -- I -- you always wonder if there's that honeymoon phase. And 4 years later, it's still that best decision.

So just talking a little bit about our Arizona utilities. We have 3 regulated utilities in Arizona, 2 vertically integrated electric utilities, Tucson Electric Power, which is 80% of our UNS business, but shows up on that little tiny green spot on the map. It's a very concentrated service territory around Tucson. And then we have UNS Electric, the other vertically integrated electric utility, which serves the dark blue areas on the map, which is a county down, all the way down by the border. That will be important later when we talk about some transmission opportunities. And then another county up in the northwest portion of the state. And so that -- between those 2 electric utilities, we have about 3,400 megawatts of peak demand and about 700 megawatts renewables on those systems. The last utility in the UNS Energy family there is UNS Gas, which serves gas on all of those blues, light blues and dark blues across that map. We have about 150,000 customers there, 420,000 at Tucson Electric and 100,000 at UNS Electric.

So one of the big benefits of being in Arizona is Arizona is a very fast-growing state pretty much on every measure. Job growth is booming. When you look at unemployment, it's at historical low. This is already out of date. Now we've got new unemployment levels and they're at, again, historical lows. You just see a big economic boom in Arizona. You see a lot of net migration into the state from other states. That's statewide, but, of course, as I mentioned, Tucson Electric Power is 80% of our UNS Energy business. So focusing on the Southern Arizona or Tucson Metro area, which has a population of 1 million people that some folks don't realize how big that Metro area is. But we've seen a lot of economic activity just over the past

couple of years. We've seen big local companies like Raytheon and big companies like GEICO, who has a big local presence there in the Tucson area, expand by like thousands of jobs. We've seen some new big companies move into the Tucson Metro area, including Caterpillar who brought their big surface mining and technology division headquarters, worldwide headquarters into Tucson. There's nothing like having an additional 600 engineers drop into Tucson and build their own building. That's a big economic boom. And of course, when they do that, all these technology and engineering supporting firms like AXISCADES is moving right next door. And so we get a lot of this economic development around mining.

Now speaking of mining, that's always been one of the economic pillars in the state of Arizona. And we have 2 big potential mines that are in the development phase in Southern Arizona. One is on Tucson Electric Power's system, which is Hudbay's Rosemont mine. They're just 1 permit away from getting everything done and getting ready to go. And when they come online, they will be our single largest customer, bigger than the other 2 mines that we serve. So it is a really big deal. Then you also might have heard of South32, which just purchased the Hermosa mine from Augusta Resources. They called it Arizona Mining. That's a big zinc mine that's in UNS Electric service territory, a little -- about halfway between Tucson and the Mexican border. That's a huge zinc asset, and it's supposed to be one of the best zinc reserves in the world. And when that comes online, it will be the largest single customer in UNS Electric service territory.

So Barry had mentioned the -- all the different contributors to our year-over-year 5-year capital plan growth numbers. And this is the slide explaining, so what's the difference here at UNS Energy growing from $2.9 billion to $3.5 billion. And the story really is around transmission and renewable projects, and I'll talk about each of those a little bit in more detail here in a minute. But I got to go back and say that $2.9 billion was still a pretty big capital plan. I mean, for a company the size of Tucson Electric Power that has about -- when you look at UNS Energy, I should say, as -- on the whole, we have about USD 4 billion of rate base. So this is a big capital plan. When you look at what we have over the new 5-year capital plan period, $550 million -- I'm doing the conversion for you, USD 550 million per year. That's a big capital plan for Tucson -- for UNS Energy.

So that $3.5 billion, probably the best part about it is how it's spanned nice and evenly across the entire vertical value chain. It spans across distribution, generation and transmission. And one of the things that you look at when you see our capital plan is while there are a few big projects and here in by big, we mean kind of around the $200 million level. They're very low risk and highly executable. I'll give you an example in the generation bucket there. When you look at Gila River Unit 2, we currently have a PPA with an option to purchase that unit from Salt River Project. All we have to do is literally write a check, hand it to them and we've got that unit, $200 million into rate base. When you look at the 100-megawatt wind project, that's going to be a build-own-transfer project with a very reputable experienced wind developer. And again, when that thing gets done and built, we're going to write a check and we're going to put it into rate base. So very, very low risk.

And on the reciprocating engines, that's 10-, 20-megawatt reciprocating engines that we're putting into our system that's replacing some of the older gas units. These are very high efficient, very flexible generating units. And that's -- they're plug and play. They come in 20-megawatt chunks and you'll see a picture of it. You just stick them in line and you put gas in 1 end and hook them up to the transmission on the other end, and you got controls in the middle and you're all good to go. Now I hope our project management team didn't listen to that because that's grossly oversimplifying what they're doing. But it's low risk. Those 10 reciprocating engines are already on their way to Tucson. They actually get here this week. So again, very low risk and highly executable from a capital plan perspective.

When you look at the business trends that are driving that capital plan, these will look and sound and feel familiar to every utility that gets up in front of you and talks about what's going on in their business. It's just that ours are better because we have a little bit better opportunity in each one of these buckets. We have a better opportunity because we have an outsized ability to change our resource or generation portfolio and invest more in that portfolio because of where we were starting.

When you look at grid modernization, the need for us to modernize our grid, when you look at Tucson Electric Power and the penetration of distributed generation resources on our distribution grid, we probably have -- there's -- let me put it this way, there's not many other utilities who have that level of per capita distributed generation on their actual distribution system. So we've got to make investments to be able to manage that. On the transmission opportunities, this is mostly new for us at Tucson Electric Power and the reason that is, is we're at the tail end of the entire grid in the U.S. It ends basically in Nogales where our UNS Electric company is, and then it doesn't connect anywhere. We've got a -- we've found a solution for that. And then also because we were sort of on that end, we didn't have the ability necessarily to connect markets, but we've also found a way to connect some markets as well.

And then as I mentioned, the growing economy puts us a little bit -- notches us up a level from other states that you might be looking at. So all of those things, when you're looking at cleaner energy, grid modernization, transmission opportunities, the economy, economic development, all those things are a great story. And so we get a lot of good regulatory and legislative support and customer support to make sure that we are doing the right thing, and that's exactly what our capital plan is keyed into.

So we'll first start with the delivering the cleaner energy solutions. And this is the slide if we're looking for the most improved player award kind of scenario because when we started -- well, let's just go back to 2014 when Fortis purchased UNS Energy, we had 80% of our generation that was produced in 2014 was coal. That's a pretty high percentage, right? I think anyone in this room probably was thinking back in 2014, even earlier than that. We started talking about this resource portfolio as early as 2009, 2010 time frame and saying, "We've got to figure out a way to diversify this resource portfolio. This is not well-balanced from a risk perspective, from a supply perspective, from a greenhouse gas perspective, et cetera." So we had set out on the course to get a more balanced portfolio. And what we had decided is, well, as a company, while we only have an Arizona renewable portfolio standard requirement of meeting 15% of our retail load with renewables, we should do twice as much of that. So we have targeted 30% renewables by 2030. So you can see on the right graph there, that's where we are in 2030. Now if you just step just about another year, 1.5 years past that, 1 -- another coal plant was shut down, and we'll have a very balanced portfolio of about 1/3 renewable energy, 1/3 natural gas and 1/3 coal.

Now we don't have nuclear, and we don't have hydro. And we're likely not going to build either of those in Arizona anytime soon. So that's a nice balanced portfolio that gives us the balance of reliability and affordability and sustainability for our Tucson Electric Power customers. Now you might say, "All right. Well, that looks great. But you're going from 5% to 30%, where are you at today?" We're -- today, we're at 14%. In 2018, we expect to have 14% of our retail load. So we're well ahead of our Arizona renewable portfolio standard. In fact, we should meet it or exceed it next year.

So let's talk a little bit about how we, as a company, are going to take investment opportunities in filling that 30%. We have a New Mexico wind project that we have been looking at and are close to finalizing where we will purchase 150 megawatts of wind in Southern New Mexico. Now this is great because it's wind, and wind has a high-capacity factor in New Mexico. It's a great investment, great renewable energy. But that's fine. You can get solar, you can get wind, you can get all of those things almost anywhere in the Southwest. What makes this resource particularly interesting is the fact that it has almost the complete opposite load shape of solar. It has much more in the evenings and much less in the middle of the day. And that's a nice complementary load shape because when you put a whole bunch of solar on your system, you get some issues. You get some very complicated operational issues, as shown by this next line. Now I'll explain it on -- you don't have to be expert in utility operations that -- I'll explain this in very simple terms. If you look at that yellow -- that yellow curve, that's our -- basically, our net load. It has to be met by our existing resources. And what you really want for a curve like that is it to be a flat line, okay? What you don't want is for it to look like a sign wave like this one does where it goes up, goes down, drastically goes back up. That creates ramping problems and creates resource issues.

The blue part of that graph is the minimum generation. You have to have enough generation online at all times to meet those peak loads. You can only push them down so low when you don't need them. So the problem comes in not just on the fact that you have to ramp resources up and down is that area above -- the blue area above the yellow line is an oversupply or over generation issue that has to be fixed. So this is a typical day that we would see out in 2030 if you're not doing all the right things and if you don't have all the right assets to be able to meet this type of load shape.

So when you have that oversupply issue, you can do only a couple of things. One is you can turn down the renewables, whether it's wind or solar, you can just not take that solar into your system or you can try to sell it. Good luck with that because this is what everybody's load curve is starting to look like in the Southwest. So nobody needs the power in the middle of the day. In fact, right now, the Californians pay us and Arizona pay us in Arizona to take their power in the middle of the day because they can't get rid of it and they can't back their generation down. But the best thing you could do with that over generation is to take it, store it and supply it to those peaks. Then when you'd look at this line, it would be much flatter. The peaks wouldn't go up so high, the middle wouldn't go down so low. So that's what we're doing at Tucson Electric Power is we're preparing our system for that future today. And what we're doing is we're investing in those fast-ramping flexible reciprocating engines with 10 of those 20-megawatt engines that will come in. Again, they're going to be very efficient natural gas generators. They're replacing older gas steam units and replacing those older gas steam units with these efficient engines mean less emissions besides all the benefits of quick starting and fast ramping that they have. We're also replacing coal units with natural gas combined cycle units so that we have 1 Gila unit. And I mentioned that we were

going to buy another here next year. So those -- you can cycle those in the middle of the -- you can cycle those on a daily basis. You can ramp them down to much lower levels. So now, you look at what we're doing to fix that curve over there is we're basically lowering that blue area so that we have more room on the minimum generation.

And of course, we're looking at utility scale battery storage. Now I didn't tell you on that prior slide because that looks a lot better than what you really deal with because those are hourly numbers. When you look at the variations, intra-hour and minute-to-minute, 5-minute, 10-minute intervals, that demand is all over the map. And the more renewables that you get on your system, the more variation you get. And then if you take that down to the feeder level within our distribution system -- well, if you've got a lot of solar on a feeder, then it's really going to be going up and down. So we're looking at putting some of those smaller utility scale batteries to manage those feeders. But what we really, really need is long-term economic bulk storage. And that takes that belly off the curve and that's what fixes those -- that curve shape and puts that energy where you need it on those peaks. So as you'll hear from Linda, we're looking at a pumped hydro facility in Arizona, which would be absolutely perfect for that kind of thing, a big bulk storage place to store that energy from the middle of the day and use it when you need it.

So our grid modernization story has 2 pieces. The first is to integrate all those distributed resources that we have on our system. Not too long ago, when I was in our wholesale marketing and trading area, there wasn't much to worry about from the perspective of flows on your distribution grid. Everything flowed from our 3 transmission interconnections to the grid, and our 3 local generation stations all out to our customers. It was very simple. All downhill. All one way. So 3 connections, 3 generators. Right now, we have over 20,000 discrete distributed energy resources generating power on our system that we have to manage. What does that mean from a distribution perspective? It means you need to see that system better because those flows are all over the place if -- at -- across the entire distribution grid. So we need sensors. We need control systems. We need to manage that to make sure that, that doesn't affect the reliability, that the voltages stay constant and consistent for our customers.

On the other side of the coin, when you're talking about investing in grid modernization, it's all about reliability. But reliability can be one or two things. It can be your own equipment failure. It can mean things like managing distributed resources. But what we're really keying in on is resiliency as well. And resiliency -- I know Barry said we don't have much weather down in Arizona, but we do. We have some storms, and I know it doesn't mean anything to anyone in this room because storms in Arizona are not like storms in other places. They're not broad. They're not hurricanes. They're not tornadoes. But extended heat waves are a real issue for us on a going-forward basis. So we're making our grid much more resilient by looking at how we invest in and replace transformers, looping in distribution systems, all that kinds of, I call it, weather hardening, although it's really heat hardening in our neck of the woods. That's important. And then the other thing that we have to do is invest in infrastructure that our customers want. That's what we really need to do no matter how we're investing monies, how does this add value to our customers. So we're looking at investing in electric vehicle infrastructure, those systems that I mentioned that will manage the distribution system. We also are putting in AMI, automated metering infrastructure, so that we can get data to our customers. We can get new rate designs to our customers. We can get our customers' choices of different ways of taking our product. So that's going to be very important on a going-forward basis as well.

So now I will switch to the couple transmission projects that we have in our 5-year capital plan. The first is this transmission DC tie to Mexico. I mentioned, we were on the tail end of the U.S. grid. Well, not anymore if we can get this connection. This is a DC tie that brings about 150 megawatts of energy. This is a Hunt Power project to us as UNS Energy are just a small participant, about a 25% interest in that 150-megawatt tie. But the benefits that we get are more for UNS Electric. UNS Electric can then connect to this tie. They can connect to southern part of their system to this tie, have another basically transmission feed, which improves reliability. But the really cool part about this project is the fact that if you connect these 2 markets, these 2 pieces of northern Sonoran, Mexican grid with Southern Arizona grid, what you can actually do is get power all the way from the Palo Verde market, all the way down into Sonora, Mexico. And how you do that is really what makes us love this project is you go through TEP system and then you go through UNS Electric system and across the DC tie into Mexico. That's 2 additional revenue throughput opportunities for us in our transmission system to other wholesale customers that can then lower the cost of our transmission system to our retail customers. So that's the big benefit of this project. And this is -- I don't know if I said that this is led by Hunt Power, and they've done these projects before over in Texas. So they know what they're doing. We've got all the permitting done. We actually just got the Presidential Permit on Friday, and we're working on getting someone south of the border interested in picking up 150 megawatts of those rights across the DC tie.

The second transmission project is Southline project and folks in the -- following the industry probably have heard of this one. Another Hunt Power project, but they're working with Western Area Power Administration because it strengthens their -- and upgrades their system that goes through Southern Arizona and attaches to ours at Tucson Electric Power. But it's a 600-megawatt transmission line, and it hooks up wind, great wind resource,

the one that we are looking at in New Mexico, brings it to TEP's system. And then, again, one of the best opportunities associated with this project is then people can take wind from TEP's system and deliver it into California. So the whole idea is to be able to get renewables into Arizona or through Arizona and into California. So we're taking 250 megawatts of that transmission project at about -- a price tag of about CAD 400 million, and we expect this to be started next year. We're looking for off takers for the other 350. But when you look at the need of California, I mentioned that they're already in that issue where they've got over generation in the middle of the day, they don't need any more solar. What they really need is a wind resource like this one that has that opposite complementary load shape to send that way. So we're hoping that gets done, and we get contracts moving on that pretty quickly.

Now on the regulatory calendar. I'm just answering the question before you ask it in Q&A. And Tucson Electric Power will be filing a rate case in the first half of 2019. We'll be using a 2018 test year. So 2019 is going to be a very busy time for us because we'll also be filing a FERC rate case. We're going to go in and asking for formula rates. We want to be a little ITC. We want to have formula rates so that as we invest again -- we have not invested significantly in our transmission grid in prior -- well, pretty much in prior decades for the last 10 years or so. And now we are starting to, so we need those type of recovery mechanisms. So we'll be filing that rate case we set in our FERC rates, and then looking through that formula rates from FERC. A couple other things that are going to be going on and are going on now as far as the Arizona Corporation Commission that regulates all of our 3 utilities from a retail perspective. Two of those seats are currently up for election that, of course, happened here coming up on November 6. And then in 2020, we have the other 3 that come up. So every 2 years, we have 2 or 3 of the 5 commissioners up for election. So that's a pretty full regulatory calendar, especially when you look at the UNS Gas rate filings in 2020 and UNS Electric in 2021.

So another thing that's happening in the state is we do have quite a bit of an evolving energy policy conversation. As I mentioned, our RPS, our renewable portfolio standard, in Arizona is 15% by 2025. We are looking at doing 30% by 2030. Same definition is going to be solar, wind, et cetera. Same definition as in the current RPS. Now there is a ballot initiative that folks have probably heard if you follow any Arizona utilities that would require 50% renewable energy by 2030. That, actually, 20% is quite a bit. And let me explain some of the issues associated with Proposition 127. And the big issue is it's bad policy. This is a constitutional amendment which would write into the Constitution a requirement for this type of renewable requirement. And that means there's no flexibility. You can't take into account costs. You can't take into account new technology. You can't take into account reliability. It's written in there. And if you want to get it fixed, it'll take you years to get another constitutional amendment around. So that is not the way to set policy where you create it so inflexible that no one can react to good, bad or indifferent outcomes from that.

The other bad part of the proposition is it's 50% renewables and it's defined only by renewables. It doesn't include nuclear. It doesn't include hydro. It doesn't include energy efficiency. It's not technically a climate initiative even though they call it that because a climate initiative is all about reducing greenhouse gases not putting a specific percent of a resource in your mix. So those are the things that are bad from a policy perspective. I can tell you from a cost perspective, it's -- it would also have a big impact on our customers. Just going from that 30% to 50% would require us, at Tucson Electric Power, to spend USD 2 billion, USD 2 billion more in renewables and storage to be able to absorb that amount of renewables into our system. A big cost impact for our customers. And I can tell you that if we find that it's cheaper to do renewables, we'll be doing it faster than 30% already. But you got to have the ability to look out and see what's going on in your system, what's going on in the markets before you can commit to it. So there's a lot of projections that this could save money. Well, I can tell you, it won't save money, not by anything that -- not by any means because people look at it on an energy-only basis. And they don't have that curve slide and they don't have that curve slide that I showed you with all the issues that a lot of solar or renewables can cause on your system. There's also another statewide energy plan called the Arizona Energy Modernization Plan that has been at least introduced by one commissioner in the state which throws out a big number, 80% by 2050, but it's 80% clean energy. So it includes hydro, it includes energy efficiency, it includes nuclear, it includes bio mass and of course, it includes regular renewables like wind and solar. And it's in 2050 and it has checks to make sure that it doesn't impact -- or negatively impact reliability or that it is too costly for our customers to absorb. So those are the best kind of policy that's a little bit more broad, that allows the conversations, allows people to get in the room and have reasonable discussions about whether we should be going from a state perspective.

So with that, we're to our break. And how much time do we get? Come back at 10:15. Thank you.

(Break)

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

All right, everyone, we're going to get started back up again for the second half of our Investor Day. And to kick us off, we're going to have Linda Apsey join us for a discussion on ITC. Thank you.

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

Great. Thank you, Stephanie, and good morning, everyone. For those of you that maybe didn't hear the comment yesterday, this week actually marks the 2-year anniversary of the Fortis acquisition of ITC and GIC -- I don't see Rhys in the room. And I can tell you, while the transaction was certainly transformative from Fortis, I think, from the ITC perspective, the transaction has allowed us to continue our purpose, our focus, our mission to reinvest in the electrical transmission infrastructure on behalf of our customers. Very little has changed at ITC as a result of the transaction. So 2 years ago today, we became part of the Fortis family. We rang the bell on the New York Stock Exchange, and so here we are.

So many of you, I know, are familiar with the ITC story. But for those that might be new, let me just sort of quickly recap sort of who we are and where we operate. We have 4 regulated operating utilities across the Midwest and Great Plains area. And that sort of broad geographic network, we have over 16,000 miles of high-voltage electric transmission with over 560 substations, and that broad vast network of infrastructure is really what has provided us the ability to invest over $7.5 billion today in that electrical infrastructure. And I'll talk in a little bit -- in a minute about those drivers, and those drivers are somewhat indicative of the sort of past investment but continued to be huge drivers for the continued future investment in transmission.

ITC, we are a singularly focused, independent electric transmission company, that's all we do is high-voltage electric transmission. That's sort of when we sort of got started. As a result of being high-voltage electric transmission only, we are regulated -- rate regulated solely by the Federal Energy Regulatory Commission. And certainly for ITC, and as Dave said, he is sort of emulating the ITC model in his upcoming FERC filing. And Dave, plagiarism is the best form of flattery, so thank you. We, obviously, enjoy superior returns, 60% equity component. But most importantly, for us, given the amount of that investment that we have made on the ITC assets and as we move forward, that forward-looking formula rate mechanism really allows us the ability to sort of have real-time recovery with these significant deployment of capital in our investments.

One thing I'll note, while we're just touching on FERC, because I know if I don't mention it I will probably get a question, so I might head off a question or 2. Many of you may know, that this Thursday, FERC has issued a notice for their upcoming open meeting and their agenda for 2 matters that are of particular interest to ITC, one directly, one indirectly. First one being the 206 independence complaint, that is on FERC's agenda. I will just say for both of these matters, we don't have any insight or intelligence to suggest what the outcome might be, but I would say we remain, I think, very pleased. I think we are optimistic as well as I think we're encouraged by the fact that FERC is actually addressing these matters for many of you. You know, particularly in the New England transmission owner ROE case that's been pending for the better part of 7 years and the MISO cases, the better part of 5 years. So the fact that FERC, I think, has heard these sort of the loud ringing noise that this is an important matter, it has to be addressed sooner rather than later, we're very encouraged that FERC is finally addressing these matters.

On the New England complaint, while it doesn't directly relate to ITC, certainly it will indirectly impact us as we believe that FERC will address some of the underlying policy issues that were remanded by the D.C. Circuit Court of Appeals back to FERC. Those sort of 2 primary issues, policy issues in there, the first being that FERC did not justify why they lowered the New England ROE beyond what it was previously at, because the previous ROE was within the zone of reasonableness. So I think that is one policy matter issue that likely will get addressed.

And then the second was that FERC also errored and that it did not justify why its set the base ROE at the midpoint of the upper end of the zone. And so I think those 2 matters as well as it may address other matters, we'll have to see, will likely be addressed in the New England order on Thursday. And certainly, those will have a read through to the pending MISO complaint #2 because of some of the issues that are at the heart of that case are dependent on the outcome of this remand on the New England case. So more to come. Stay tuned. Certainly of high interest to all of us at ITC.

And then, as I mentioned, the independence complaint. We, obviously, remained steadfast. Our independence in no way has been impugned, affected by the Fortis transaction. And some of the things that I will talk about today, I think, will continue to demonstrate our focus on the electric transmission assets and sort of bringing our independent perspective to that, so we remain optimistic on that case.

All right. So unlike Dave, who said to kind of keep you guys on your toes, because the dollars roll with Canadian, in my part of the presentation, the dollars are both -- or some are in U.S. and some are Canadian, so pay attention. If it's in U.S., it says U.S. I don't know, Dave, maybe I negotiated harder for U.S. dollars, I'm not sure. But just -- I would just note that because I can't promise that I will specifically identify whether it's a U.S. or Canadian. But as I said, at ITC, we've invested over USD 7.5 billion. And over the course of the last 15 years since our inception, $4 billion of that in Michigan, over $3 billion in ITC Midwest and then $0.5 billion in ITC Great Plains, which is a utility that we started from scratch. It didn't exist before.

But perhaps the thing that we're even more proud of is, at ITC, our primary focus is on operational excellence. And that first starts with safety, safety of our employees. I would say we are industry leaders with some of the highest safety rates in our entire sector. We're top decile performance in safety, but also when it comes to the performance of our grid. We measure that by outages on our system. The systems that we've acquired over the course of the last 15 years, I would not put in a category that they've been the crown jewels of utility assets. They have, in fact, been more in the category of fixer-uppers. And certainly, that speaks to the amount of investment that we have made historically.

But what we do at ITC is we're always focused on being better tomorrow than we were today. And one of the things that we're most proud of is how those investments, along with our maintenance practices, we have a huge focus on preventative maintenance rather than reactive maintenance. Preventative is much cheaper, more efficient for the customer. And we have driven our performance rates by 50% improvement since our ownership of those various assets and that's something that we're very proud of and continue to focus and improve every single day.

One of the other things at ITC we're most proud of, but certainly our footprint, given its geography, gives us very much a strategic advantage. We have interconnected over 5,700 megawatts of wind energy, whether that's in Michigan, Iowa, Southern Minnesota, and as I said, our footprint is strategically located. No, it doesn't take a rocket scientist to realize that the upper Midwest, the Great Plains areas and sort of the wind Mecca -- is the wind Mecca of the United States.

And so not only have we been leaders in the amount of wind we interconnect, but I think it also speaks to our independent business model. It's our philosophy. It's our approach. Obviously, at the end of the day, our focus is to do what's best for the transmission grid and sort of the broader public good. And so when it comes to ITC, from a wind developer perspective, we are typically faster, quicker, easier to deal with in terms of interconnecting those wind facilities and getting them connected to the grid faster and sooner.

One of the things also at ITC as well as, I think, it's an evolving trend in sort of the broader industry, historically for transmission, it's been very difficult to sort of, I would say, quantify and measure the benefits, particularly in dollars, around investments in transmission. And one of the things that we are getting a lot better at is, as well as we are starting to see the RTO is putting a lot more focus, is trying to quantify and measure the benefits of the investments that we make.

And the wind energy that we've interconnected just from 2008 to 2014, obviously, the study is a little dated, but just on sort of lower production costs, $600 million in savings alone just from interconnecting those winds. The wind as they displace, obviously, other higher cost fuels and certainly those benefits continue to -- and they are -- I would say though, really important to remember, and this is one of the challenges in transmission. For whatever reason, historically, we always measure the benefits of transmission will either be in a reliability benefit or it's an economic benefit. While all of us probably know that any time you invest in electric transmission or any type of pipe or wire, it has both reliability and economic benefits. But our industry has not yet evolved to the point of quantifying sort of all of those benefits as we attempt to justify the value of investments and benefits for our customers.

So not only -- as we've talked about sort of fixer-upper systems and a lot of the investment that ITC has made to date has been around replacing and upgrading aged infrastructure, but as I think of over the last 15 years that ITC has been in business, you think about the amount of change that has occurred over the last 15 years. When ITC started, we just started and it was -- we had the blackout, the Northeast blackout 6 months later, which ultimately led to mandatory NERC reliability standards, which has been a huge driver for necessary investment.

But beyond that, you think about the formation of RTOs and ISOs, wholesale markets, we now have cybersecurity, we have resiliency efforts, all of these things have sort of all sort of appeared, if you will, in the last 15 years and have driven this huge focus on the need for investment in transmission, not just by ITC, but the utility industry at large. And according to EEI, just in 2018 alone, $100 billion by the investor-owned utilities was spent on investing in the electric transmission grid.

As we think about transmission, and I think one of the things that in a minute I'll speak to when we get the sort of our new 5-year capital plan, but historically, when we thought about sort of the transmission grid of the past, right, it was very much a one -- it was a one-way flow connecting local generation to local load. But as we think about building the grid of the future from ITC's perspective, that is what we're focused on is really building that grid of the future, capturing the multiple benefits that the transmission grid affords us. It really is about building a grid that's capable of accommodating bidirectional flow, one that can accommodate intermittent flows, new technologies, like storage, distributor generation resources. So it really is about looking out and planning sort of for the grid of the future, not planning a grid of how we did 50 years ago.

And those sort of thinking through that lens and that perspective, for ITC, is really driven what is our new 5-year capital plan. So in Canadian dollars sort of a 5-year plan, over a 5-year plan, that's CAD $900 million increase incremental investment. And I would point out, for us, this is an accelerating future spend. This is truly incremental investment over our last 5-year plan. And again, and I go back to speaking to sort of our independent model, one of the projects that's included in our new 5-year plan and one of the ones I'm probably sort of most proud of because it really speaks to us, planning the system through a different lens really thinking about it in terms of the grid of the future, but in terms of what we do and what we do best, and this is through that independent lens.

We have a project, it's not a large capital project which, from my perspective, is even better. It is about $100 million project. We're going to install 3 -- 2 to 3 static VAR compensator devices, so think about 1100 MWs of increase import capability or capacity for about $100 million. Think about the cost to build a new plant, no vertically integrated utility -- sorry, Dave, no vertically integrated utility would propose a project like this because it takes away a much larger significant investment on the generation side. So over $100 million, and this is why independence matters, so that's a project that we're currently pushing, pursuing, both with our conversations within the state of Michigan through the various IRP processes that are going on at Michigan, but as well as we'll push that through the MISO planning process. But just an indication of us looking through that lens of sort of that grid of the future, looking at it through the lens of incremental investment and also through the lens of our independence.

The other drivers of our new 5-year plan are mostly in terms of continued investments to improve reliability, upgrade existing infrastructure as well as new load and generator interconnections. Obviously, we're seeing sort of the tremendous shift from fossil fuels to more and more renewables, and so a lot of our capital spend is driven by those.

And then just to peel the layer of that onion back a little bit, as you look at the $4.5 billion that is in our 5-year plan, you can see for yourself they are the numbers, the $3 billion, that's primarily focused on the rebuild, reliability, the lion's share of the plan. $700 million on major capital projects, which I'll speak to sort of those 2 major buckets in a moment, our MVP projects as well as or 34.5 kV conversion project in Midwest. $500 million in grid security, a lot of what Barry had talked about, sort of being leaders on the cybersecurity front.

This is a -- continues to be a growing, emerging necessary issue for all of us. But certainly as you operate a high-voltage electric transmission grid and you think about the potential consequences, something that we are keenly focused on, and so we are -- we have basically a fiber installation of a vast network of fiber-optic lines that will help us secure our grid and our communications, particularly as you think about the AT&Ts of the world retiring their copper landline systems. There really isn't any other alternatives, so these are steps for us to secure the communications and data as we communicate on our network.

And then we have $300 million in the plan for new interconnections, both in terms of new load requesting interconnections as well as interconnecting new generation. I would note, one of the things that -- we talked about kind of continued emerging opportunities for future or incremental spend, certainly, as we think about new interconnections for generation, this does not reflect what is the significant queue for primarily wind interconnections in MISO. There's over about 50 gigawatts of wind in the queue at MISO.

I'm not one to think that all of that will come to fruition, but I do think that some percent, significant percentage will. And certainly, it does not reflect what would be in our footprint or what interconnections would be necessary. And nor does it reflect -- many of you may be familiar Consumers

Energy in Michigan has submitted an IRP plan that would call for 5,000 megawatts of solar in storage in Michigan, as they work towards their renewable goals and none of those dollars reflect the transmission that's necessary to facilitate that. So more to come. We need to better understand their plan and ultimately what gets approved by the commission.

As I mentioned, I'll talk a little bit more about those major sort of capital projects, what's in those buckets. One is the MVPs. For those not familiar, MVPs was a portfolio of projects that the Midwest ISO created back almost 10 years ago now. I would say ITC has been the single biggest sort of beneficiary of those MVP projects, both in terms of the ThumbLoop project that we've built, constructed, is in operation in Michigan, as well as the number of projects in our ITC Midwest footprint.

In ITC Midwest, we have 4 MVP projects that is approximately 300 miles of new 345 kV lines. We've already invested almost $400 million to date in those MVP projects, and we have a remaining $280 million through the remainder of the 5-year plan for those MVP projects. The one thing I would note on those MVP projects, obviously, the benefits are huge. Those projects were originally designed to address what was a significant generator interconnection queue at MISO. And so they basically said, with all these generation in the queue, what transmission sort of project lines do we need to that would allow much of that to interconnect. So that was the genesis of that. The reality isn't particularly -- and Michigan is not quite the same way yet, but in ITC Midwest, every single one of the MVP projects that we've already put in service is at full capacity the day it's gone into service.

So that bothers me. That really bothers me in terms of how we think about long-term planning. I think to myself, why didn't we build it at 765 kV? Well, a lot of answers, a lot of its politics, a lot of its negotiations, a lot of its -- and how the cost allocation formulas work. But probably the single biggest issue is sort of the lack of courage that I would say we have when it comes to doing things differently. But more importantly, I think what it demonstrates, the fact that these lines are already at full capacity, and I just mentioned we have about 50 gigawatts of wind sitting in the MISO generator interconnection queue, it begs the question of sort of when are we going to see those next round of needed MVP projects. And so I think that is yet to come. I know MISO is well aware of that. They've identified it. We're in a lot of discussions with them. We just need to resolve how we're going to pay for it. No small issue.

The other big capital project in our plan is the 34.5 kV conversion project. This was an initiative that we were required, ordered to do when we purchased the ITC Midwest system. That is -- it sort of -- the original commitment was 5 to 7 years. And for those of you that remember our prior CEO, that was his favorite numbers. We could do everything and anything in 5 to 7 years. Turns out that, that was probably a little ambitious and aggressive just given how large this effort is. It's over 650 miles of transmission line that is being converted and retired from 34.5 to 69 kV. But the bigger issue with this is that we have to work hand-in-hand with all of our customers. It requires our customers for them to make investments on their side of the station or transformer, and so we had to stretch that program out but recognize we have spent about $450 million to date on the 34.5 kV conversion. And through 2023, or the remainder of our plan, we still have another $290 million identified on that path.

I will say, again, this is one of these projects that goes back to, as we continue to try to measure and sort of put a value around the work that we do, we have seen huge improvements in the performance and operation of our system in ITC Midwest as a result of this program. The 34.5 kV lines were essentially radial lines into rural communities. And you can imagine when you upgrade them and you make them part of a broader network, not to mention they're on -- they're now 69 kV infrastructure, so they sit higher on poles, they're more removed from tree contacts, the performance, the benefits on this have been huge. On ITC Midwest, the customers served on this 34.5 kV system would experience, on average, 3 to 4 outages per year. Well, when that's on your transmission system, that is not good. And so just by the mere upgrading, we probably have brought that down to less than one outage per year. So huge improvements.

So as we've talked about sort of the 5-year plan, sort of what's included, the drivers of that, the thing that I would say, really, I think, to keep in mind is none of those drivers for investment are going away anytime soon. As I mentioned, the grid security, the physical security requirements around our assets, the cybersecurity requirements, those are going to continue to become more and more important. Recent meeting Dave and Barry and I had with the Department of Energy, this is pretty much the only thing we talked about. It's the only thing they talked about. This is what's on the Department of Energy's mind. We know it's on the Federal Energy Regulatory Commission's mind. And so I think we're going to continue to see more and more requirements, mandates around hardening and securing our assets.

New technology, right, obviously, battery storage as we talk about, the changing generation fleet and the more and more renewables we put on the system sort of the intermittency that Dave described well. We're going to continue to see the more and more need for storage, whether it be battery storage, whether it be like a large-scale pump storage facility, we're going to continue to see the need for our system to be able to integrate more and more technologies like storage. Obviously EVs, if some of the forecast projections are correct or anywhere near correct in sort of the penetration of electric vehicles, it will have an impact on our electric transmission infrastructure.

And then as I mentioned a couple times, just the amount of wind that's in the queue at both MISO and SPP, we can't do it. We can't do it with the current transmission grid that we have. And so as we continue to look at the future incremental opportunities of integrating more and more renewables, and particularly wind, in the areas that we operate, we're going to have to invest and build more transmission. As I often say, if this country is going to love renewables, they're going to have to start liking transmission.

And we're going to get to a point, I think, it's -- at some point in the future, I don't underestimate the challenge that's involved in getting there, but we've got to continue to find a better way to plan the system as well as find a way as to most fairly allocate the cost for these new investments. And those are big political issues, as you can well imagine, and so the solution is much larger than just us as transmission owners with great ideas, this really does involve policy and political solutions and conversations with both FERC and the states.

And then sort of leading to that, just with the shift of the generation fleet in our country, we have got to get to a point -- we, in Michigan, ITC Midwest, we straddle or we sit on the border of MISO and PJM, MISO and SPP, and our planning process today does not even consider or allow transmission projects across those seams of different RTOs. We well know today, we see it. We have a couple projects that we would love to propose and love the push forward that would be huge benefits across those seams. But unfortunately, the planning process does not allow it. It doesn't provide for it. It doesn't -- there's no mandate nor requirement to do it. So until we get some of those bigger, broader policy, political issues resolved, there is a huge need for continued investment in the transmission grid.

And so while we talk about sort of our 5-year plan, that 5-year plan is highly executable, incremental projects, a lot of sort of the bread-and-butter-type projects. We talked about sort of the drivers part for the incremental potential capital spend from a regulated perspective. And then, of course, we've got a couple projects that we are actively pursuing on sort of the unregulated space. The Lake Erie Connector project, which we have talked about. Barry mentioned, we still remain very positive optimistic on Lake Erie, and I think really the best way to kind of highlight where we stand on that is as a result of sort of the significant political change in Ontario. And so we are really just engaged in sort of, I would say, educating the new ministry there, the new premier on the project and its benefits, but I think we continue to remain very optimistic around Lake Erie.

And on Big Chino Valley, Big Chino Valley is a large-scale pump storage hydro facility in -- near Prescott, Arizona, but I would further say it's in the middle of nowhere Arizona. Barry, Dave and I had an opportunity to tour the site about a month ago -- couple of weeks, a month ago, and I'll just say it's a very, very rural. But in saying that, it is truly ideal in terms of sort of the topography for this type of proposed facility with an upper reservoir and lower reservoir, but I would not underestimate sort of how vast the project is. And so to that end, this is certainly a long-term project for ITC.

But that is a 2,100-megawatt closed-loop pump hydro storage facility, it's -- Dave did an excellent job of describing sort of why this type of facility is needed when you think about how do we store the energy that's produced when the solar fields are spinning and the wind turbines are spinning, but we don't have the demand. And so that's exactly what the storage facility would do. And so we -- sort of the underlying premise of this project is the fact that it's absolutely needed and absolutely needed in that part of the country, not only as Arizona moves to higher renewables goals but certainly California. This borders sits very close to the California border. And with California's very aggressive renewables mandate, this project is certainly ideal.

We did file with FERC late last year, and we did get -- we basically got approval to continue to sort of develop the project. It sort of reserves sort of that project for us in that location and we continue to be actively engaged with all of the sort of the policymakers, the local land owners, the environmental groups in Arizona to continue to advance this project as well as talking to sort of other potential partners to make that project a go. As I said, I would -- this is not in the 5-year plan. It is certainly beyond the 5-year window. But given the size of the project, the scope of it, the scale of it, it is something that we are actively working on today so that we can realize it, hopefully, within the next decade.

So with that, as sort of thinking about ITC in the recap, really excited. Our new 5-year plan, over 25% increase from our last vintage of our 5-year plan, so significant growth in terms of needed transmission investment benefits for our customers. As I talked about all those drivers, and Barry and Dave also mentioned those, we're going to -- there are things today we don't even know. A lot of what we react to, respond to, request by our customers on the load side or request by generators. And so a lot of our investment, a lot of our planning is based on the needs of our customers at one end or the other of those transmission facilities. So I am pretty confident we're going to see some incremental opportunities on the transmission side and again on that development space. We're anxious and excited to continue to pursue and push our development projects.

So with that, I will turn it over to Jocelyn Perry, Executive Vice President and CFO.

Jocelyn H. Perry - *Fortis Inc. - EVP, CFO*

Thank you, Linda. Good morning, everyone. I said yesterday that this is my first set of Investor Days as Fortis' CFO, but I too had my own walk down memory lane this morning. Dave and Linda were reflecting when they joined Fortis, but when Barry spoke about head office being 10 people, I was actually 1 of those 10 people. So I don't know if that makes me old, but I've been around a while. Spent most of my career in one of the utilities, but happy to be back to the Fortis group.

So my job here today is on wrap-up and to actually bring the story together on a total consolidated basis. Linda, Dave and Roger have done a great job of articulating our growth plans over the next 5 years, and I just want to step back and just talk about how it looks for the total group, how we plan to fund that and move forward.

So when we talk about, first, our financial objectives, they are very clear, they are very transparent. This is about executing the capital plan that we've presented, we've released to the markets yesterday. As we grow, it's imperative that we maintain, which we will, our investment-grade credit ratings. And certainly, it's all with the purpose of delivering on our 6% average annual dividend growth guidance. So it's a pretty clear organic growth strategy as we look forward.

Before we look forward, we take a look back. Fortis has had a very strong record of strong financial results. Over the last 5 years ending 2017, historical CAGR on rate base has been 7%. It's a pretty solid growth. Mainly, we're seeing that growth out of the Western utilities. When we look at EPS for the last 5 years, historical CAGR is 8% and that's pretty impressive given, as Barry had discussed, we have went through a pretty serious time of acquisitions in the U.S. and we still delivered on the 8% CAGR EPS. And through that time, again, Barry has discussed that our dividend payout remained within that range of mid-60s to low-70s. So certainly, a strong financial track record for the past 5 years and before.

So as we look forward, we are focused on growing the base business. And when we look, the capital -- 5-year capital plan is increasing from $14.5 billion, from when we were here last year, to $17.3 billion. That's a $2.8 billion increase in just 1 year. That translates into a rate base growth of 7.1% for the next 3 years and 6.3 over the 5-year planning period. And again, we extended our 6% dividend increase, it was extended to 2023.

Just to give some perspective of the capital spend. We expect to spend, on average, $3.5 billion annually. As you can see, it's pretty consistent spending over that time period. There is no one particular year where there's peaks and valleys with spending, so it's a pretty even spend. We do have a little bit of a bathtub curve, as Roger talked about, in FortisBC. Some of the integrity pipeline projects are more to the end of the project. And as Dave talked about, with the renewables and the transmission builds, they were in the front-end of the project. So just a little bit of a curve, but for the most part, a very consistent spend among all of our utilities, which is a good thing.

Taking a little bit of a deeper look at our capital plan. We tag our plan as a low-risk, highly executable capital plan. We've been saying that for a while. Nothing has changed with respect to this 5-year capital plan. When we look at the sort of the content of the capital plan, 99% of the spend is in our regulated utilities. So that's in line with our asset base, is over 97% regulated utilities. So 99% of the spend with our regulated utilities. When we look at the nature of the projects, as a whole, major capital projects which we define as projects over $150 million, account for around 23% of our total plan. That's pretty consistent with last year's 5-year plan. So we don't see this 5-year plan any riskier than what we had seen in the past, and these projects have been discussed here in good detail this morning. And when we look at the spend between Canada and U.S., 55% of the spend is expected to be in U.S., and again that aligns with where our assets are.

Just showing rate base by utility. You can see that, on a consolidated basis, we're growing by 6.3. But individually, the bulk of the rate base growth is coming from our U.S. utilities. Central Hudson just went through a 3-year rate plan approval with their regulator, and that included some robust capital spending mainly on infrastructure investments and technological changes within their service territory. ITC, UNS and FortisBC, we've talked heavily about here today. But certainly, driving rate base growth that Barry talked about, is in line with industry. It's between that 6% and 7%. And not to forget about the Canadian and the Caribbean assets, they too are growing at 5.3%. And while it's not at that 6% or 7%, we do feel that there's probably room for growth within those utilities as well. But overall, on a consolidated basis, we are growing in line with the industry from a rate base perspective.

Just a look at the regulatory compact in the jurisdictions where we operate. These graphs show the weighted average allowed ROEs with our U.S. utilities and our Canadian utilities. So the first are the allowed ROEs, it's 10.58% for the U.S. utilities and 8.73% for our Canadian utilities. When you look at the weighted average equity thickness as well, U.S. is higher with 55.2%, Canada at 39%. Obviously, there's a clear divergence between what we're earning in the U.S. versus what we're earning in Canada, and we have made certainly some more noise about that recently in terms of understanding the divergence. We do not understand the divergence.

We see a lot of the businesses that we operate in Canada and the U.S. to have a lot of the same risk, and we're going to take a more focused look at this area and just try to get the message out there, particularly with the regulators and the industry about Canadian utilities need to be competitive to attract the capital at the end of the day. And so we're going to bring some focus to this area, and you'll certainly hear more about that from Fortis.

With respect to regulatory outlook. Linda has talked about the outstanding MISO base ROE complaints. And just as a reminder, while we don't know the decision or certainly would never predict the decision of FERC, for every 10 basis point change in ROE at ITC, it's about $0.01 on Fortis' EPS. UNS, Dave talked about this as well. They do have a targeted rate case in 2019, scheduled for mid-2019, and FortisBC is targeting its PBR renewal filing in 2019.

So with respect to funding of this capital plan. As I said, we are growing above last year's 5-year capital program by $2.8 billion. So as we look forward of financing this $17.3 billion capital plan, the bulk of the funding comes from within the regulated utilities, from the cash from operations after dividends are paid. So 69% is expected to come from cash flows. 23% comes from net refinancing at the regulated utility with minimal debt financing at corporate, that 1%. We also do expect to yield proceeds in the range of $1 billion to $2 billion with sale of certain of our non-core assets over the 5-year planning period.

As I said yesterday, I will also try to negate the questions at the end of the period. We're not really in a position -- we're not in a position to elaborate on those asset sales, other than to say they're non-core, which we say sit outside of our regulated utilities. But at this time, as you can appreciate, we can't really provide much more detail than that. And also, that we do expect -- it was our expectation that this will come to fruition in the earlier years of the 5-year plan as opposed to the outer. And again, 1% is coming from our other common share programs. So the bulk of the funding, again, is coming from cash from operations within our regulated utilities and the debt financing at our regulated utilities.

So over the 5-year period based on this funding plan, we do not expect to issue any discrete equity above and beyond. That could change if some of the additional projects that we talked about here today come to fruition, so that will be evaluated certainly if the capital plan changes materially. We also do have the at-the-market program which we've not utilized to date, but it certainly is there and provides us some additional -- provides us with additional financing flexibility should we need it.

Just taking a quick look at our debt maturities over the next 5 years. On average, they're around $940 million, certainly a manageable debt maturity levels for the next 5 years. And having a look at our consolidated credit facilities, the bulk of which are in our regulated utilities, we certainly do have ample liquidity on the inside of our consolidated credit facilities. So all the fundings and the capital programs that we've presented together are done with the lens of certainly always maintaining, and we're committed to maintaining, an investment-grade credit rating. When we step back to look at the new 5-year capital growth plan, we do not see any change in Fortis' risk profile as a result of the new capital plan. Both Moody's and S&P rank the business risk profile of Fortis as excellent and strong and we believe that, that will not change because of the program that we've now presented to the market.

Over that time period also, we are improving our balance sheet. The total holdco debt to total debt is improving by 13%, as shown on the graph. It's going from 38% to 33%. So we are improving over time and that's reflective of the growth. The organic growth is happening in the regulated utilities, so not at the holdco level. So therefore, we are seeing significant improvement in the holdco debt to total debt.

And also, our credit metrics. And CFO to debt is -- tends to be the metric that is a focus, certainly, with the rating agencies. And out of the gate, over the 2019 to 2023 planning period, we expect to be out of the gate back to our pre-U. S. tax reform metrics. So that's a good thing. And then we see a steady increase in our metrics for 5 years out. So with that, we certainly expect that with this funding plan that we have in place, that we will be able to support certainly our credit rating with S&P and we'll look to improve our credit rating with Moody's, which is currently at Baa3.

So going back and tying it all back to our financial objectives, it is about execution of the capital plan of $17.3 billion. The funding plan that we have in place, I believe, is effective and helps us to grow our business and maintain our investment-grade credit rating and certainly, ultimately, deliver on our 6% annual dividend growth guidance.

So with that, I will turn it back to Barry to close.

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

A couple comments before I go through this closing slide. I'm sitting up here and I'm listening to these 3 folks talk about their businesses, and I -- all I can think about is I'm so happy that we own those businesses. They are amazing businesses. And the other thing is that I'm so proud of the team members. They've done such a great job of running their businesses and making sure they're doing the right things for their customers. The only little negative, I think, is they're a bit of -- they're sandbaggers. And -- because I'm sitting up here, I'm hearing all this stuff, and I'm saying, "Man, like, I think we might be sandbagging a bit here." But anyway, I'm feeling really good.

So with Fortis, what you get and why you should invest in our company is you get this highly regulated business, just about 100% regulated. It's probably the most diversified utility in North America. I don't know if there's another one, especially if you add geography to it. We have this strong growth profile, rate base running at about 7% growth going forward and we have this incredible dividend record, 45 years of raising our dividend, we've now extended that for another 5 years guidance at 6% and we have those opportunities beyond this plan that will keep the company growing into the future. So I think it is a compelling story when we see this low-risk T & D business with the growth that we have in front of us.

With that, we're going to ask Stephanie to come up and we're going to coordinate the Q&A period. Sorry, there's one final video.

(presentation)

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

Great video, Nora and your team. So now we're going to do the question-and-answer session. So for those of you in the room, please raise your hand and we'll bring the microphone to you. And then also for any webcast participants, please notify us of any questions you might have and we'll take those as well in the room. All right, question over here.

Nicholas Joseph Campanella - *BofA Merrill Lynch, Research Division - Research Analyst*

Nick Campanella, Bank of America. The asset sales and the funding of the CapEx program, 6% of the capital you're putting towards asset sales, it says here $17.3 billion, that implies $1 billion of proceeds and you guys have a $1 billion to $2 billion placeholder. So how are your framing use of proceeds if they come in better-than-expected?

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

So just, Nick, it provides us a little bit of flexibility. We'll see how the first tranche will go and see if we will go further. But what we're finding is -- we built the company pretty quickly when you think about it, and now we have this really strong 5-year growth plan. We're just really having a good look at some of these non-core assets. I think any management team should do this, frankly. There's some infrastructure capital that's really seeking out some of these assets, these long-term contracted kind of assets and there's some real strong valuations for those assets, so we're just capitalizing on that opportunity in the market.

Nicholas Joseph Campanella - *BofA Merrill Lynch, Research Division - Research Analyst*

And then UNS Energy, the elections, I guess, has been more worrisome for some of your peer utilities with the changing of the commission. Does that affect your rate case strategy at all into '19?

David G. Hutchens - *UNS Energy - President & CEO and Fortis Inc. - EVP, Western Utility Operations*

No. I should just leave it at the one-word answer, no. No, it doesn't. I mean, the commission, every 2 years there is either 2 or 3 new ones or some get reelected, but we're firm believers that we can work with any commissioner that gets elected and we've always had a good batch of commissioners and we've always had commissioners who are looking out for the best interest of the state, and we're aligned with those interests.

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

We'll take a question up here from David.

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

David Quezada from Raymond James. I guess, my first question here, also for David on UNS. The 30% renewables target that you're looking to get to, any color you can provide on how you get there and would you ever contemplate investing in generation on a utility scale, renewable generation?

David G. Hutchens - *UNS Energy -- President & CEO and Fortis Inc. - EVP, Western Utility Operations*

Yes. I think the commentary for that is we would be adding about 600 to 800 megawatts of additional renewable energy capacity. I would expect the lion's share of that to be utility owned, utility scale, both wind and solar. The vast majority of what we have to date, over 90% is PPAs, because back in PTC and investment tax credit realm and when we didn't have a tax appetite, the best results that we could get for our customers, the cheapest power we could get for our customers was through the PPAs. As the PTC and ITC both dropped, we see that investments from utility standpoint are the best long-term assets for our customers.

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

Great. And then just another question, different topic, on tax reform. Now that we can look back at it, I know at the time there were some discussions that reduced rates that were getting passed on to customers could create some headroom to invest more capital in the business or accelerate it. Was there any element of that, that went into this 5-year plan or is it a little bit too soon to tell there?

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

I think it's too soon to tell. I think the tax reform has had an impact, obviously, customer rates have come down. We've passed on those benefits to our customers. In some cases, especially I think in the ITC's area, Linda, rates were rolled back as much as like 9%, I think. And so that's -- it's a big benefit. And so even with this increased capital that we have that rates don't get back to where they were for some time into the future, there

is obviously a component of the overall growth that's associated with tax reform because for every dollar rate base investment, now we get to keep a little bit more in rate base because of lower taxes. So there is a lift from a growth perspective from that as well, but I think we'll see the benefits of tax reform year after year as we go forward from here.

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

Do we have any questions on the webcast?

Kealey Martin - *Fortis Inc. - Director of IR*

We do have questions on the webcast. What non-core unregulated assets remain in the group now that the hotel and real estate portfolio has been monetized? What is the net book value of these assets and so is the EBITDA?

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

And what is the date that you're going to do that? Listen, just generally, the non-core assets that -- let me just say, the nonregulated assets that we own is we do have a large hydroelectric plant in British Columbia called the Waneta Expansion plant, we do have a large underground storage facility in northern British Columbia as well and we have a hydroelectric facility in Central America and Belize that provides about half of the country of Belize's energy. Those are -- I don't think I've missed any, those are our 3 nonregulated assets and they just represent about 3% of the assets of the overall company at this point.

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

Any further questions in the room? You're it. One over here?

Unidentified Participant

Could you update us on the progress in the past year on contracting the Lake Erie Connector project?

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

You want me to take it?

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

You go ahead, yes.

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

Sure. Obviously, conversations have been ongoing and continuing. As I mentioned earlier, I think we remained very positive and constructive on Lake Erie. There was a significant change or shift in Ontario politics, the sort of the governing party, the Labor Party switched to...

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

Liberal. Liberal.

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

I'm sorry, Liberal. Yes, Liberal. It's what they call it in Canada, Liberal party switched to the progressive conservatives. And so obviously that -- they have not been in office for, I think, the better part of was it '17 or '18 years. So a lot of our efforts, a lot of our focus over the course of this year has been around the shift in the politics and the players, but those are all ongoing discussions and dialogues, as I've said, we remain fairly confident and continue to engage with the parties, the contractors and shippers on those. But certainly, the Ontario regime is a little different than it is here in the U.S. and so sort of the ruling governing party is an important part of any outcome.

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

I would also say that what's good about where Erie Connector is, right now, it's fully permitted. So we're not really committing much capital to that project. Now we've spent about $40 million to get it to this point. Interesting to note, with David's project in Arizona, we probably have 2 of the few cross-border permitted projects out there at this point, one on the southern brother and one on the northern border of the U.S. But the project's permits can go for a while here so we have some time. Clearly, you want to get it done sooner, but we do have some time to work on convincing parties in Ontario that this is a very strong project and benefits -- will benefit the province greatly if put in place.

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

I think we -- do we have another question in the room. Anyone? No. Another one here from David.

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

Just a follow-up question here on capital allocation. It was talked about the different returns in the U.S. versus Canada. I guess maybe some thoughts on how you decide to allocate capital between the 2 countries and how much do you move it around just based on those different returns?

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

Well, at this point in our evolution, we really haven't done the capital allocation thing, right? We own regulated utilities. We're required to serve our customers and invest the amount of capital that's required to do that. And I don't think anything that we're seeing right now where the returns are will force us down that road. Clearly, I'm hopeful that the lulls are in the Canadian regulatory context. And my concern generally about where we are in Canada is it just becomes human nature, at times, to start allocating more capital to the higher-return jurisdictions, even though just the more exciting projects come from those jurisdictions and it just happens over time. And I think that's not good for Canada, frankly, and it's one of those factors that we have to work on in Canada to improve. And we're a small part of the overall Canadian business community, but this is one area as well at Canada that we have to improve to be competitive, frankly. And so I don't think it gets to the point -- maybe some regulators want me to go there and say we're not going to put capital into Alberta, but I'm not prepared to do that, really, I'm not because I think it's not who we are, and so I hope it doesn't come to that.

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

Any further questions here in the room? Anymore on the webcast, Kealey? Well, great. This concludes our Investor Day this morning. Thank you so much for joining us. And we do have lunch, for those in the room, next door, so please stick around and grab a bite. Thank you, everyone.