



# First Quarter 2019 Earnings Conference Call

May 1, 2019



# Forward-Looking Information

Fortis includes "forward-looking information" in this presentation within the meaning of applicable Canadian securities laws and "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, collectively referred to as "forward-looking information". Forward-looking information included in this presentation reflects expectations of Fortis management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "target", "will", "would" and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which include, without limitation: forecast capital expenditures for the period 2019 through 2023 and potential funding sources for the capital plan; forecast rate base for the period 2019 through 2023; targeted average annual dividend growth through 2023; the expected timing of filing of regulatory applications and receipt and outcome of regulatory decisions; expected expenditures and benefits related to FortisBC energy conservation and efficiency projects; and the nature, timing, benefits and costs of certain capital projects including, without limitation, the Wataynikaneyap Transmission Power Project, ITC Multi-Value Regional Transmission Projects and 34.5 to 69 kV Transmission Conversion Project, UNS Energy Gila River Natural Gas Generating Station Unit 2, Southline Transmission Project and Oso Grande Wind Project, FortisBC Lower Mainland Intermediate Pressure System Upgrade, Eagle Mountain Woodfibre Gas Line Project, Transmission Integrity Management Capabilities Project and Inland Gas Upgrades Project and additional opportunities beyond the base capital plan.

Forward-looking information involves significant risks, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking information. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally, including those identified from time to time in the forward-looking information. Such risk factors or assumptions include, but are not limited to: the implementation of the Corporation's five-year capital investment plan; no material capital project and financing cost overrun related to any of the Corporation's capital projects; sufficient human resources to deliver service and execute the capital program; the realization of additional opportunities; the impact of fluctuations in foreign exchange; the Board exercising its discretion to declare dividends, taking into account the business performance and financial condition of the Corporation; reasonable decisions by utility regulators and the expectation of regulatory stability and no significant changes in laws and regulations that may materially negatively affect the Corporation and its subsidiaries. Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors should be considered carefully and undue reliance should not be placed on the forward-looking information. For additional information with respect to certain of these risks or factors, reference should be made to the continuous disclosure materials filed from time to time by Fortis with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information in this presentation is given as of the date of this presentation and Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

**Unless otherwise specified, all financial information referenced is in Canadian dollars and references to rate base refer to mid-year rate base.**



**FORTIS**<sub>INC.</sub>

Barry Perry

President & CEO



# Business Highlights – Strong Start to 2019

Q1 2019 **Adjusted EPS of \$0.74**

Utilities **Invested \$740M** in Q1

TEP **Rate Case Filed**

Closed **\$1B Waneta Asset Sale**

**Settled Tender Offer** for US\$400M  
of the 3.055% 2026 Notes



# Executing on Capital Plan

## Supporting a Cleaner Energy Future

### TEP Oso Grande 247 MW Wind Project



Once complete:

- Renewable energy production will be ~28% of retail sales
- Helps to achieve 30% renewables target

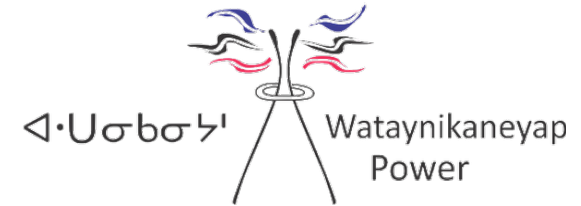
### FortisBC Energy Conservation & Efficiency Program Increased to ~\$370M



Expected to:

- Decrease CO<sub>2</sub> emissions by 50K tonnes annually
- Equivalent of taking 11K cars off the road

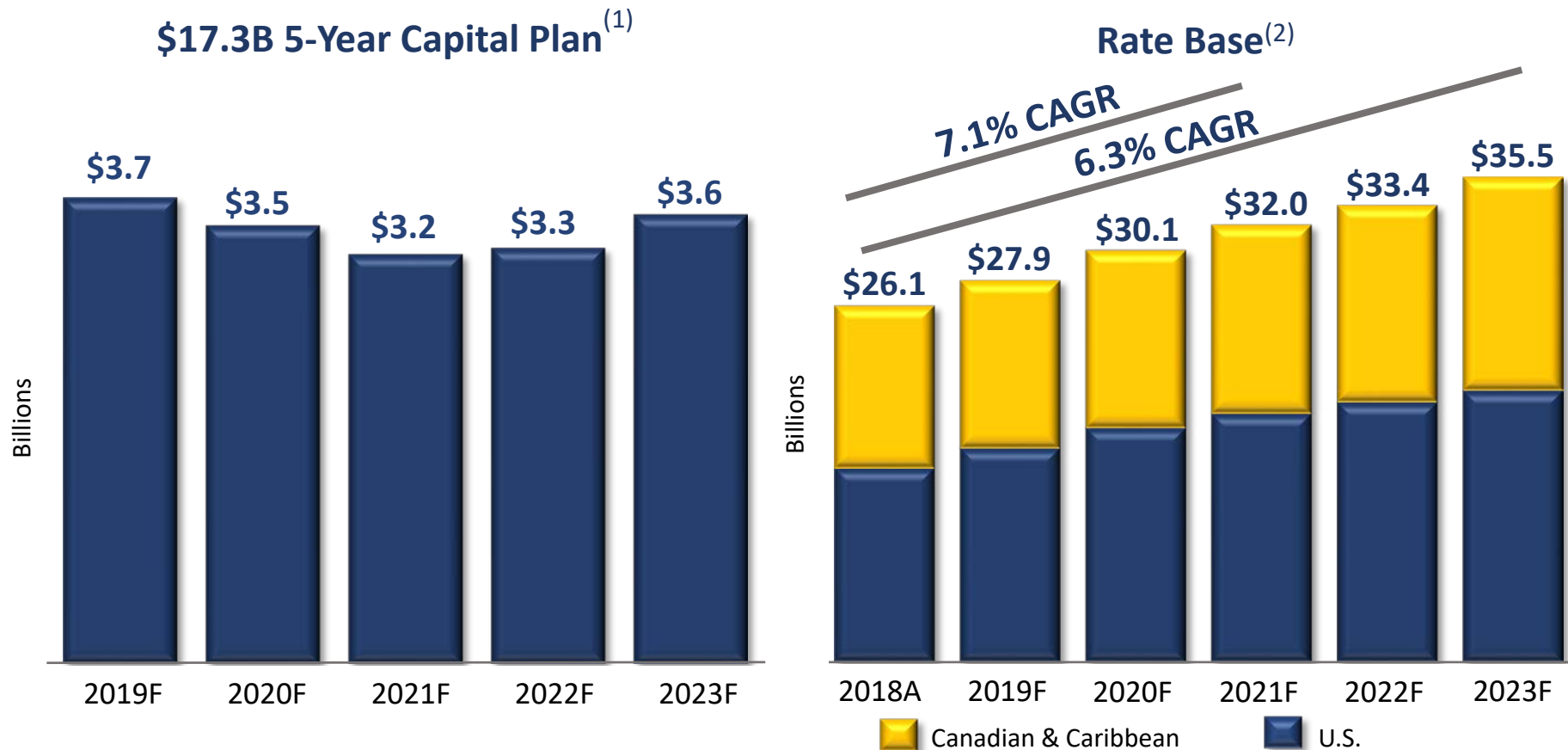
### Obtained Leave to Construct from OEB



Next steps include:

- Environmental assessment approvals
- Connects 17 First Nations to clean & reliable energy

# Capital Plan Supports 6-7% Average Annual Rate Base Growth

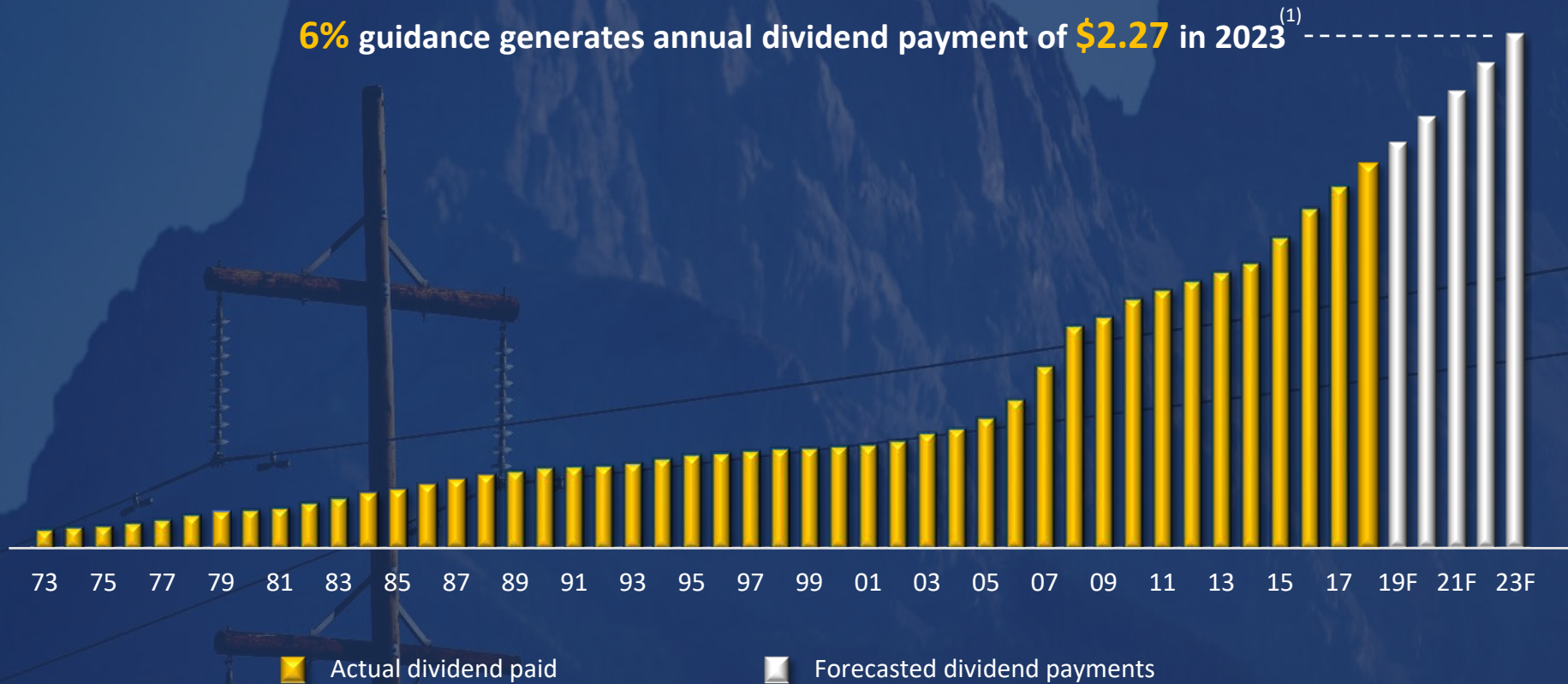


(1) Capital expenditures are translated at a forecast USD/CAD foreign exchange rate of \$1.28.

(2) US dollar-denominated rate base for 2018 is based on the actual average USD/CAD foreign exchange rate of \$1.30 and forecast rate base for 2019 to 2023 is based on \$1.28. Holding foreign exchange constant at \$1.30, rate base CAGR would be 6.5% for 5-year CAGR and 7.4% for 3-year CAGR.

# Leader in Dividend Growth With 45 Years of Dividend Increases

6% guidance generates annual dividend payment of **\$2.27** in 2023<sup>(1)</sup>



(1) Based on an annualized dividend of \$1.70 in 2018.





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Jocelyn Perry

Executive Vice President & CFO



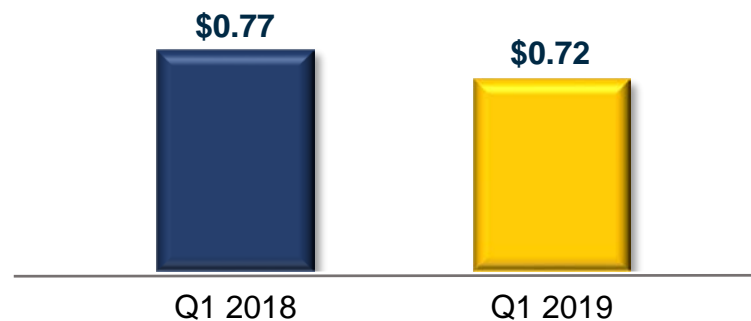
# Strong First Quarter Results

Adjusted EPS Increased  
**5.7%** over Q1 2018

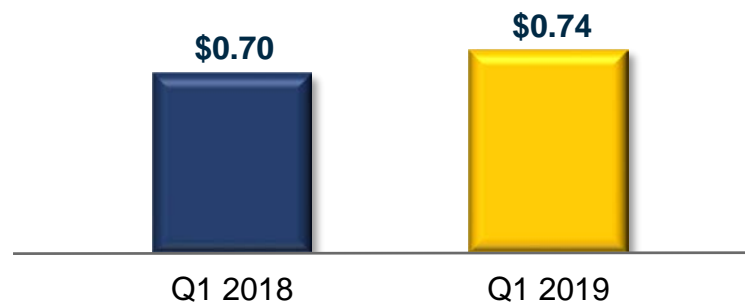
Rate Base Growth  
Supports  
**Earnings Growth**

Utilities Invested  
**\$740M** in Q1

## Reported EPS

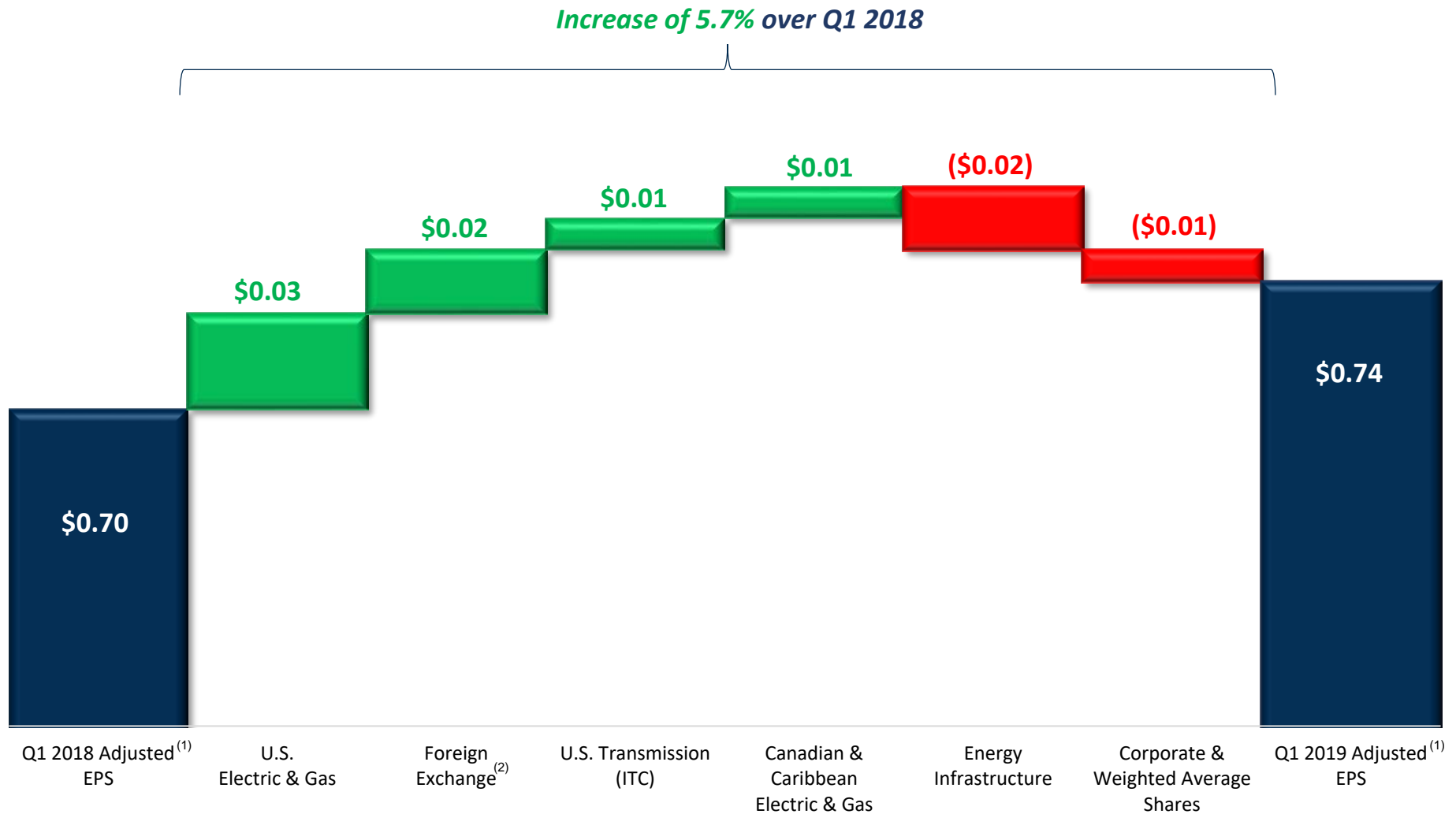


## Adjusted EPS<sup>(1)</sup>



(1) Non-US GAAP measure

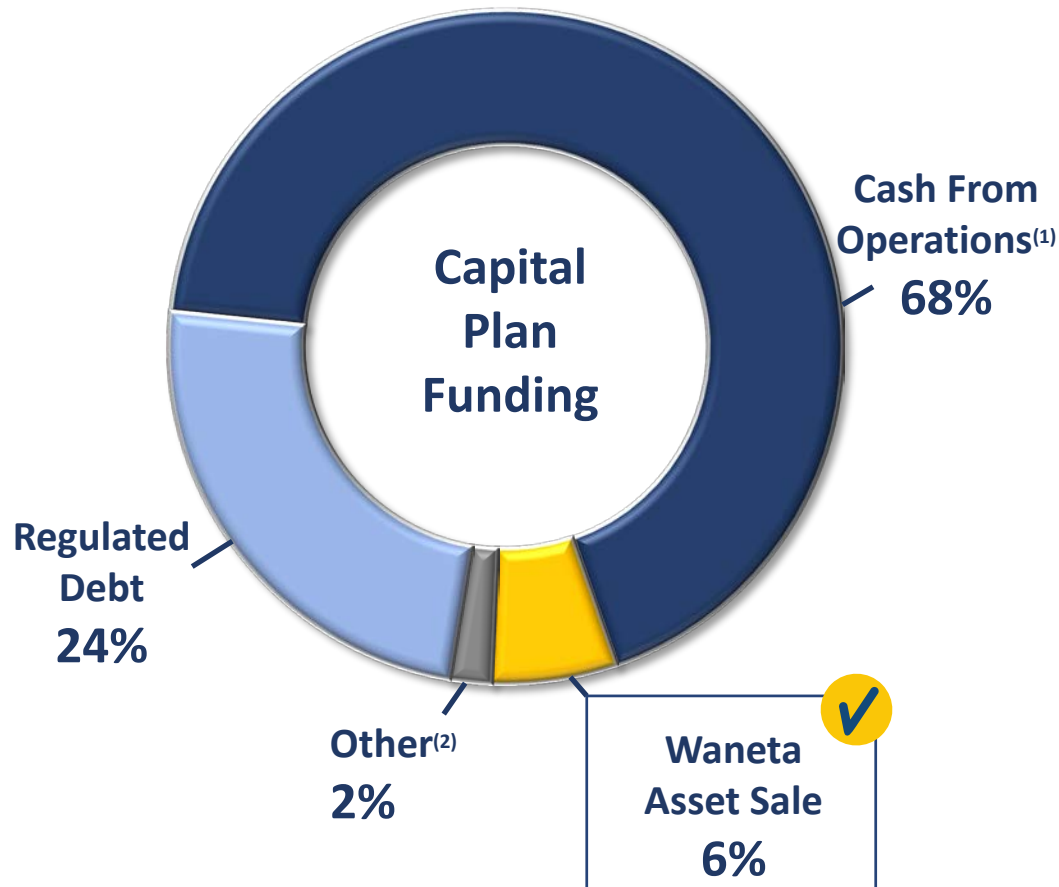
# EPS Drivers – Q1



(1) Non-US GAAP measure

(2) Reflects higher average U.S. dollar-to-Canadian dollar foreign exchange rate of \$1.33 in Q1 2019 versus \$1.26 in Q1 2018.

# Execution of Funding Plan Supports Investment-Grade Credit Ratings



## Investment-Grade Credit Ratings

S&P Global	A- / BBB+ <sup>(3)</sup>
DBRS	BBB (high)
Moody's	Baa3

CFO/Debt  $\geq$  **11%**  
&  
Improved Holdco  
Debt / Total Debt

- (1) Cash from operating activities after net dividends and customer contributions. This is a non-US GAAP measure.  
(2) Includes non-regulated debt and funds from the Corporation's employee stock purchase and stock option plans.  
(3) In March 2019, S&P affirmed the Corporation's credit rating and outlook.

# 2019 Regulatory Outlook



## MISO Base ROE Complaints

- FERC recently established new supportive methodology
- Awaiting final decision from FERC

Notice of Inquiries (NOIs) issued by FERC in March 2019 to seek stakeholder comments on:

- Incentive policies for transmission investment
- Methodology for establishing ROEs



2020-2024 Multi-Year Rate Plan Filed in March 2019



TEP rate case filed on April 1<sup>st</sup> using December 31, 2018 test year



# TEP Rate Case Filing

## Summary of TEP Rate Case Applications

	<b>2017 General Rate <u>Approved</u> Application</b>	<b>2019 Rate Case <u>Requested</u> Application</b>
Test Year	June 30, 2015	December 31, 2018
New Rates Effective	February 2017	May 1, 2020
Rate Base	US\$2.0B	US\$2.7B
Non-Fuel Rate Increase	US\$81M	US\$115M <sup>(1)</sup>
Equity/Debt	50%/50%	53%/47%
ROE	9.75%	10.35%

(1) Non-fuel rate increase is offset by a US\$39M reduction in fuel costs equating to a net US\$76M total revenue request.

**2018**  
**Test Year**

**Annual Customer  
Rate Increases  
Below Inflation  
Rate Over Past 10  
Years**

# Why Invest In Fortis?



Well-Run Utilities



Virtually All Regulated



Highly Diversified



Strong Growth Profile



6% Dividend Guidance



Opportunities Beyond  
Capital Plan



# Expected Upcoming Events

## Upcoming Events

2019 Annual General Meeting	May 2, 2019
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Investor Day at ITC	September 10, 2019
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## Expected Upcoming Earnings Release Dates

Q2 – 2019	August 2, 2019
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Q3 – 2019	November 1, 2019
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# Appendix

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# Q1 2019 Results by Segment

APPENDIX

First Quarter 2019 Variance Analysis by Segment							
(\$millions, excluding weighted average shares and EPS)	Q1 2019	Adjustment	Adjusted Q1 2019 <sup>(1)</sup>	Q1 2018	Adjustment	Adjusted Q1 2018 <sup>(1)</sup>	Adjusted Q1 Variance
<b>Regulated – Independent Electric Transmission</b>							
ITC	92	-	92	86	-	86	6
<b>Regulated – US Electric &amp; Gas</b>							
UNS Energy	55	-	55	50	-	50	5
Central Hudson	<u>32</u>	<u>-</u>	<u>32</u>	<u>21</u>	<u>-</u>	<u>21</u>	<u>11</u>
	87	-	87	71	-	71	16
<b>Regulated – Canadian &amp; Caribbean Electric &amp; Gas</b>							
FortisBC Energy	100	-	100	98	-	98	2
FortisAlberta	27	-	27	27	-	27	-
FortisBC Electric	16	-	16	16	-	16	-
Other Electric <sup>(2)</sup>	<u>23</u>	<u>-</u>	<u>23</u>	<u>18</u>	<u>-</u>	<u>18</u>	<u>5</u>
	166	-	166	159	-	159	7
<b>Non-Regulated Energy Infrastructure</b>	8	5	13	18	4	22	(9)
<b>Corporate and Other</b>	(42)	-	(42)	(11)	(30)	(41)	(1)
<b>Net Earnings Attributable to Common Equity Shareholders</b>	<b>311</b>	<b>5</b>	<b>316</b>	<b>323</b>	<b>(26)</b>	<b>297</b>	<b>19</b>
<b>Weighted Average Shares (# millions)</b>	429.5	429.5	429.5	422.0	422.0	422.0	7.5
<b>EPS</b>	<b>\$0.72</b>	<b>\$0.02</b>	<b>\$0.74</b>	<b>\$0.77</b>	<b>(\$0.07)</b>	<b>\$0.70</b>	<b>\$0.04</b>

(1) Non-US GAAP measure

(2) Comprises Eastern Canadian and Caribbean electric utilities

# Q1 Adjusted Earnings Reconciliation

APPENDIX

Non-US GAAP Reconciliation			
(\$millions, except for common share data)	Q1 2019	Q1 2018	Variance
<b>Net Earnings Attributable to Common Equity Shareholders</b>	311	323	(12)
Adjusting Items:			
Unrealized loss on mark-to-market of derivatives <sup>(1)</sup>	5	4	1
Consolidated state income tax election <sup>(2)</sup>	-	(30)	30
<b>Adjusted Net Earnings Attributable to Common Equity Shareholders</b>	316	297	19
<b>Adjusted EPS</b>	\$0.74	\$0.70	\$0.04
<b>Weighted Average Shares (# millions)</b>	429.5	422.0	7.5

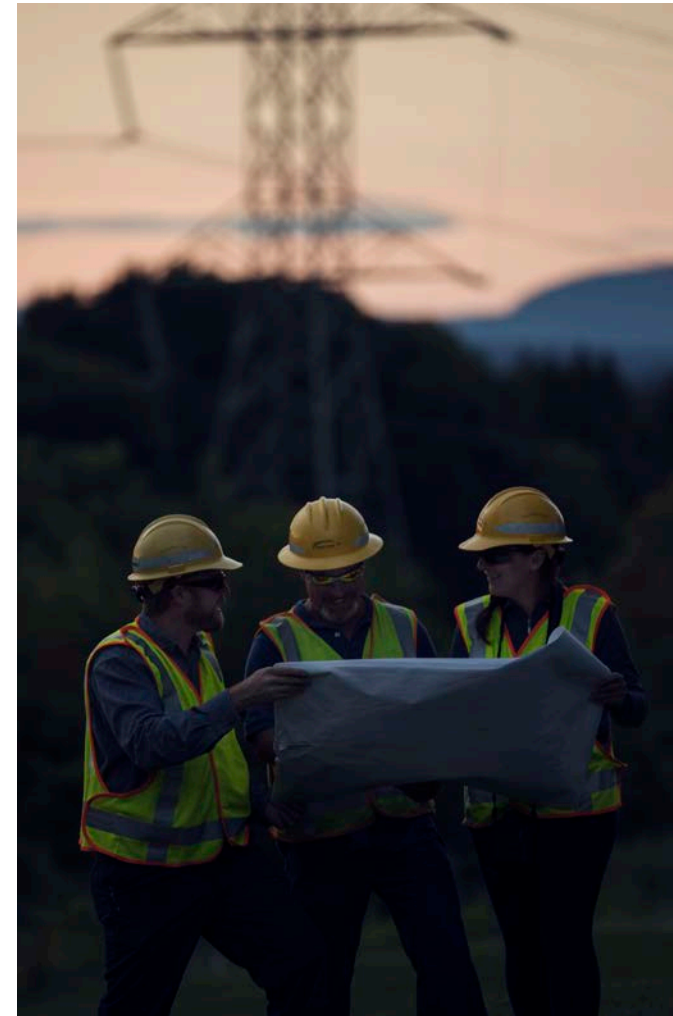
(1) Represents timing differences related to the accounting of natural gas derivatives at the Aitken Creek natural gas storage facility, included in the Energy Infrastructure segment.

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

# Regulated Utility Subsidiaries Have Very Strong Investment-Grade Credit Ratings

APPENDIX

Company	<b>S&amp;P Global</b>	<b>MOODY'S</b>	<b>DBRS</b>
ITC Regulated Subsidiaries	A	A1	n/a
Tucson Electric Power	A-	A3	n/a
Central Hudson	A-	A2	n/a
FortisBC Energy	n/a	A3	A
FortisBC Electric	n/a	Baa1	A (low)
FortisAlberta	A-	Baa1	A (low)
Newfoundland Power	n/a	A2	A





# 2019-2023 Capital Forecast by Segment

APPENDIX

Capital Forecast <sup>(1)</sup>						
(\$millions)	2019	2020	2021	2022	2023	2019-2023 Total
<b>Regulated - Independent Electric Transmission</b>						
ITC	865	878	951	943	861	4,498
<b>Regulated - US Electric &amp; Gas</b>						
UNS Energy	1,076	875	624	476	476	3,527
Central Hudson	280	268	276	291	274	1,389
<b>Total Regulated - US Electric &amp; Gas</b>	<b>1,356</b>	<b>1,143</b>	<b>900</b>	<b>767</b>	<b>750</b>	<b>4,916</b>
<b>Regulated - Canadian &amp; Caribbean Electric &amp; Gas</b>						
FortisBC Energy	503	408	430	654	978	2,973
FortisAlberta	414	427	434	449	467	2,191
FortisBC Electric	116	125	101	105	90	537
Other Electric <sup>(2)</sup>	418	479	415	364	376	2,052
<b>Total Regulated - Canadian &amp; Caribbean Electric &amp; Gas</b>	<b>1,451</b>	<b>1,439</b>	<b>1,380</b>	<b>1,572</b>	<b>1,911</b>	<b>7,753</b>
<b>Energy Infrastructure</b>	<b>28</b>	<b>19</b>	<b>19</b>	<b>18</b>	<b>44</b>	<b>128</b>
<b>Total Capital Forecast</b>	<b>3,700</b>	<b>3,479</b>	<b>3,250</b>	<b>3,300</b>	<b>3,566</b>	<b>17,295</b>

(1) Capital expenditures are translated at a forecast USD/CAD foreign exchange rate of \$1.28.

(2) Comprises Eastern Canadian and Caribbean electric utilities

# Major Capital Projects

APPENDIX

Significant Capital Projects (\$millions) <sup>(1)</sup>	2019 Forecast	Total 2019-2023 Plan	Expected Year of Completion
ITC Multi-Value Regional Transmission Projects	88	332	2023
ITC 34.5 kV to 69 kV Transmission Conversion Project	87	348	Post-2023
UNS Energy Gila River Natural Gas Generating Station Unit 2	211	211	2019
UNS Energy Southline Transmission Project	182	389	2022
UNS Energy Oso Grande Wind Project	342	492	2020
FortisBC Lower Mainland Intermediate Pressure System Upgrade	187	252	2020
FortisBC Eagle Mountain Woodfibre Gas Line Project	-	350	2023
FortisBC Transmission Integrity Management Capabilities Project	-	568	Post-2023
FortisBC Inland Gas Upgrades Project	14	222	Post-2023
Wataynikaneyap Transmission Power Project	158	587	2023

## Capital Plan By Project Type



(1) Capital expenditures are translated at a forecast USD/CAD foreign exchange rate of \$1.28. Forecast includes both the capitalized debt and equity components of AFUDC, where applicable.

# 2018-2023 Rate Base by Segment

APPENDIX

	Rate Base <sup>(1)</sup>						3-Year CAGR	5-Year CAGR
(\$billions)	2018A	2019F	2020F	2021F	2022F	2023F	to 2021	to 2023
<b>Regulated - Independent Electric Transmission</b>								
ITC <sup>(2)</sup>	7.8	8.5	9.1	9.7	10.3	10.8	7.7%	6.8%
<b>Regulated - US Electric &amp; Gas</b>								
UNS Energy	4.7	5.3	6.0	6.3	6.4	6.6	10.1%	6.9%
Central Hudson	1.6	1.8	2.0	2.2	2.3	2.4	9.5%	8.5%
<b>Total Regulated - US Electric &amp; Gas</b>	<b>6.3</b>	<b>7.1</b>	<b>8.0</b>	<b>8.5</b>	<b>8.7</b>	<b>9.0</b>	<b>10.0%</b>	<b>7.3%</b>
<b>Regulated - Canadian &amp; Caribbean Electric &amp; Gas</b>								
FortisBC Energy	4.4	4.5	4.7	5.0	5.1	5.9	4.6%	6.0%
FortisAlberta	3.4	3.6	3.8	3.9	4.1	4.3	5.5%	5.1%
FortisBC Electric	1.3	1.3	1.4	1.4	1.5	1.5	2.8%	2.4%
Other Electric <sup>(3)</sup>	2.9	2.9	3.1	3.5	3.7	4.0	6.5%	6.7%
<b>Total Regulated - Canadian &amp; Caribbean Electric &amp; Gas</b>	<b>12.0</b>	<b>12.3</b>	<b>13.0</b>	<b>13.8</b>	<b>14.4</b>	<b>15.7</b>	<b>5.1%</b>	<b>5.5%</b>
<b>Total Rate Base Forecast</b>	<b>26.1</b>	<b>27.9</b>	<b>30.1</b>	<b>32.0</b>	<b>33.4</b>	<b>35.5</b>	<b>7.1%</b>	<b>6.3%</b>

(1) US dollar-denominated rate base for 2018 is based on the actual average USD/CAD foreign exchange rate of \$1.30 and forecast rate base for 2019 to 2023 is based on \$1.28.

Holding foreign exchange constant at \$1.30, rate base CAGR would be 6.5% for 5-year CAGR and 7.4% for 3-year CAGR.

(2) Fortis has an 80.1% controlling ownership interest in ITC, rate base represents 100% ownership.

(3) Comprises Eastern Canadian and Caribbean electric utilities