

# Q3 2024 EARNINGS CONFERENCE CALL

November 5, 2024

**FORTIS** INC.



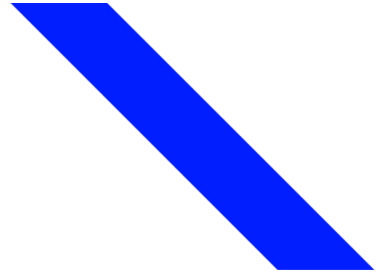
# FORWARD LOOKING INFORMATION

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 Private Securities Litigation Reform Act of 1995 (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would, and the negative of these terms, and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: forecast capital expenditures for 2024 and 2025-2029, including investments which support the energy transition; forecast rate base and rate base growth for 2024 through 2029; annual dividend growth guidance through 2029; the nature, timing, benefits and expected costs of additional opportunities beyond the Capital Plan and other key transmission investments, including ITC's investments related to Tranche 2.1 of the MISO LRTP, customer connections including investments related to Alliant Energy's Big Cedar Industrial Center, and new data center manufacturing opportunities; the expected impact of the disposition of Aitken Creek on earnings for the annual period; forecast average cash flow to debt metrics over the next five years; the expected timing, outcome and impact of legal and regulatory proceedings and decisions; forecast capital expenditures for 2025-2029 by business unit; the nature, timing, benefits and expected costs of certain capital projects, including ITC's transmission projects associated with the MISO LRTP Tranches 1 & 2.1, FortisBC Eagle Mountain Pipeline Project, UNS IRP Related Generation, UNS Roadrunner Reserve Battery Storage Projects 1 & 2, UNS Vail-to-Tortolita Transmission Project, FortisBC Tilbury LNG Storage Expansion, FortisBC AMI Project and the FortisBC Tilbury 1B Project; forecast rate base and rate base growth for 2025-2029 by business unit; the 2050 net-zero direct GHG emissions target and interim 2030 and 2035 GHG emissions reduction targets; the expectation to have a coal-free generation mix by 2032; FortisBC targets to support the energy transition and reduce GHG emissions; forecast debt maturities for 2024-2034; scheduled preferred share dividend rate resets; the expectation of limited co-location opportunities in Arizona; the potential growth of resource capacity related to data centers in Arizona; expected impact of the provincial government election in British Columbia on gas distribution growth prospects; rate base growth projections and potential impacts from data center growth for FortisAlberta; timing and capital plan impact expectations regarding emerging retail load increases and data centers in Arizona; and expectations regarding changes to funding plan, including use of ATM, and hedging policy.

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

**Unless otherwise specified, all financial information is in Canadian dollars and rate base refers to midyear rate base.**

**Note: U.S. dollar-denominated capital expenditures and rate base converted at a forecast USD:CAD foreign exchange rate of 1.30 for 2025-2029.**

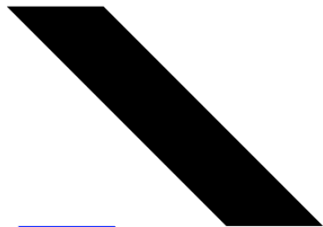
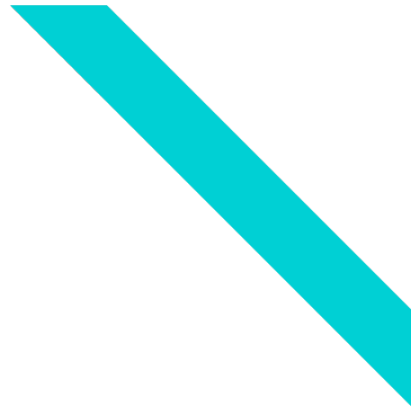


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# EDITED TRANSCRIPT

Q3 2024 FORTIS INC EARNINGS CALL

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## CORPORATE PARTICIPANTS

- **Stephanie Amaimo** Fortis Inc - Vice President - Investor Relations
- **David Hutchens** Fortis Inc - President, Chief Executive Officer, Director
- **Jocelyn Perry** Fortis Inc - Chief Financial Officer, Executive Vice President
- **Linda Apsey** ITC Holdings Corp - Chief Executive Officer, Director
- **Roger Dall'Antonia** FortisBC Inc - President, Chief Executive Officer, Director
- **Janine Sullivan** FortisAlberta Inc - President, Chief Executive Officer, Director
- **Susan Gray** UNS Energy Corp - President, Chief Executive Officer, Director

## CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Rob Hope** Scotia Capital Inc. - Analyst
- **Maurice Choy** RBC Capital Markets (Canada) - Analyst
- **Ben Pham** BMO Capital Markets (Canada) - Analyst
- **Mark Jarvi** CIBC World Markets Inc. - Analyst
- **Patrick Kenny** National Bank Financial (Research) - Analyst
- **Michael Sullivan** Wolfe Research, LLC - Analyst

## PRESENTATION

### Operator

Good morning, everyone. Thank you for standing by. My name is Joelle, and I will be your conference operator today. Welcome to Fortis Q3 2024 Earnings Conference Call and Webcast. (Operator Instructions)

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

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### Stephanie Amaimo Fortis Inc - Vice President - Investor Relations

Thanks, Joelle, and good morning everyone. Welcome to Fortis' Third Quarter 2024 Results Conference Call. I'm joined by David Hutchens, President and CEO; Jocelyn Perry, Executive VP and CFO; other members of the senior management team as well as CEOs from certain subsidiaries.

Before we begin today's call, I want to remind you that the discussion will include forward-looking information, which is subject to the cautionary statement contained in the supporting slide show. Actual results can differ materially from the forecast projections included in the forward-looking information presented today. All non-GAAP financial measures referenced in our prepared remarks

are reconciled to the related US GAAP financial measures in our third quarter 2024 MD&A. Also, unless otherwise specified, all financial information referenced is in Canadian dollars.

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

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## **David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Thank you, and good morning, everyone. The third quarter was another solid quarter in the books for Fortis. Operationally, we continue to deliver safe and reliable service to our customers, and financially, our results continue to demonstrate the success of our regulated growth strategy. Through September, we invested \$3.6 billion in our energy systems, and we expect capital expenditures of \$5.2 billion for the year. During the quarter, we also announced our 2025 to 2029 capital plan of \$26 billion, supporting average annual rate base growth of 6.5% through 2029.

Additionally, in September, our Board of Directors declared an increase in the fourth quarter dividend of approximately 4% and extended our 4% to 6% annual dividend growth guidance to 2029. And beyond the plan, momentum continues to build on the Tranche 2.1 projects associated with the MISO long-range transmission plan as well as other investment opportunities.

As mentioned, our annual 2024 capital program is now expected to be \$5.2 billion or \$400 million higher, driven mainly by timing of expenditures associated with the Eagle Mountain Pipeline Project in British Columbia. Our new five-year capital plan of \$26 billion is \$1 billion higher than the previous five-year plan, driven primarily by projects associated with the MISO LRTP and resiliency investments at ITC as well as growth at FortisAlberta. The capital plan remains low risk and highly executable with nearly all being regulated investments and only 23% consisting of major capital projects. The five-year plan supports our transition to cleaner energy resources and includes investments that enhance and strengthen our infrastructure and support customer growth.

As we execute our capital plan, we remain keenly focused on investing in the resiliency of our energy systems while maintaining customer affordability. We continue to control operating costs and support programs such as energy efficiency and bill assistance as well as secure tax credits for the benefit of our customers. Over the five-year horizon, rate base is expected to increase by approximately \$14 billion to \$53 billion by 2029, supporting average annual rate base growth of 6.5%, which is up from 6.3% in our prior five-year plan.

In September, MISO released its final map of the Tranche 2.1 LRTP projects, with 24 projects totaling USD21.8 billion. The projects are subject to MISO Board approval, which is anticipated next month. ITC estimates its portion of Tranche 2.1 to be at least USD3 billion of investment. The majority of which is expected beyond 2029. The estimate assumes ITC's expected portions of two projects in Southern Minnesota and three projects in Michigan, where rights of first refusal are in effect.

Other transmission investments continue to progress as they relate to customer connections. Notably, ITC in collaboration with Alliant Energy, received approval in October under MISO's expedited review process for the Big Cedar Load Expansion Project in Iowa. This project relates to transmission upgrades to serve up to 1,600 megawatts of new data center load at the Big Cedar Industrial Center. The first phase of the project would require transmission upgrades to support 800 megawatts of new load with a targeted in-service date of 2027, and Phase 2 requires another 800 megawatts with an in-service date of 2028. The project requires franchise approvals from the Iowa Utilities Commission prior to construction. The transmission project has a potential investment of up to USD400 million.

In our view, this development underscores the attractiveness of the Midwest region for future growth. With ample land availability, high renewable penetration, competitive utility rates and overall speed to market aided by MISO's expedited review process, we see this as a positive step forward in bringing tangible load growth to the region.

We continue to make progress on new data center, mining and manufacturing opportunities across several of our jurisdictions and are working to secure additional investments in Arizona related to our integrated resource plan as we transition to cleaner energy.

Last month, TEP's 2023 IRP was acknowledged by the Arizona Corporation Commission based on modest load growth projections of 1.5% per year. Since the IRP was prepared, our load growth expectations have increased as reflected in our current capital plan. In fact, TEP is seeing significant service requests from data centers and other large potential customers that could create substantial new energy needs above our current expectations. But at this point, it is difficult to estimate what percentage of that will come to fruition.

We are making progress in negotiations with one large new customer, while others are at various stages of the process. We are actively developing the infrastructure options to serve this growth. If this new retail growth materializes, it would drive significant

upside to our existing capital plan and sales growth in Arizona. And with TEP being a vertically integrated utility, we have the ability to invest in generation, transmission and distribution to serve these opportunities. We expect this load growth to be met with a combination of gas, renewables and storage, depending on the customers' needs.

To advance these opportunities, we expect regulatory approvals will be required outside our standard tariffs to ensure protections are in place to avoid negatively impacting our existing customers. We expect more visibility into these negotiations over the next few quarters. As a reminder, this new retail load would be on top of the USD2.5 billion to USD5 billion of investments expected from UNS' IRPs outside the existing plan as well as the at least USD3 billion at ITC for Tranche 2.1 as well as other transmission opportunities as part of the New York Transco.

Overall, we remain bullish about our long CapEx runway and the role we play to support climate adaptation, grid resiliency, load growth and the clean energy transition across our footprint. As highlighted, in September, our Board of Directors declared a 4.2% increase in our fourth quarter dividend, marking 51 years of consecutive dividend increases. During the third quarter, we also extended our annual dividend growth guidance of 4% to 6% through 2029.

Now I will turn the call over to Jocelyn for an update on our third quarter financial results.

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### **Jocelyn Perry Fortis Inc - Chief Financial Officer, Executive Vice President**

Thank you, David, and good morning, everyone. For the third quarter, reported and adjusted EPS were \$0.85, \$0.01 higher than adjusted EPS last year. Year-to-date September reported and adjusted EPS were \$2.45, \$0.08 higher than adjusted EPS last year. Key drivers of growth for the third quarter were rate-base investments across our utilities and strong earnings in Arizona underscored by new customer rates that went into effect in September 2023. EPS growth quarter-over-quarter was impacted by timing of both the favourable cost of capital decision in British Columbia in September 2023 and the disposition of Aitken Creek in November 2023. And finally, unrealized gains on total return swaps, reflecting changes in the Corporation's share price year-over-year were largely offset by higher finance costs.

The chart on Slide 10 highlights the EPS drivers for the third quarter by segment. Our U.S. Electric and Gas utilities contributed a \$0.05 EPS increase quarter-over-quarter, driven by UNS Energy. The increase at UNS was mainly due to new customer rates, higher production tax credits associated with the Oso Grande wind facility and an increase in the market value of investments that support retirement benefits. These items were moderated by labour-related inflationary increases.

At Central Hudson, the EPS contribution was comparable to the third quarter of 2023. The favourable impact of rate base growth and a higher ROE effective July 1 were offset by the timing of operating costs in comparison to the related recovery in new customer rates effective July 1. At ITC, the \$0.02 EPS increase reflects rate base growth, partially offset by higher finance costs. The EPS contribution from our Western Canadian Utilities segment was \$0.04 lower for the quarter. As you'll recall, we recognized a favourable \$0.05 retroactive adjustment in the third quarter of last year related to the cost of capital decision. Apart from this adjustment, earnings were higher at FortisAlberta, reflecting rate base and customer growth and a higher allowed ROE.

The Corporate and Other segment reflects a \$0.02 EPS decrease due to the timing of the disposition of Aitken Creek in 2023. And as mentioned, the impact of unrealized gains on derivatives during the quarter were largely offset by higher finance costs. A higher average U.S. to Canadian dollar foreign exchange rate contributed a \$0.01 EPS increase for the quarter. And lastly, higher weighted average shares reflect shares issued under our dividend reinvestment plan.

Many of the drivers discussed for the quarter are the same for the year-to-date period. I do have a few notable comments. First, at the U.S. Electric and Gas segment, the EPS drivers at UNS are substantially the same as the quarter but also reflect higher margins on wholesale sales. Central Hudson was down \$0.01 year-to-date, driven by higher operating costs, including timing of costs relative to recovery in new rates effective July 1, 2024. Also, there was a favourable regulatory adjustment recognized in 2023.

For the Western Canadian Utilities segment, unlike the quarter, the impact of the 2023 cost of capital decision in British Columbia was not a driver on a year-to-date basis. The \$0.04 EPS increase reflects rate base growth and higher returns in Alberta.

And in the Corporate and Other segment, the disposition of Aitken Creek accounted for approximately a \$0.05 EPS decrease year-to-date. As we've stated previously, this is timing as the disposition of Aitken Creek will be neutral to EPS on an annual basis. The remaining \$0.04 EPS decrease in this segment is driven by higher finance costs, which are somewhat offset by higher unrealized gains on derivatives. Overall, year-to-date earnings are in line with expectations and primarily reflect new rates and rate base growth across our utilities.

Through September, we have raised approximately \$2.6 billion of debt to repay borrowings and to fund our capital program. In terms of our preference share rate resets, our \$600 million Series M will reset on December 1 with an annual dividend rate of 5.5%. Earlier this fall, we met with the rating agencies ahead of releasing our new five-year capital plan, and we continue to engage, particularly with S&P on Fortis' mitigation plans around physical and climate risk. In October, S&P did reaffirm our rating and maintained a negative outlook.

Additionally, we updated our new funding plan, which remains largely consistent with the previous plan. It is comprised of cash from operations and regulated debt as well as equity proceeds from our dividend reinvestment plan. And we expect the corporation's \$500 million at-the-market common equity program to remain available and provide funding flexibility as required. Our new funding plan supports average cash flow to debt metrics of over 12% through 2029.

Turning now to recent regulatory activity. Last month, FERC issued an order lowering the base MISO ROE by 4 basis points to 9.98%, bringing ITC's MISO all-in ROE, including incentive adders, to 10.73%. Essentially, the order removed the use of the risk premium model in establishing the base ROE. Going forward, we anticipate this reduction in base ROE to impact EPS by less than \$0.01 annually. The order also directs certain refunds by December 2025. The refunds for ITC are estimated to be approximately USD26 million, which will be recognized in the fourth quarter.

In August, MISO also concluded its variance analysis, reaffirming the original allocation of Tranche 1 projects, including the allocation to ITC. As a result, work on all ITC Tranche 1 projects in Iowa has resumed. In October, the Arizona Corporation Commission held a second workshop on their generic regulatory lag docket. As you'll recall, the ACC is looking at the possibility of using formulaic rates or forward-looking test years instead of historical test years currently in use. There is potential the commission will provide guidance in late 2024 or early next year. We remain encouraged by the prospect of improving rate stability for our customers while concurrently reducing regulatory lag.

In August, Central Hudson filed its 2025 general rate application with the New York Public Service Commission, requesting an increase in its electric and gas delivery rates effective July 1, 2025. The application seeks a 10% allowed ROE and 48% common equity component of the capital structure. The timing and outcome of this proceeding remain unknown. In October, the New York Public Service Commission issued a show cause order directing Central Hudson to explain why a proceeding should not commence in connection with the gas-related explosion that occurred in November 2023 when a third-party contractor struck a gas line while performing work on Central Hudson's behalf. Central Hudson will file a response within 30 days of the order. And while not on the slide, we expect FortisAlberta's 2025 allowed ROE to be set at approximately 9%.

And with that, I'll now turn the call back to David.

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### **David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Thank you, Jocelyn. We are very pleased with our operational and financial results so far in 2024 and the advancements made on the regulatory front, particularly at ITC. Looking ahead, we are focused on executing our new five-year capital plan as well as securing growth opportunities beyond the plan. Delivering reliable and affordable energy is at the heart of what we look to do for our customers, while providing dependable yet strong total returns for our shareholders.

That concludes my remarks. I will now turn the call back over to Stephanie.

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### **Stephanie Amaimo Fortis Inc - Vice President - Investor Relations**

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

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## **QUESTIONS AND ANSWERS**

### **Operator**

(Operator Instructions) Rob Hope, Scotiabank.

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### **Rob Hope Scotia Capital Inc. - Analyst**

Good morning everyone, I want to talk about the potential upside levers on the capital plan that you highlighted specifically in Arizona. It looks like more in the near term and longer term in MISO. How do you think about funding it, just given, you know, where you are on the balance sheet, and so if you do see an uptick in near-term capital requirements, so could that then push more on the ATM? Could you look at asset sales? Or can you maybe broadly think about how you're going to finance it?

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### **David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Sure, Rob. Let me kick that over to Jocelyn.

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### **Jocelyn Perry Fortis Inc - Chief Financial Officer, Executive Vice President**

Yeah, Rob, it's hard to say, right, in terms of how we're specifically going to fund these because it all depends on timing of when these projects come to play, but you know the one thing we have said for a while now is that you know, we're committed to keeping our balance sheet, you know, in the position that it's in today. We've done a lot to bring it to where it is today so we don't plan to walk that backwards. I think you're right, I mean we do have the ATM available to us, and I guess, I'll say what I always say which is it all goes back on the table. And I hope that that's the problem that we have in terms of trying to fund incremental capital but everything goes back on the table, but in first instance, we do have the ATM available to give us immediate flexibility but we don't need it -- we don't need it right now.

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### **Rob Hope Scotia Capital Inc. - Analyst**

Alright, appreciate that, and then sticking with the theme of upside growth, you know Dave, you mentioned Arizona a number of large kind of we'll call it, potential demand increases in electrical load. When you think about the data center opportunity or even large users of electricity there, how do you think about adding new capacity versus just the poles and wires investment, and could you see some of these large users of electricity potentially co-locate some of their own generation there? Or would that be something that you'd prefer to be done on the broader system?

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### **David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

So I would say generally, knowing the footprint here in Arizona, there's probably very limited co-location type opportunity, so -- and plus when you think about how condensed our TEP system is down in Southern Arizona, it would probably make more sense to you know just connect it to the grid and supply it from a grid perspective than, you know co-location. The only really remote plants that we have that you can consider co-location are a couple of combined cycles, one in New Mexico and another one in Arizona that isn't necessarily all that conducive to co-location and of course, the coal plants that we have already shutdown timeframes for.

So overall, we're looking at resources in every spot that we currently have resources to replace them like, you know like-for-like generation maybe and where we have some of the coal, renewables, storage, et cetera, that we can add across the entire grid. So we're looking at it more from a portfolio perspective than sort of what you're seeing in these conversations around co-location. Because you know obviously, the generation has to have, you know, the things that we need, which are, you know, depending on the type of generation, obviously, land, transmission, interconnection; then if it's natural gas generation, we also need, you know, water and gas pipelines, and then, of course, you throw on top of that the fiber access that's needed for data centers and you can kind of define that pot of available sites but keeping it wide open right now for sure.

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### **Operator**

Maurice Choy, RBC Capital Markets.



### **Maurice Choy RBC Capital Markets (Canada) - Analyst**

Good that the data center theme and ask for a little bit more elaboration on your prepared remarks at TEP and ITC. So at TEP, I know that there is firm resource capacity of about 3,000 megawatts today. Could you see a situation where this doubles or maybe even triples if data center load rise? And at ITC, how many of these Big Cedar load expansion projects are there, do you think?

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### **David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

So yeah, there's a lot in the queue to speculate as to how much of that is actually going to come down to getting customers to locate here. You know, there's probably a fair bit that have gotten in our queue that are in other people's queues. There's obviously you know a bit of an early rush to get data centers in places that have existing capacity. And that, I think, gives you a bit of a leg up for longer-term potential growth. So yes, there is big potential, I wouldn't want to put it in like the multiple of current system peak, but it's pretty darn substantial.

So we -- and then, of course, on a smaller system like TEP, you know a larger data center would have a bigger impact than maybe on a on a broader -- on a much larger system from a percentage perspective. Well, I guess that's just obvious math Maurice, sorry about that. But that's -- but it does change the way that we have to operate the system, too, when you get a big load on that.

But I also got to emphasize that when we talk about these data center opportunities, well data centers or other manufacturing opportunities that we see in the queue, these have the potential of not just good investment opportunities, but an overall good story for our -- the rest of our retail customers, right, because this is bringing in a big large facility that take -- that uses a lot of energy to spread those fixed costs that we have in our system across much more megawatt hours. So that allows us to, you know, hopefully have a downward impact on our customer rates. So that's what we're shooting for.

And as far as ITC, Linda will probably have a little bit better view than me on the rest of the potentials like we see at Big Cedar in Iowa, but we have seen that just go from the a little bit of conversation that we had at the beginning of the year around the data center that was you know had two phases going from 300 up to 600, and now we're talking about one of these behemoth, you know 1,600-megawatt type sites. Those are the ones that really can dramatically change the view of some of the smaller utilities and the footprints. Linda, you got any color on additional opportunities up there?

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### **Linda Apsey ITC Holdings Corp - Chief Executive Officer, Director**

Yes. I would just say, I mean, I think similar theme, I think it's difficult to specifically say what the kind of opportunity set is, however, there is no doubt, right, both whether it's in Iowa or here in Michigan. You know obviously, there's a lot of different potential prospective customers that we are working with, we're knocking on -- that are knocking on doors. It's you know, one of those things that, obviously, they have multiple options. Some of them are waiting for potential legislation, and so it's premature to specifically say or quantify what those are but I would say directionally speaking, there is no doubt there are some other significant load potentials that exist. But we're just not at a point that we can specifically identify them or announce that they are confirmed.

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### **Maurice Choy RBC Capital Markets (Canada) - Analyst**

Understood. Maybe just to finish up, I'm sure someone's going to ask you about U.S. elections so I want to turn your attention to the other election that just finished or somewhat finished here in BC. Slender majority for the NDP, but the Green party may have some kind of influence. Any thoughts on FortisBC's gas distribution growth prospects under this new political landscape for the next coming four years?

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### **David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Well, Maurice, Roger is sitting right next to me, who's our expert from BC to answer that question.

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### **Roger Dall'Antonia FortisBC Inc - President, Chief Executive Officer, Director**

Maurice. Of course, the BC election just as important as one happening today for some of us. I'd say that if there was a minority with the Greens having more influence, it might have been a bit of a different answer. But the NDP still maintains a majority, obviously, a reduced majority. I think there was a focus on affordability on other issues, less than climate given past elections, so I would say that we don't see much change going forward.

I think if you look at the power in BC, energy environment plan that was published in July, that would be my best guess as to the near-term road map where they're going to go on energy, there will be still a focus on expansion of electrification opportunities. We launched our own request for energy in our electric service territory following BC Hydro's call for power. I don't see a near-term change to the direction of the gas infrastructure opportunity. We just filed our Tilbury Storage facility plan last week and, you know, the expectation is that they are going to be focused on you know, promoting their Powering BC plan, which they publish in the summer.

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## Operator

Ben Pham, BMO.

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### Ben Pham *BMO Capital Markets (Canada) - Analyst*

Thanks and Good morning. On your CapEx program, part of that increase was FortisAlberta, and I'm just wondering if you can provide us with an update on how you see -- how have you seen rate base growth trending in the near-term and long-term outlook on FortisAlberta franchise?

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### David Hutchens *Fortis Inc - President, Chief Executive Officer, Director*

Yes. We're seeing some good upward growth projections in the short term here. When you look at our five-year capital plan for FortisAlberta, we see a 5% -- a little over 5%, 5.2% rate base CAGR, which is stronger than it's been in the past, not as strong as it's been in the very -- say, 10 years ago. But it's always been a good strong growth jurisdiction. So we're seeing customer growth there. We're seeing additional investment opportunities in you know obviously, in the distribution system to connect those customers. We're hoping to see some knock-on impacts from things like data center growth that will -- while we typically won't have -- we won't serve data centers from a generation or transmission perspective, but depending on what voltage they hook up at and then also you know, some overall growth opportunities that economic growth in that area brings, we'll have some kind of secondary impacts and then we're also seeing growth opportunities in some of the other kind of bigger projects that we're focused on like our AMI Project up there as well as additional investments in wildfire technology from a rate base perspective.

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### Ben Pham *BMO Capital Markets (Canada) - Analyst*

Okay, that's good to hear. And maybe on the ITC's MISO ROEs, is that pretty much in terms of incrementals going forward, is that pretty much laid to rest? And then, are you hearing anything on the incentive adders timing from the FERC?

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### David Hutchens *Fortis Inc - President, Chief Executive Officer, Director*

Yes. So it's a bit TBD to see who will throw in for rehearings on that order. I think we're pretty darn happy with it. I think it landed in the right spot. They pulled out the risk premium left everything else intact. It was not a big delta to the ROE for us. So that was definitely a positive. What was the second part of your question?

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### Jocelyn Perry *Fortis Inc - Chief Financial Officer, Executive Vice President*

Incentive adders.

**David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Yes, that's still -- yes, that's still back burner. We haven't heard anything from FERC on any scheduled discussion on that as well, so we have not seen anything that we would concern us about that.

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**Operator**

Mark Jarvi, CIBC Capital Markets.

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**Mark Jarvi CIBC World Markets Inc. - Analyst**

Good morning everyone, Just coming back to the emerging retail load increases in Arizona. At what point would you have clarity in terms of being able to define the scope and timing of that? And then I think, Dave, you said something about requiring any sort of different tariff structures to protect existing customers, is this going to be a little bit of a longer process before if you can put this into the backlog in both CapEx until you have that sort of regulatory clarity?

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**David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

It will take us some time, I think once we get to the stage of getting you know agreements in principle, that's the first step that you would hear from us on, okay, we've got this customer, we've got an MOU, this is, in essence, what we plan broader -- from a big picture perspective and then start you know figuring out what the CapEx would be required, and on a very high-level basis, and then draw sort of that timeline on what we would need to do to bring that deal to kind of a final status ready to start building. That would require not just you know, the contractual agreements between us and that counterparty, but typically, and I'm expecting that we would have maybe a special tariff for serving them because these -- we don't have a specific data center type service or tariff, so we would want to make sure that we got an agreement that covered the costs and we've done this for large customers in the past. We've done it not just in Arizona, but in BC, where we create these sort of one-off tariffs to make sure that we have the protections needed, especially if we're building a large amount of infrastructure for them. So that can be -- that's a regulatory process, but I wouldn't expect it to be a very long one because it feels that Arizona and our regulators are very supportive of this type of growth in our area and obviously, when it has a positive impact for our customers, we can get stuff done extremely quickly, so I don't expect it to be like a long drawn-out regulatory process but would be a process nonetheless. But that would also be done in parallel with the development and supply chain and the rest of the things that you would have to do to bring it online.

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**Mark Jarvi CIBC World Markets Inc. - Analyst**

Is the expectation that you'd be able to sort of put them on the table and provide some clarity at some point in 2025 and then would this be investment in rate base growth within the current five-year period?

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**David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Yes. So yes, I think 2025 is a reasonable period, mostly because that's a pretty broad target there. You're asking me to pick a quarter in 2025, be a bit tougher, but yes, I think this would be something that we would have a fair level of clarity in 2025. For sure, that would be our goal.

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**Mark Jarvi CIBC World Markets Inc. - Analyst**

And then in terms of timelines to put capital to work and its impact to the actual growth in the current five-year forecast.

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**David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Yes. Yes. So we would see probably -- we would see some -- given how fast these data centers want to move, and given, of course, with a caveat of getting the things that we need from a supply chain perspective, this would definitely have some impact in the five-year period and I can't swear that it would have -- it would have a complete impact in the five-year period, but probably a significant impact within -- because that's you know -- if we have an agreement one year from now and then they would be probably looking at a two- to three-year type timeframe from their construction standpoint. I think they typically put out about a two-year timeframe for them to be able to stand up a data center, so we'd be really rushing to get that done. But again, that has to do with all the rest of the timing related to supply chain, permitting if you and siting if you have to put in a new generation to support them, et cetera.

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### **Mark Jarvi CIBC World Markets Inc. - Analyst**

Understood. And then Jocelyn, just a follow-up on Rob's question about funding. Even absent new investments this year, some higher spend pull forward, FX, how are you thinking where you are in terms of balance sheet buffer, and is there something where you have to maybe tap the ATM a little bit sooner just given how timing of CapEx is flowing through the business this year?

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### **Jocelyn Perry Fortis Inc - Chief Financial Officer, Executive Vice President**

No, Mark. We don't see any need to do anything different than what we've outlined with the changes that we're seeing. I mean, the pull forward of the Woodfibre Project is not changing our funding plan. So right now, it's steady with the plan that we have in place. The ATM is available, but there is no expectation that we need to tap it for anything we see today or anything we've seen today.

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### **Operator**

(Operator Instructions) Patrick Kenny, National Bank Financial.

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### **Patrick Kenny National Bank Financial (Research) - Analyst**

Maybe just to dive a little bit deeper into the Alberta footprint, and as you mentioned, even though you don't have the same vertically integrated model as you do in Arizona, just given the -- some of the big numbers we've seen thrown around in terms of the opportunity set around co-location opportunities, new load coming into the province. Just how should we be thinking about the rate base upside as you look at connecting some of these behind the meter customers for their redundant power needs?

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### **David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Yes. Let me, I'll kick that over to Janine to add a little color. Obviously, as you know, Alberta has been extremely receptive to the conversation around data centers. They've got their bring your own power kind of policy up there but as far as the transmission and distribution investments, Janine, do you want to opine on that a little bit?

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### **Janine Sullivan FortisAlberta Inc - President, Chief Executive Officer, Director**

Yes, for sure. It's certainly an evolving story here in Alberta as the province has been very vocal in terms of wanting to attract them, yet still going through the process of understanding how we're going to support them. So we've been certainly on a bit of an education journey as to the importance of interconnecting these loads to the grid to ensure the reliability of power that a lot of these customers will require. So you know clearly, there's a balance between supporting a fossil fuel-based economy which this province would still want to do and why it references using gas for example, as backup power supplies for these types of data centers but also looking at the reliability -- from the reliability aspect, the interconnection with the grid is another consideration, and that's where we've been focused in terms of understanding how we can best support the customer from a distribution perspective, and understanding what the implications for those behind-the-meter types of generation can mean in terms of accessibility and reliability so lots of conversations going on. We're certainly front and center with discussions with customers as well as with the government in terms of how policies might be determined around these, and waiting to see how some of these might actually interconnect and what they might bring when they decide to come to Alberta.

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**Patrick Kenny National Bank Financial (Research) - Analyst**

Okay. That's great colour. Thank you and then maybe for Jocelyn, I know you've touched on it already, but with this rate base or capital plan upside, the potential for an even weaker Canadian dollar outlook going forward. Just curious if there's been any change to your thoughts in trying to lock in the longer-term cash flows at a higher FX rate as well? Or is it just status quo on the currency hedging policy for now?

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**Jocelyn Perry Fortis Inc - Chief Financial Officer, Executive Vice President**

It's never status quo, Patrick and we're always looking at the market. We did extend our hedging program to be two years out for our U.S. cash flows a little while ago, and we're still there, but it's something we are looking at. We're definitely taking we've stepped it up quite significantly in terms of just locking in the current rate. So no, it's an evolving item that we're always evaluating but right now, we're two years out on our U.S. cash flows.

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**Operator**

Michael Sullivan, Wolfe Research.

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**Michael Sullivan Wolfe Research, LLC - Analyst**

Hey good morning, couple more questions on Arizona. Just how do we think about the timeline for implementation of whatever may come of the remainder of these workshops. What is the process from here?

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**David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Yes, let me turn it over to Susan since we're in Arizona this week for their Board meetings. We've got her right here in person to answer that.

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**Susan Gray UNS Energy Corp - President, Chief Executive Officer, Director**

Yes Good morning Michael, thanks for the question. So as you probably know, on October 3, we had a recent workshop, brought in a couple of FERC representatives to talk about how the formula rate works for FERC, and -- so the commission may hold another one to two workshops, but I think they're motivated to get something done fairly soon, I'd say late this year or early next year, so I think we're getting pretty close to a solution and I think that's going to be good for our customers in terms of more gradual impact on rate increases and obviously good for us in terms of regulatory lag. But I think we're narrowing in on a solution pretty quick here.

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**Michael Sullivan Wolfe Research, LLC - Analyst**

Okay. Great and then I think just in the spirit of elections here, I think there's one in Arizona as well. How do you think about the range of candidates there and just what that could mean for regulation in the state?

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**David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

Go ahead, Susan.

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**Susan Gray UNS Energy Corp - President, Chief Executive Officer, Director**

Yes, so there's three open seats. The Chairman is not re-running, so that's a Republican open seat. Commissioner Marquez Peterson is running for re-election; and then Commissioner Tovar is not running for re-election. So three open seats, three candidates on each party. Your guess is as good as mine on how that's going to turn out today.

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**Michael Sullivan Wolfe Research, LLC - Analyst**

Okay, and then just pivoting to Iowa. I think there's been some talks out there of potentially the Duane Arnold Nuclear Plant coming back. Would you all have any involvement with that, if that were to happen?

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**David Hutchens Fortis Inc - President, Chief Executive Officer, Director**

On the nuclear side, no and Linda, I don't -- I'm not sure if that would have any impact on the LRTP, like maybe in the 2.2 phase because that obviously would be putting a big additional generator back online, which might have to go back into the calculus of what's needed from a transmission perspective. But Linda, have you guys thought about if that's got any impact on you all?

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**Linda Apsey ITC Holdings Corp - Chief Executive Officer, Director**

Yes. I mean, obviously, we're tracking and monitoring some of the conversation. Remember, the existing -- there's existing transmission infrastructure that is still there and in place that was there to serve the Duane Arnold facility when it was in operation.

But as Dave mentioned, certainly on a going-forward basis, as we continue to invest and build out the regional transmission infrastructure, certainly bringing new generation back online certainly has an impact on system dynamics, and so it's certainly something that we would have to study to determine what impact, if any, it has on the power flows, obviously, delivering load, and so I would say it's TBD, but I would say there is some pretty robust transmission infrastructure that currently serves that location.

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**Michael Sullivan Wolfe Research, LLC - Analyst**

Okay, and just to be clear, that's your transmission infrastructure or someone else's?

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**Linda Apsey ITC Holdings Corp - Chief Executive Officer, Director**

That is ours, ITC.

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**Operator**

As there are no further questions, I would like to turn the call back over to Ms. Amaimo.

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**Stephanie Amaimo Fortis Inc - Vice President - Investor Relations**

Thank you, Joelle. We have nothing further at this time. Thank you for participating in our third quarter 2024 results conference call. Thank you for your time, and have a great day.

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**Operator**

Thank you for participating. This concludes today's conference call. You may now disconnect.

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