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

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PRESENTATION

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

Welcome.

(presentation)

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

Good morning, everyone. I love that term, the greater grid. That's our new lingo, right, Linda?

So I just want to thank Linda, first of all, for hosting the Fortis team here today for our Investor Day. We announced the ITC transaction back in February of 2016 so about 3.5 years from the announcement day and about 3 years from the closing. And I think that day we were in Toronto. We came here the following day. And we met the employees of ITC that were in this facility in this room, and it was a pretty incredible couple of days. That first day, our stock was off 10%, I believe, given the size of the transaction, and we were using our shares for half the consideration.

I'm happy to report right now that our stock is up a TSR of 70%, 7-0, since that time. So 3.5 years later, if you had come into the stock on that day and kept it and reinvested your dividends, you'd be up 70%, and I think that's pretty damn good. So thank you, Linda, thank you to all the employees of ITC and of Fortis for a great 3.5 years.

I do want to welcome the people that are here in the room today as well as the people that are joining us on webcast. We're excited about our new plan at Fortis and looking forward to digging into it here today. There are going to be a number of themes that you're going to hear about today: innovation, growth, ESG, sustainability. These are the things that we are focused on right now.

Before we go there, though, I just want to say a few comments about hurricane Dorian. Our industry is dealing with the aftermath of the storm at this point in time both in the U.S. Southeast, in the Bahamas, in Eastern Canada, even our own utility in Prince Edward Island. We still have customers off at that utility almost 18,000 customers. Our crews are working very, very hard to get those customers back on.

Our colleagues at Emera in Nova Scotia are dealing with the storm both in the Bahamas and at Nova Scotia Power, in Halifax especially, have tens of thousands of customers off. Rest assured, we are doing everything we can to help out our industry partners. That's the nature of the utility industry. Our mutual aid assistant program is very strong, and there's utility crews traveling from all over to help put the power back on in these regions. And our hearts obviously go out to -- and prayers to the people of the Bahamas. This island was heavily impacted, devastated frankly, by hurricane Dorian, and we hope that life will get restored to some normality over time in that jurisdiction.

So let's get going. Forward-looking information. Just a caution that we're going to talk about a lot of expectations here today over the next number of years. These events are based on a lot of assumptions, and they may or may not occur, so I will caution you on that. Please read this information.

So today, we're going to focus on 4 key areas. We're going to roll out our 5-year plan. You've probably seen it in the press release already. Jocelyn is going to spend some time on our financial objectives.

We're going to hopefully exhibit innovation. It's a big thing that's occurring in the sector these days so much happening in our business. It's the most exciting time that I can remember to be involved in the sector, and I think utilities generally and especially here at Fortis, we're embracing this innovation, and we believe it's still the key to what will drive our future growth in the business.

And I also want you to really spend time with my management team members. We have the CEOs of our large subsidiaries here today. We also have our senior team from our corporate office and really try to get to know these folks because we have a very strong bench at Fortis, and our business model allows tremendous growth to occur in these individuals. And I think we have one of the best teams in the business.

So Fortis. We are a geographically diverse energy delivery business, so we move electrons down lines. We move natural gas down pipelines. And we get paid for doing that. That's primarily what we are, a big energy infrastructure business. And I believe we're probably the most diversified business in the continent at this point in time and both from a regulatory perspective and a geographic perspective, and that reduces our overall business risk dramatically compared to many other, for instance, single-state or region businesses.

Quickly, 10 operations now, 99% regulated, so we're basically a regulated business with very little nonregulated assets. And again, that lowers our business risk overall, assuming you can effectively deal with regulation, and we've had a great reputation of doing that.

Our rate base at this point is $28 billion. Last year, that number would have been $26 billion, so we've added $2 billion of rate base year-over-year, which is a sizable increase. Serving now about 3.3 million customers, 2 million electric and a little over 1 million of gas primarily in our British Columbia franchise. And again, back to that theme of an energy delivery business, 93% of the businesses, our assets are invested in the transmission and distribution business, that sort of wires and pipeline business. And because of this expansion that we've had into the U.S., buying 3 I would say great franchises here in America -- our Arizona business, our New York business and most recently, this incredible company ITC -- we have now 66% of our earnings coming from our U.S. business.

So Fortis is dealing with the same key trends, issues, opportunities, whatever you want to describe them that every other utility business is dealing with. And as I mentioned, these are exciting times. This move to renewables. We have the issues around natural gas with transportation, the opportunities there, battery storage, grid modernization. All these things are driving opportunities investment in the sector.

We also have regulatory change occurring, and we're really on the forefront of all of that and making sure that we continue to work well with our regulators in various jurisdictions. Last night, you saw the focus on electric vehicles at the GM Heritage Center with a couple of presenters, and that's such an exciting new trend I guess you could say that we all, I think, generally believe is going to come, and I think it would benefit the utility industry. It just remains to be seen how much is it the makeready as they describe it? Or are we also owning the storage or the charging stations? So these are all exciting opportunities, and we are involved in them at Fortis, so we're pretty excited about the prospects there.

So our new 5-year plan. $18.3 billion of CapEx over the next 5 years. That's up $1 billion from the previous plan. We're spending this year and next in that $4 billion area. My gut tells me that's our run rate, but as normal, we do have this sort of sliding off outer years, and we'll talk a little bit about that in the future in some future slides here, but today, we're launching $18.3 billion.

That's going to allow us to grow rate base, the infrastructure that we own, by about 7% over the 5-year period. It's little higher in the first 3 years, and then it averages down to about 6.5% over the 5-year period. That's pretty good growth rate, and that supports our continued confidence in our dividend guidance that we can keep increasing our dividend at the 6% on average rate. And as of this morning, as you know, we did raise our dividend effective December 1 by 6.1%.

So strategy of Fortis hasn't really changed for several years now. We're really leveraging all these great businesses that we have in these local teams to find growth opportunities. And now that we're running at about 7% growth rate, the goal is to try to sustain at that level and invest the right amount of capital to serve our customers and make sure that we're dealing with all the trends in the industry.

And occasionally, we'll land a bigger project here and there that will hopefully add to that growth rate but pretty comfortable that that's a good place to be. Dividends are very important to the company. We still have a strong following from our Canadian shareholder base that really likes the dividend guidance that we provide, and so we continue to do that.

And our focus for a number of years now has been on that organic growth story. We were once known as the company that just kept buying utilities. I hope by now, we're getting known as the company that just continues to grow at 7%. It's without buying utilities, and it's been a lot of heavy lifting by the team to get to this level that we're at, and it feels good at this point.

So the areas of focus, obviously, executing that capital plan. We'll talk a little bit about that. We find that we're highly confident that we can execute on the capital. The regulatory relationships are so important and maintaining stable regulatory relationship, that respect and transparency with regulators is so important, and our Fortis team and our subsidiaries across North America, they know that that's their main priority.

I would tell you that sustainability, the ESG area is so important to Fortis. You're going to find today, we are spending a lot of time on this because we're hearing it from our shareholders and other stakeholders that it's important to them. And fortunately, Fortis, we have put together a strong portfolio of assets that's focused on energy delivery, those poles, wires and gas lines that have a relatively light environmental footprint, and we are in a strong place. I think we can lead this entire area, and we're focused on that along with Nora Duke as our head of sustainability, we're really spending a lot of time and effort in this area at this point.

I'll skip to the end here a little bit and talk about investment-grade credit ratings. For me, for Fortis and for the team, it's very important that we execute all of this while we maintain a strong balance sheet. And clearly, our push into the U.S., we did use our balance sheet a little bit. We are rebuilding from that as well as U.S. tax reform, and you'll see from Jocelyn that we expect to make pretty strong strides over the next 5 years to improve that balance sheet.

So let's look back. It's been a busy 12 months, and I'll start with the box on the lower right-hand side here. Our market cap is up $6 billion in 12 months. If you told me 12 months ago, we're going to be up $6 billion, then I'd be shocked, but it's been an incredible 12 months for the company. Stock is up 34% I think in 12 months. Some of it's obviously macro-related. I think with low interest rates, that's been definitely a tailwind for the sector.

But if you look at how we've been executing and the dividend track record, the focus on sustainability, completing the asset sale that we had identified last year at a really attractive valuation, we had built this Waneta hydroelectric plant, and 3 years later, we sold it and doubled our money like it's a pretty incredible investment, and we executed well in selling that to a great buyer, a partner in that project, and we used those funds to pay down some debt as part of our balance sheet improvement exercise.

The focus on cleaner energy is we really announced some great projects in the last 12 months, the wind project in Arizona. We have the BC energy conservation project that, working with our regulator, spend capital and put it in rate base to encourage the conservation of energy. That's frankly great partnership between the regulator and the company to do the right thing and really proud of the initiatives there in British Columbia, and Roger leads that company for us. You'll get to see him later today.

And then one of the most amazing projects that we have ever been involved in is the Watay Project up in Northern Ontario to hook up a number of remote First Nation communities to the grid for the first time. And I think Gary, just this morning, we announced the contract for the construction of that line. Quanta Services is the contractor. It is probably one of, if not the largest hydro transmission contract issued in North America for a long time. It's 1,800 kilometers of line and a very exciting project, and we're looking forward to Quanta doing a great job for us.

Capital plan. We've increased the 2019 plan from $3.7 billion to $4.3 billion. Some of that obviously is related to those projects on the left there that we've now announced, but it's a great increase in the year-over-year plan. So a really strong 12 months, and that's I think supporting where the stock has gone in that period.

So what's interesting with Fortis is you can look at just about any time period over the last 20 years, and we've had great performance. What we show here are the Canadian statistics. These are Canadian returns on average for 20 years. We've delivered, per year, 13.9%, almost 14% return on average for 20 years. The TSX capped utility index is about 10% for that period, and then the overall composite is about 7%, so we've doubled the composite index performance.

And by the way, I think the Dow Utilities Index for the 20 years is about 7% or 8%, too. So we look at Fortis related to the U.S. utility set for that long period of time, we've also way outperformed. And some of that came in the first 10 years of the 20, but it's been an incredible couple of decades for the business as we have grown across Canada and pushed into the U.S., just really a strong performance from a shareholder perspective.

So let's move into one of the key areas today. Let's just focus on sustainability, and it all starts with this business that we have, which is primarily delivering energy. We don't have a lot of large plants, coal plants, gas plants that have emissions associated with them. We're really primarily a poles and wires and gas line company. And for us, that is the business that we like the most, and it's where our attention is focused.

We love our Arizona business, too. It's an integrated utility, and we're doing great things in that business to improve -- clean up the energy delivery. But overall, when you look at the company, we are primarily a transmission distribution company, and that puts us in a strong place from a environmental perspective.

So if you look at ESG generally -- environment, social, governance -- how do we rank? Governance has always been strong at Fortis. We are ranked in the top decile, and this is from a Canadian company perspective. The Globe and Mail does these board games where they rank all the public companies in Canada. We typically are in the top 5, 6, 7, 8 companies in that group, and it's a very comprehensive ranking. It's very important for our Board to be on top of all the concerns of shareholders, and we, I think, do a good job in this area.

One of the very big focuses of mine is on gender issues, and I'm very proud to say that Fortis is a leader in gender equality. 60% of our head office is female at this point in time. Our Board is at 42% female. I'm hoping that we can get there to gender parity on the Board, just a couple more moves over the next 2 or 3 years can make us there, and that would be definitely a leader in Canada.

In the U.S., there are a couple of boards that are already in that place, and 1/3 of our executive team is female. I will say the industry generally does have a ways to go in terms of the entire workforce, especially given the trades that are in the industry and -- but even there, we're spending some time understanding our sort of gender equity pay and all that stuff, and we're really hoping over time we'll make some progress there.

In terms of giving back to community, we also are recognized very heavily for being involved in our local communities. Think about our model. These locally operated businesses in states and provinces, they are, in most cases, the leaders in the communities that they operate in, and they participate in many of the local businesses.

If a utility is not good on that social area, then you should stay the hell away from it because utilities should be leaders from that perspective, and Fortis and its subsidiaries are.

Obviously, cleaner energy is important. We made great strides in reducing our carbon intensity, focused on renewable generation in Arizona, renewable natural gas in British Columbia and just making great progress there as well.

And finally but probably most importantly, safety and reliability. This area, we are a leader. We're outperforming the industry averages, but we still need to get better. All injury frequency rate is -- you see on the chart is running below 1.5. The U.S. industry is 1.53, and the Canadian electric Association is 1.9, so we're below those averages on a consolidated basis.

In terms of outages, the duration, we're running about 2 hours on an annualized basis where, from a Canadian perspective in U.S., the average is more in that 4-hour area. And I think these are metrics that we have to continue to improve on.

We have some businesses that are in our group, like ITC here, who is in the top decile on safety statistics, and we're increasingly making sure we're really understanding how these things happen in each of our business and sharing best practices across our groups. I know Gary Smith and Jon Jipping are doing a bit of a cross-company tour soon to go around and visit some of our other businesses that maybe are not tracking at the average or better to see if there's things that we can be helping to implement to see if we can move some of these numbers, but overall, we are in really, really strong shape in these metrics.

So the path to cleaner energy. I would say 2/3, 3/4 of the conversation in utilities these days is about cleaner energy and how do we continue to move down that path. And we've been spending a lot of time at Fortis on this, and you can see some of the key initiatives that we're working on here. We do have a video that we're going to show shortly on this as well.

But just to summarize some of them. The renewable gas in British Columbia, this is landfill gas, agricultural waste, we are a leader in this area. I think we have, Roger, 10,000 customers approximately that are purchasing renewable gas. We're going to expand that program I would say greatly over the next number of years, and hopefully, we could actually find the renewable gas. There's a demand for it, and it really is, from a policy perspective, supported by the province of British Columbia, especially in cleaning up that natural gas. It's already pretty clean, but this is -- this will make it even better.

The investment we're making in the grid, the things that ITC are doing to hook up the wind farms in the Midwest is amazing, and we're going to continue to do that. The queue was so long for this, and that's going to drive our capital plan for a long time. In Arizona, that shift away from fossil fuels, especially coal, over time moving to solar and wind energy is occurring, and we're a big player in that.

Last night, you heard about electric vehicle penetration. It's really not if. It's when and how quickly. It's really from my perspective -- I'm a big believer. Don't own an electric vehicle yet. I've got to solve that problem, I think. David owns one. He's the pilot program I think. But I've got to find one that tows a big boat, I think, so -- to replace the Tahoe so...

But anyway, I do believe that it's going to drive opportunity for our sector, and in energy efficiency, things we're doing across the group to really -- this is always in my view the cheapest way to cleaner energy, and if we can consume less, spread it over more uses, that's the best way of doing it, and we have some exciting programs, especially in British Columbia, that I mentioned earlier.

So let's go to the video.

(presentation)

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

So just to keep going on this topic, you'll see this slide shows a number of the areas that we have operations in and the legislative commitments of the various governments to goals around cleaner energy, and so that's driving a lot of this move by the utility sector to invest in these areas.

I will say if you look at ITC, some of the actual current legislation around renewables is many of the state utilities are large customers of ITC -- CMS, DTE and Alliant, for example -- have set goals much higher than these levels, 80% renewable on average range by 2040. So we believe there's tremendous momentum in this area that's going to continue to create opportunity for our sector to invest.

And just to continue on ITC, if you look at the opportunities that is in front of the company, they already have connected up 6,600 megawatts of wind energy, $8.5 billion invested since inception, and then you look at the other opportunities that are listed here, whether it be storage, the amount of wind that's in the queue, 82 to 91 gigawatts of additional renewable capacity in the MISO, SPP queue. That's like 82,000 megawatts to 91,000 megawatts of wind, and it's really a big number. And even if only half of that occurred, it's going to continue to drive the need for transmission in the business.

Arizona. David Hutchens and his team have done an amazing job of cleaning up the portfolio of supply, of delivering on the targets cleaner energy and surpassing them quickly, 28% by 2021 renewable energy. We had a goal of 30% by 2030, so he and his team have delivered that basically 9 years ahead of schedule and pretty excited about what the new plan may be for Arizona after we do a lot of our consultation.

And I have to give David and again his team and the Board there really kudos because really working with local stakeholders to say what's the right approach for Tucson and surrounding areas in terms of goals in this area, and he's collaborating with the University of Arizona's Institute of Environment to work together to establish, is it reduction of greenhouse gases? Is it the amount of renewables? What's the right target for that business? And I think all I know is that we will be better in Arizona going forward than we had anticipated to be, better quicker, frankly, in my view from this perspective. And I think that business in Arizona will continue to benefit from that strategy.

In terms of BC, when I look at natural gas distribution franchises in North America, I'm biased, but I do believe that our franchise in British Columbia is the most exciting natural gas franchise in all of North America. The things that are occurring in that business, the opportunity set that we have, the alignment with government policy that we are achieving is driving investment. We also have a small electric business there too, obviously, but 3/4 of our investment in British Columbia is on the natural gas side.

And I would tell you, there is just so much natural gas in British Columbia. It is an amazing resource. You've heard about the large-scale export opportunities that are occurring. We're not really involved in those, but we are involved in some smaller-scale stuff, and some of these big initiatives on creating more renewable gas using natural gas for road and marine transportation. We're already fueling some of the ferries in British Columbia, now looking at a bunkering opportunity as well, so some real exciting initiatives going on there. That's going to drive the growth of that company. It will be our fastest-growing Canadian business for the next number of years, for sure.

So our capital plan. You'll see that it's $18.3 billion, and you can see the curve there starting with 2020, we're at $4 billion and dropping to 2024, $3.3 billion, a typical utility curve. That $18.3 billion is, as I mentioned, $1 billion higher than last year's plan. We're coming off '19 now at $4.3 billion. The investment is primarily again going, as you would expect, into the transmission and distribution area and the other areas really technology, vehicles fleets, that kind of thing that support that T&D investment and then just 7% on the generation side.

Highly executable. When you look at it, 60% is sustaining, 27% growth related to customer growth, expansion of capacity, those kind of things.

Canada-U.S., 41% Canada, 54% in the U.S. The neat pie here is the smaller projects versus bigger projects. 80% of that $18.3 billion is in small size projects, less than a couple hundred million dollars. So major projects, which usually come with a little more risk, are a very small part of our overall budget, and we'll talk more about that.

Rate-based growth, around 7%. You'll see the leader, Charlie Freni from our New York business is here. He gets the prize, 8.2%, really lots of great things happening in New York state, lots of investment going into the grid in the Hudson Valley, and that's driving strong growth in that business. Again FortisBC driven by the gas infrastructure, 6.8%. And then you see ITC and UNS obviously having strong, strong growth as well.

What's an interesting thing is with that $10.4 billion of rate base over the 5 years, we're basically adding $1 billion of rate base every 6 months to the company. In my mind, when I first joined Fortis, we bought Fortis Alberta and FortisBC, the electric franchises. That was $1 billion of rate base back in 2003. It was almost like a bet-the-company transaction back then, and I think we issued stock equivalent to 2/3 of our market cap, and now we're adding organically one of those every 6 months to the company. It's just an amazing story.

We do expect the growth to continue. Clearly, the big trends that are occurring, this is beyond that 5-year plan, and maybe some of it starts to creep in, in the outer years of that 5-year plan, but there's a lot happening across the sector, and we believe that's going to drive further investment.

We've identified a few things on this Slide 29 that sort of focuses on some of that, but we're still working on a number of key things, and especially on the natural gas infrastructure side of British Columbia, there's real focus on the resiliency of that natural gas network in that province, and I think that's going to drive some significant investment for Fortis, whether it be in more tank storage, more redundant pipe bringing gas into the Lower Mainland. These are some significant initiatives that we have underway now to fix the problem that was highlighted with the pipeline situation late last year when we had the explosion on the pipeline, so I'm hopeful that, over time, we'll be able to create a more resilient natural gas network in BC and that will drive some further investment.

So when you look at the larger businesses that we have just to comment on some of the key areas where we think some incremental capital will go, clearly, we talked about ITC already. The shift in renewables is going to continue. I believe in the long-term trend that there will be more renewables on the grid. I think getting that -- we said in the video, getting that power to the load center is going to drive the need for more transmission. Having these RTOs solve the seen problems, FERC has to be more involved. And we're, I guess, big believers that over time will solve some of these issues, and that will drive further investment. And the entire conversation around resiliency, we see now with the storms, the impacts that are there, and a lot of this we can solve. It just requires some investment, and when we build things in the Caribbean, and we put back the things that come down from the storms. The next time the storms, the things that are still standing are the things that we just put back. Like we can build it stronger and so obviously, there is cost and we have to figure out how to do this without major impacts on our customers. But increasingly, this conversation around resiliency is there, and I think the grid will get stronger going forward, and that will drive more investment for utilities. I already talked about BC. Clearly, we have expansion of our Tilbury LNG storage site. The Southern Crossing Expansion is basically, we have a pipe that brings gas from Alberta into the Lower Mainland already. It's a small diameter pipe, is really expansion of that pipe to create another way to bring more gas into the Lower Mainland and to create a redundant supply, and we're exploring that opportunity at this point in time, and that will be a fairly sizable investment if it went forward. The renewable natural -- renewable gas target of 15% will drive further investment. And by the way, all this is regulated investment. Sometimes when people think about renewable gas or gas for transportation, some utilities are not doing that in the regulated compact. We are in British Columbia as part of the regulated business, so it has a same risk profile as our normal investment.

And we still have this long-term goal to expand our Tilbury facility to supply Asian demand, and it's a tidewater facility. We have the experience, the expertise in dealing with local regulation First Nations to make this work, and we continue to have good dialogue on that opportunity. It is not in our 5-year plan. It will be a $2 billion to $3 billion kind of size project, and I do believe that FortisBC will build that project at some point in time, and that's an exciting opportunity that we continue to pursue.

In terms of UNS, we talk again about setting this new target. It's -- maybe it's greenhouse gas, maybe it's renewables, but we're working through that now, and that will likely drive further investment in the grid in renewables for Arizona and so stay tuned on that. And just have a look at the integrated resource plan that was filed with the regulator. It has some really good information on what the possibilities could be for that franchise. So these are sort of initiatives, these opportunities that are not in the plan give us a lot of confidence that we are going to be able to continue to grow the business nicely over the next number of years into the second 5 years of our 5-year plan -- of our 10-year plan.

So innovation, this is a buzzword that people are hearing a lot about these days. And when I think about what's happening at Fortis, we went through a period of a lot of M&A activity, buying U.S. businesses. Then we went into a period of focusing on organic growth, and we've had great success in those 2 strategic initiatives, I'll call it. And now there's just so much excitement in our company about innovation, and there always were innovative folks in the business. But I would say it was in pockets throughout the company, and some folks were tucked away in corners kind of thing, but now it's really a front and center thing for our company for the sector generally. The amount of capital that's flowing into ideas in the energy sector is amazing. This entire conversation on electrification of transportation, renewable gas, battery storage, all these areas are driving opportunity and the utility sector, we want to be part of that. And Fortis is in that same place, and we've actually invested in Energy Impact Partners. It's a private equity fund based in New York that is basically 14, 15 utilities, providing capital to be invested in all the emerging ideas that are occurring in our sector. And you could say, "why does Fortis invest in that?" We sort of had a choice that we build up some sort of internal team of scientists, engineers, R&D experts or do we partner with others to work on this. And given our business model keeping a very small corporate office having local operations, we felt that this was the best choice for us, and we haven't been disappointed. They raised -- I think I'm going to get these numbers slightly wrong, but USD 600 million in the first fund. The second fund is soon to be announced, I think, it's going to be probably bigger than that fund, and in fund 2, Fortis is paying -- playing a bigger role. So we're seeing everything that's happening in our sector, whether it'd be cyber issues, batteries, all the big things. And the ideas that work for us we take those ideas and bring them back to our utilities and implement them in our utilities. So it's a great way of staying abreast of everything and seeing the innovation that's occurring in the sector. And we have a video that talks a little bit more about it, but I think that this focus on innovation is what's going to drive more growth in the business going forward.

(presentation)

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

Now to one of -- couple of my more favorite slides. So outperforming historical capital plans. You've heard about us talk about this before. I just want to paint a picture we announced ITC -- sorry, we closed ITC in October of 2016 I think it was. So then we released our third quarter report in 2016, and we say that our 5-year capital plan is going to be $12.9 billion. And now when we look at that 5-year plan, it's $18.2 billion. Same business, same -- there's a same-store sales number basically. Just imagine if we had announced $18.2 billion back in October 2016, how much of a stronger reaction may be we would've gotten from our shareholders, from investors at that point in time. So we've been focused for some time now on making sure that we do a lot of work around the full 5 years of our plan because trying to sort of slow down that gap, I'll call it. So you can see it the next year, we're $14.5 billion, and we actually now are at $18.8 billion. And then last year's plan, we said $17.3 billion, now if you overlay where we are the same years, we're actually at $19.3 billion, getting closer to that magic $20 billion number that I tend to talk about.

So when we look at our capital plan, that $18.3 billion, I just -- we talk about it with a lot of confidence because this trend of finding more opportunity in those outer years has been going for a long time. You can go back further here. This sort of trends are consistent for a long time. And so today, we're announcing this $18.3 billion. We're confident we can execute on that amount of capital. And if history proves us right, we will actually spend a fair bit more than that $18.3 billion when we look back 5 years from now.

And dividends. We all love dividends. We're all large shareholders of Fortis. Fortis had a track record of now 46 years of increasing its dividend. There's only one other company, I'd acknowledge them. I still think we're the leader but we have this battle that goes on. It's Canadian Utilities in Alberta. The company is controlled by the Southern Family, and they maybe have a little stronger record, but no other bank, no other public company in Canada has done this as long as Fortis. So I will say that when we have -- some U.S. shareholders say why are you focused on dividends versus EPS guidance. It's tough to move away, right, and it's an important record for the company. We do still have a lot of retail shareholders. About 30% of our stocks held by retail shareholders, and this is -- I've been getting -- my phone has been going off all day saying thank you very much for the dividend increase. And it's not -- to be honest it's not large shareholders that are saying that. It's the people that own a few thousand shares in the company that -- it's a big part of their retirement income. So this is important metric for the business. I'm very proud that we've announced this 6.1% dividend increase again as of December 1 and look forward to continuing to be able to do that well into the future.

With that, Stephanie -- we're going to do a 5 minute break and so grab a coffee and please be back.

(Break)

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

Okay. Welcome back, folks. I won't say this is the best half of the show. That would be wrong for me to say, but I always say it's quite difficult to follow behind Barry, because he's quite enthusiastic certainly about the plan that we've just released. My intention here today is to dive a little deeper into our capital program, just about the projects that we have included, look also at the funding. We mentioned this that the plan that we put together from a funding perspective does strengthen our balance sheet, move us forward, which is certainly one of our objectives. And also we are going to look at the regulatory construct, going to look at how that lines up with our capital plan that we have and how that lines up with our customers.

So when you look at our objectives, actually, I'm about with Fortis about 1 year now and last year this time, we set out our objectives, and they really haven't changed. We're about delivering on our growth strategy, our internal organic growth strategy, yes and I agree with Barry. We have actually consistently delivered more, but we remain focused on delivering this $18.3 billion capital plan. And doing so, we're maintaining a strong credit profile, and we're actually strengthening our credit metrics as we go forward. And certainly, that is all in to deliver a 6% annual dividend growth. So the strategy, the objectives are quite clear and quite simple.

Looking back also from a financial perspective and again, this is during a period of acquisition, a period of U.S. tax reform so not some exciting times and we performed. We've delivered an 8% EPS 5 year CAGR and a 6% rate base CAGR. So quite impressive during a time that certainly, again, was busy for Fortis. And throughout that time, we delivered on a dividend payout ratio of 68%, and we have said clearly before that that's within the zone that we're comfortable with, with respect to our dividend payout ratio.

So when you look at the 5-year capital plan and Barry has spent some time on our 3 biggest utilities moving the needle with respect to our capital plan. We're pushing almost 70% of our investments come from ITC, FortisBC and UNS Energy. And again, 99% of all of our investments are regulated. So we're seeing good growth from each of our utilities, not just the bigger utilities, and that's reflective of the $1 billion increase that we just announced earlier this morning.

So the rate base, and Barry has touched on this as well, currently at $28 billion. Over the 5 years, we are growing the rate base to $38.4 billion. Again, in the early years, it looks like a 7.2% average growth rate and over 5, a 6.5%. So I would say, it's fairly consistent. We showed last year 6.3% average CAGR, obviously again in the same direction we've been for many years. We have consistently delivered more than what we thought. And again, we are now upping the capital program by $1 billion so that's pushing this CAGR up to that 6.5% over 5 years. And it's over $10 billion. And we like repeating that by the way, $10 billion of rate base over the 5 years.

So just taking a deeper dive into what's driving that $1 billion and the drivers of the $1 billion are coming from ITC, around $300 million. We have $300 million from FortisBC, $200 million from the Caribbean, and I'll touch on that, and $200 million in foreign exchange. So obviously, the foreign exchange rate will move depending on markets. Last year's plan was based on a rate of $1.28. We've converted this year's plan based on current information of $1.32.

And when I look at the drivers of our capital, I feel that I have to mention UNS is not on this slide yet. UNS is a big driver of our growth. It's just -- you'll remember, it was just last quarter we announced this. We raised our 2019's plan by $600 million. UNS was actually a big reason for that growth. So there's more timing as to when they're actually contributing to the growth over our previous plans.

So I'm just going to take a look at some of the specifics as to what is driving this incremental investments but ultimately, when you step back, it is the whole theme that we've discussed here today already around the path to cleaner energy, and that's what's driving the incremental investments. And as Barry said, there's probably more but right now, there's $1 billion more, so it's a good place.

So looking at ITC, Barry talked about what was in the queue, and there is incredible amount in the queue. So when you look at what's in ITC's program, they're going from $4.5 billion over 5 years to $4.9 billion, so again, they're up $400 million. $100 million of that is foreign exchange, but $200 million of that is associated with interconnections of renewables onto the grid. And so they have almost 2,000 megawatts of wind and 600 megawatts of solar. So that's what's in the plan incrementally now that we've added. And I believe from speaking with Linda, we probably have about 40% of that, that we already have interconnection agreements for. So feeling pretty confident about this incremental investment associated with hooking up more renewables onto the grid. And again, the queue is quite large and so the future in this area certainly is and continues to evolve for ITC. And again, there are some incremental investments of $100 million, and that's all related to just grid strengthening, grid hardening and supporting reliability initiatives at ITC.

When we look at FortisBC, again, Barry spoke of some projects within BC, but certainly our Tilbury site is an exciting site and not just for export but also for the local marine bunkering services. And so we currently provide through our Tilbury 1A site some truck-to-ship marine bunkering. And obviously, the next level of this is the evolving marine bunkering. So we are -- the project that we've added to our plan, and it's our only new, what we call, major capital project just because it reaches that $200 million threshold is this particular project. So it includes an additional liquefaction and some piping to the marine jetty. So this is about having access to a marine loading jetty and doing the direct ship-to-ship bunkering. So -- and we have this in the plan for the latter part of the plan, and we believe by then that this market is evolving, and we believe that by then, there will be a need to expand our Tilbury site. And there potentially could be even room for further expansion at the Tilbury site, as Barry mentioned, around any further opportunities with respect to LNG for export, which we currently do not have in our plan right now.

So even focusing on not one of our bigger utilities but even our smaller utilities, their capital program over the 5 years is increasing from $400 million to $600 million, so pretty significant for CUC. And this is really centered around the government's push to have emissions reductions there as well. I think it's 60% by 2030. And a big step forward for Grand Cayman was the regulator actually accepted an integrated resource plan that was essentially a road map on how they get to those emission reduction targets. So it's about taking the island from diesel to more renewable solar in particular clearly. And the IRP itself calls for about 100 megawatts of renewables by 2025 within this road map. And within our plan, we've actually only included 50 megawatts of renewables, and we've only assumed 50% thus far in this plan that we presented today. It is the way the IRP works is that now you have to submit projects to be approved by the regulator and you have to, of course, present why it's good for the customer, which we feel we have no issue doing considering how we believe we can implement solar per se, cheaper than we operate the diesel today. But it is uncertain whether CUC will have to compete for this generation, which is why we've included only 50%. But we are certainly going to be pursuing all renewables opportunities there because there is a big push on Grand Cayman to actually meet those emissions targets, and we feel we are ideally suited to provide that renewables options.

So with respect to the major capital projects, Barry touched on this, 80% is our regular business we put aside, and only 20% is deemed as major capital projects. And I have a short video here to just highly touch on the 10 projects that we do have and certainly post the formal part of the presentation, we're having a roundtable and we can certainly dig into these projects a little more.

So here's the video.

(presentation)

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

And just looking further beyond the major capital projects, Barry talked about this as well. When we look at how we're bringing in those investments or where the incremental investments are coming from, when you compare the same 5 years from '19 to 2023, our capital is up incrementally by $2 billion. Again, we increased it by $600 million in 2019, as you'll recall. So a lot of the growth, incremental growth that we are seeing is actually coming in the front end so I don't know if it's common, but you tend to see growth projected in the outer years. But in our case, we are actually expecting this growth to come to fruition in the front end. And if anything, it's our back end that is showing some curve downward. And so again, all of that plays into how we set ourselves up to fund this capital -- this capital growth plan.

And so as we did last year, we outlined what the funding strategy was. And to no surprise, I'm sure the bulk, given that 99% of our regulated -- our investments are regulated that the substantial portion of this capital program is actually being funded with cash from operations from our regulated utilities, 73%. And the debt -- net debt refinancing is estimated at around 24%, and the majority of that is at our regulated subsidiaries. But we are increasing our capital plan by $1 billion, and we did say since we delivered our capital plan from the previous year that if we were to increase our capital plan above that $17.3 billion level that we would look to utilize our ATM program. And we have outlined here today that we do plan on utilizing our ATM program for this 5-year capital program, and that's substantially funding the equity piece of this incremental billion. And that clearly keeps us in a position to keep our balance sheet strong and continually improve our balance sheet as we move forward over the 5 years, which I'll show. And certainly, it is with the aim of maintaining our investment grade credit ratings, but I will go further and say because it would be the elephant in the room. We always look to improve the rating that we have from Moody's as well, and I think the plan that we have put in place, it is strengthening our credit metrics. It improves our CFO-to-debt, it improves our holdco debt to total debt, and we're a highly diversified company. So I believe all of those combined could lead us at some point to further ratings review with Moody's.

So contrary to Barry, we all have our favorite slides. This is my favorite slide because this funding plan provides us with the strengthening that is clearly one of our objectives that we set at Fortis. And Barry alluded to this that we did use our balance sheet with ITC. We did have U.S. tax reform, and we have been working our way out of both, and this funding plan certainly puts us in a good position. When I look at the capital plan, given that it's substantially regulated, given that we do not have an abundance of major projects that are highly risky projects, our risk profile is not changing and if anything, we -- one of the credits we get from a ratings perspective is that we have a very strong business risk profile. And so I don't see that changing with the capital plan and the incremental investments that we're now proposing here today.

So when we look at what this is doing for us on the year gone by, again, as the heading says, Recovering from U.S. Tax Reform, our CFO-to-debt was below that 11% threshold that we aim to achieve. It was 10.5% and holdco debt to total debt was 39%. So in 2019, when you flip to the right, some of this is related to Waneta, some of this is related to we are tapping into the ATM. We are improving our CFO-to-debt to that approximate 11% threshold, and our holdco debt to total debt is decreasing to 36%. When we look beyond 2019 and we now look over the 5-year period, our average CFO-to-debt is around that 12% mark. So again, these are the things that we're looking for within our funding strategies to set us up to actually continue to strengthen and put us in a position to maintain the great credit ratings that we have and potentially a ratings review by Moody's at some point. And the holdco debt to total debt is actually decreasing to 32%. So these are not in my opinion insignificant reductions from '18 where we started at 10.5% to 39% to actually be looking to on average debt to 12% over the planning period and to get holdco debt to 32%. So these are what I call measurable strides in improving our credit profile, which is why this is my favorite slide.

And then just looking at debt maturities, not much change here from what you've seen before. On average, about a 5-year-average is about $1 billion annually, certainly within a manageable level. And we have ample credit facilities at our regulated utilities and within our holding facility to operate the business as needed for our customers.

And again, all of this is rooted really and in terms of how we maintain a strong business risk profile by the ratings agencies and how we have strong investment-grade credit ratings from all of our subsidiaries. And certainly, that's something that we set as an objective for all of our regulated utilities. Utilities need to be able to respond to good and bad times, and it's important that they have a strong credit profile as they operate a grid that's necessary for the safety of everyone.

So then we look at, as you do in any business, some sensitivities that you would have, and Fortis is no different. I always say we're naturally hedged from sensitivity perspective. We have 10 separate businesses. And that, by its nature, hedges us from any one impact throughout our business. But certainly, foreign exchange is one that we pay attention to. We do have a hedging strategy where we see we're hedging around 30% of our cash flows, but ultimately, it results in a $0.05 change in the exchange rate, leads to about $0.06 impact on EPS, and it's been like that now for several years and certainly one that we feel comfortable with.

When we look at changes in ROE we just chose 2 of our biggest utilities here to give perspective. And again, we're naturally hedged because it would have to happen in both utilities simultaneously to be additive to Fortis. But a 25 basis point change in ROE at ITC is around $0.03 impact on Fortis, 25 basis point change at UNS would be about $0.02 impact on Fortis. And then when we look at our 5-year rate base CAGR, if we were to add an additional $1 billion to our capital plan, it adds about 30 basis points to our average CAGR. So those are sensitivities we have -- the key sensitivities that we do have.

So then we look at, I say delivering, and I believe it's Jim Laurito who said in the video, which he stole the verbiage from Mike Mosher, which he says is the Fortis secret sauce, but it is, it is how we're operated. We're locally managed but we think much broader as a group. We can have access to a wide variety of talent, ideas, exposures and we don't need to reinvent the wheel in certain cases at every utility all the time. So we get the benefit of working with a larger group and being able to not only deliver on our plan but sometimes in the past delivering more. And I think it's important that, that local management is preserved in each of our utilities our managements are close to customers, close to the regulator, close to governments, close to the economy so they make the right decisions for customers. And also, even when they put forward these capital plans, there's a lot of effort and a lot of work that is done within this capital planning process to make sure that we have not -- that we've considered all elements of safety and reliability and customer service and also the impact on customers. So it's not -- you can spend -- I'm sure there's much more we can spend at, but it has to be balanced with the customer in mind and the impact that it has on customer rates. And we've done a great job in my opinion right across all of our utilities at managing the impact that our investments have had on customer rates.

And going forward, it's not lost on us that we have to maintain that focus, and our utilities feel they can deliver the capital program and -- while not having a drastic impact on customer rates.

So when we turn to the regulatory outlook, not much new here from what we've discussed in our Q3 conference call. We are still awaiting a decision from FERC based on -- for the MISO Base ROE. We are still anticipating and hopeful that we can get an order this year. The Notice of Inquiries are still outstanding, and reply comments are due on the incentive NOI, I believe, the end of September. So that process is still running.

We'll reflect on one order that FERC issued, which was with respect to the independence adder. They actually reduced ITC's independence adder from about 50 basis points to 25 basis points. And citing that they weren't totally independent, we asked for rehearing on that. It was denied. It is very likely that we will appeal that decision. So that'll be forthcoming soon.

With respect to UNS, the rate case has been filed. We are still anticipating new rates in early 2020. That proceeding is filing as normal. We're answering RFIs and doing the normal course process, but new rates are expected in early 2020. And then BC also filed a multiyear rate plan that doesn't deal with cost of service, and it's more about just rate structure and just how the construct of the rates are embedded within FortisBC, and that is -- was filed in early 2019. So no change there either.

When we sit back and reflect in which we often do, and we show this slide quite often to be frank. We do often compare our U.S. businesses with our Canadian businesses. And we do continue to try to understand the difference, particularly on the equity thickness of our U.S. utilities to our Canadian utilities. And so if we look at where we are, it's from 55% for the U.S., it was around 39% for Canada. So it's not an insignificant difference. And I guess my point on this one is that we remain focused on this. We try to understand it. There's a need for us to continually work with regulators and the population at large to get under this because we believe the divergence is certainly too large, and we need to start closing that gap. So it is a focus of Fortis and a reflection that we have constantly.

So when I look at the regulatory calendar. Again, this aligns with setting the utilities up to delivering on the capital program. Utilities have to go in front of the regulator to rebase rates, and again, as I said, in the balanced way with customers. And so when we look at the calendar, BC obviously has just set the multiyear rate plan that takes it out to 2024. TEP expects rates in 2020, but certainly anticipates that it will be, again, in a couple of years for new rates around 2023.

When we look at Alberta, they have -- they intend to start a cost of capital hearing around how to set cost of capital for years 2021 and onward. That is yet to really take any form just yet, but that will determine the look of Alberta, I suspect, going forward. And so we're very interested in that particular proceeding. And Central Hudson expects new rates in 2021, and again, on that 3-year cycle as well. And back to Barry's slide on the winner of our rate base growth within Central Hudson is important that Central Hudson also get in front of the regulator and match up the capital investments with that of the customer rates and how we're going to implement that going forward.

So no, I would say that the regulatory calendar is not daunting. It is, I'd say, normal course business, as we would say. And certainly, we have the local teams dealing with each of those proceedings.

So when I look at the highlights. Yes, the $1 billion increase from the previous year is certainly a push to $18.3 billion, and that's almost a 7% CAGR rate base, which is certainly a growth rate that we are happy with. I'd say Barry will never be happy with the growth rate. But I'm going to say 7% is within industry norm, and we are increasing rate base to $38.4 billion.

Again, part of my favorite slide, we are making measurable improvements from my perspective in our CFO to debt over 200 basis points, and our holdco debt to total debt improves over 700 basis points. So again, not insignificant, one that we've been really focused on and I think sets us up to maintain our strong credit ratings that we have.

So with that, I'm going to turn the floor back to Barry to close.

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

Thanks, Jocelyn. So at Fortis, I believe our story is getting stronger. With Fortis, you get a group of well-run businesses. We're really highly diversified. We are focused on that important area of energy delivery, really spending a lot of time in innovation and growth these days, created a great, I think, platform for the next 5 years now, growing our rate base by about 7%, still really focused on the regulated space. That's our scene, is it regulated? And if it's not, we struggle to go there. And ESG, it's becoming such an important factor of everything we do. And I think we are aligned very well with this theme, and we will continue to expand a lot more time on ESG matters going forward and aim to be at that ESG leader, frankly.

And then to end up, our dividend guidance is important to us. We have extended it for another year. We've raised our dividend again as of December 1, and we're really excited about our ability to continue to return funds to our shareholders. So thank you very much.

I believe we're going to go to a Q&A session, which is going to be coordinated by Stephanie.

QUESTIONS AND ANSWERS

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

So this concludes the formal presentation. So we'll start and open the floor to any questions that you might have here in the room. We'll bring the microphone over to you.

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

And I say at the AGM that we're having at St. John's every year where we have 300 or 400 shareholders show up, like it's a mini Warren Buffett kind of thing that we have. There has to be questions. So we need at least a few questions.

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

There we go, Linda Ezergailis of TD.

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

I know we have the roundtables this afternoon and all that as well, but...

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

Maybe we can touch on your next likely opportunity to challenge this difference between U.S. regulated returns and Canada regulated returns. It seems that the Alberta generic cost of capital proceeding would be an opportunity to rally your peers to advocate for that. Can you comment on what sort of conversations you might have had with your peers on this front and how your approach in this proceeding might differ from prior generic cost of capital proceedings?

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

Well, definitely, peers are supportive. And why would they not be? It's -- it is a material difference in how Canadian businesses are treated in Canada versus how U.S. businesses are treated. And yes, there's a stark map that there -- somewhere there shows the amount of capital that is flowing from Canada -- Canadian-based businesses into the U.S. versus what it's come from America up into Canada in our sector. The North workflow is basically 0, one transaction, which is the Berkshire Hathaway purchase of the transmission system in Alberta a long time ago. And then you -- we all know of the amount of capital that has flown from Canada down into the U.S. So that tells us something, right? It's really -- American utilities are not that interested in buying Canadian businesses with that thin equity level.

For Fortis, this is a big matter. It's -- we have about $12 billion of rate base in Canada. When you add the rate base, equity on that rate base and the difference in the allowed returns, it's about $150 million a year in earnings and cash flow. These businesses are not producing the same amount of cash flow as our U.S. businesses. So I think there's -- steps that we'll be taking over the next few years. This is not something we can change in a year. This has been developed over decades, these differences. We have to convince our regulators that this is the right thing to do, and that means it's the right thing to do from a customer perspective. So we're still spending time on it. We will use the different proceedings that we have in front of each of the provincial regulators to amplify the conversation. I think rating agencies, to be honest, also have a role to play in terms of how they compare a Canadian regulated business to a U.S. regulated business and the quality of the regulation. I think there's a general thought that U.S. regulation is inferior to Canadian regulation, that it's not as consistent. There's more disallowances in the U.S. compared to Canada. I would argue that, that's not true. It may have been true 10, 15 years ago. But if you look back at the last decade, many American businesses have improved their interaction with the regulators. They have created riders and pass-throughs that are similar to what we have in Canada. They've moved to forward test years. Yet, we retain in the U.S. a very thick equity level. And so I think that argument is no longer true. And so from a rating agency perspective, that's an area, I think, that will probably evolve as well. And so we're hopeful we'll make progress over the next 5 to 10 years.

From a shareholder perspective, this is an important topic. And when you think about Canada -- and this is a long answer, but Canada has got some competitive issues in the energy sector, generally. And we're not maybe at times put in that sector. It's more the midstream oil and gas, that kind of thing. But this is a factor, right? From a competitive perspective, the country -- we need to attract capital. And I think being that much different than America here is a place we cannot be long term.

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

Great. It looks like we have another question here from Robert Kwan with RBC.

Robert Michael Kwan - *RBC Capital Markets, LLC, Research Division - Analyst*

Actually, a couple of questions. One for Barry and one for Jocelyn. Barry, just on the M&A fronts, you were very explicit. A couple of years ago, no M&A, taking it out of the areas of focus. It's still not in the areas of focus. I'm just wondering, are you continuing to make that statement here as we go forward?

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

Yes, for sure, Robert. I -- we know everything that's happening in the sector, the big stuff that's possible, and none of it excites me. I have to say, yes, we've now been 3.5 years since ITC. So one could say, well, that's typical for Fortis. Now it's -- Fortis is going to go do something big. It's not the case.

Really, when you look across the spectrum, we're not seeing that strong opportunity that would make strategic sense for us at this point in time. There are only a handful of businesses that would make sense. There's only 40 or so investor-owned utilities remaining in the U.S., some are really small, some are really big. So when you look in the middle there, there are only a handful of businesses. And I've been saying for some time, the next opportunity in this area for Fortis has to have strong industrial logic. I don't see us like going off to the Southeast and doing -- like it's got to be connected part of overlapping to something that we already have. And when I look at those opportunities, it's -- they're just not there.

I will say that valuations are also high. We're benefiting from that as a company as well, obviously. But when we bought into the U.S. business, our timing was really great, right? We -- actually, valuations -- Even though we -- folks said, we paid a lot, but then valuations continue to go much higher. And we've got in when the dollar -- our Canadian dollar is closer to par. So our timing was pretty damn good coming in. Those things are not in alignment right now either. So we're fortunate, we have a great business that's growing well, and we can be really patient. If it takes 5, 10, 15 years, it is what it is, right? So we will continue to be aware of what's happening in the market. And we're not actively seeking out that opportunity at this point.

Robert Michael Kwan - *RBC Capital Markets, LLC, Research Division - Analyst*

Great. And then Jocelyn, just on the funding side, you've outperformed historically on your capital spending, and Barry was -- you were talking about $4 billion feels like the run rate. So that could add a couple billion almost to the plan. When you look at the funding plan, that 3% ATM wedge looks like roughly where your ATM is here. So how do you look at if that unfolds, is it the ATM? Is there some other financing? Do you look at asset monetizations? How would you look at -- or is the trade-off just not to strengthen the credit metrics as much as you've talked about?

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

So I think if we were to secure additional capital of $2 billion, as you say, Robert, we would certainly look to the -- potentially the equity market for that. I mean we can reestablish the ATM program over that 5 years and tap into the ATM. It would depend on timing of the project, how big the project is, but we would certainly look to finance a project where we continue to strengthen our metrics or maintain the metrics that I've shown here earlier today. So we're not looking to go backwards with respect to where our balance sheet is. So depending on the timing and the amount, we would look to see the impact that it would have and we would finance accordingly, so that we maintain the vision that we have for where we want to be within our credit profile.

Robert Michael Kwan - *RBC Capital Markets, LLC, Research Division - Analyst*

And with asset monetizations factor in going forward?

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

So I think last year, we laid out that we anticipate we would do asset sales. We sold Waneta, as we said, and we said we were done with asset sales. And I mean I'll repeat Barry on this one. It all depends on value. We always would consider certain asset sales, but that depends on value, right? Right now, no asset sales. But never say never.

Robert Michael Kwan - *RBC Capital Markets, LLC, Research Division - Analyst*

You're selling some of the smaller Canadians, almost a way to back into that. Linda's original question, too, just to demonstrate Canadian utilities, it's not necessarily where you want to be allocating capital?

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

I'd rather solve it another way.

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

Yes. Yes.

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

Utility businesses are -- that's what we do, Robert, and -- but it is an issue, right? And it's increasingly becoming an issue that we talk to our shareholders about. We get questions on it. I would say the utility industry is changing. One time, we didn't get challenged on capital allocation. And you'd push back and say, "No, no, we don't think about capital allocation." And -- but increasingly, shareholders are concerned about where you're putting the capital, do you need to own all the assets that you own, should you rationalize. These are conversations that all big public companies are having on a regular basis, and Fortis is no different than that. And I -- as a management team and as a Board, we have to be aware of that and -- on top of it and make sure we're running great businesses that are reflective of what we expect them to grow at. That's why those capital plans are so important that we need to be able to show the business to our stakeholders as what we think it is, right? The fact that we have been under -- reporting our capital plans historically, it's probably not a positive thing in a way because that means probably the valuation for the business in those times wasn't at the right place. And so for me, it's always making sure that we present our company to our shareholders in the light of what we expect it to be in the next few years. And so increasing -- these questions you're asking on funding and capital allocation are very pertinent and are front and center in our deliberations as we figure out how we fund our capital plans.

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

Andrew?

Andrew Kuske

A multipart question. So when you look at the skew of your smaller cap projects now at this stage in time, which is different than well in the past where you had some really large projects, are you more confident in the quality of the earnings on a go-forward basis? And then has that smaller project skew really help transform the employee culture to be more entrepreneurial? And then the final part question is really, when you look at BC, how much runway do you have on just gas distribution enhancements, extensions, so on and so forth?

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

The answer to the first couple of questions is yes. The -- I think, historically, we've always had a majority of projects in the small category. We've always sort of differentiated ourselves a little bit different than I would say the pipelines in Canada. The big companies who have these multiyear, multibillion-dollar projects that are subject to a lot of permitting and that. Fortis has always not been in that category. So we're very happy that sort of quality is -- we're maintaining it in the business.

The innovation thing, yes, I think we challenge all of our teams to try to find opportunities to enhance their service to customers, do the things that are happening in the sector, share experiences across the group. This sector is growing by 6% to 7% a year. And if you got a utility business that is only growing by 2% or 3% in a normal market, that's not -- that's part of the America or Canada, I think that's a problem, really. You got to really focus on that business. There's something likely that's not occurring in that business that everyone else is doing in the sector. And so we've spent a lot of time on that, making sure our teams really understand what each other is doing, and are there gaps and why is Arizona spending in this area and maybe not Newfoundland Power, for example. So that's helping a lot.

And I forget your last question.

Andrew Kuske

The runway of CapEx and BC on the distribution side.

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

Yes. I would say Roger will do a lot this afternoon in the roundtable talking about this. But of all the businesses that we have, I'm probably just about the most excited about British Columbia right now and especially on the natural gas side, the infrastructure side, wish we had thicker equity there, obviously, but it's good. We added -- Roger, when was it, last year, 20...

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

22,000.

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

22,000 gas customers in a province, so 2% add rate for customer count, pretty good for the utility business. BC economy has been strong for a long time, continues to be, I think, a standout in Canada. And I think our FortiSBC business is going to continue to benefit from that. Clearly, there's some policy issues there that we're all dealing with regards to natural gas and carbon. And -- but we're finding our way to align with government policy to do the right thing and find ways to invest capital. And I would say Roger and his team have been doing a marvelous job of doing that. It is a different environment than most of our other utility businesses and especially, the focus on the environment and carbon and all of that. So we're really aligning ourselves with those policies and finding ways to grow the business.

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

So we have Robert Hope with Scotiabank.

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

Look, you talked about the potential of the gap between the Canadian and U.S. ROEs narrowing. You're speaking to it from the potential that Canadians go up. But with rates where they are right now, could we see a larger effort from some stakeholders in trying to move down the U.S. ROEs?

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

I just don't think the tail wags the dog, like it's really Canada -- America's America, right? It's a big jurisdiction -- remain of a view that there is a focus within the U.S. And what's happening in Canada, it's not going to drive what occurs in America.

That being said, low interest rates, near 0 interest rates for a long period of time. We all have to be aware that the conversations, I'm sure, will happen in all regulatory rooms over the next few years. If we continue to have persistently low rates, that's a macro issue that the industry will face. So I can't say what the outcome will be. It does seem like U.S. returns get sticky around that mid-9s, 9.75. The equity conversation, in my view, is American regulators want to have strong utility businesses, and it seems like that comes out around 50% equity thickness for a state-regulated utility. And there doesn't seem to be that much momentum to lower equity levels. So I think the ROE conversation is where probably more time gets spent in the next rate cycles, I'll call it, if interest rates continue to be lower, so...

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

And then just in terms of your Caribbean tick up in CapEx there. The Caribbean has seen some good outcomes and some bad outcomes for the utilities. Can you just speak to your confidence on earning a return on and of capital? As well as it's a large spend for the rate base, so is there a significant impact on customer bills? Or are they going to benefit from the renewable versus diesel?

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

I'll answer the latter part of your question. The goal here is to do renewables in the Caribbean and lower customer bills, right? Customers in the Caribbean do pay a lot for their electricity. The cost of diesel into these small jurisdictions, the economies of scale does cause rates to be high. In some cases, we have to barge diesel in because there's no port facilities that you can bring in ships to deliver the fuel. So there's added layers of costs. And so the goal here is to use that fuel costs that we're paying to pay for the renewables, but also hopefully generate on top of that a rate reduction. So it's an exciting time for these island nations. We believe that we can achieve this.

The Caribbean is obviously risky from a weather perspective. We all saw that with Hurricane Dorian. I believe the 2 jurisdictions we have, Turks and Caicos and Grand Cayman, both have suffered over the last 20 years, hurricane 5 -- Category 5 hurricanes, and had their systems significantly rebuilt.

I believe both jurisdictions are in a good place right now. Not to say that another storm couldn't cause significant damage. I think, though, it would be less than prior because we've invested heavily in the businesses. We do earn fairly good returns in the business compared to our North American returns into the low double-digit range on that sort of 50% equity level, and we've earned those returns fairly consistently over the years. So they are good businesses, albeit with that weather risk in place there.

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

So we'll take a question here from Ben Pham with BMO.

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

Question for you, Barry. You mentioned last fall about valuation discount to the U.S. And maybe if you could give us an update and if you achieved what you wanted to achieve? Or is there more room here on the relative valuation.

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

So the new challenge is we should be trading at a premium to the average U.S. utility, clearly, because the quality of our assets are definitely better than the average U.S. utility. When you think about the focus on wires business that we have, the growth rate of the business, the regulatory constructs that we have in place. So I'm impressed as hell how about the progress we've made to close that gap. So we are trading around the average of a typical U.S. utility right now.

But when I look at the business that we have and the quality of our Arizona business of ITC, New York, our BC business, the wires business in Alberta, these are great businesses. And in my view, we need to start setting our sights a little higher. And we're still -- our yield is still great for Canada. We're down to 3.3%. A lot of U.S. utilities are into the 2s, right?

Canadian rates are actually lower than U.S. rates treasuries. So there's no -- like, we should be trading down into the 2s at this point in time. I'm happy where we are, but there's still -- I think there's still some work to do, frankly, in telling our story. We're here in NOVI today. The first time we've done an Investor Day out in one of our operations. I think the more our shareholders see the quality of our business, the quality of our people. Hopefully, we'll start to trade at that more than that premium category.

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

And maybe just one more from me. Maybe a question on your position just to 2 of the tailwinds you've mentioned. You have the interest rate tailwind, you have the 3 Ds or clean energy thematically we've seen. So I guess the first one, you basically leverage yourself the most first theme, 100% regulated assets. You have the most torque amongst much peers. But on the second one, I'm curious, leading what you're positioning the states or provinces, do you think you're in the best position in terms of benefiting from decarbonization in North America?

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

I think our bigger businesses, we are, I would say, well positioned. I think British Columbia -- the work we're doing on renewable gas, natural gas with transportation, energy efficiency, I think, are leading, basically. ITC, my God, it's the company that hooks up most of the dam wind in the Midwest, right, and solar. And if you wanted to own a business that was intertwined with this big shift to renewables that's occurring in America, ITC is it, and Fortis owns it.

So I think -- and then in Arizona, we have this opportunity to invest capital as we are thoughtful in our migration away from our coal-based assets. We have that opportunity to invest in the grid, in natural gas generation, in renewables. And we have a team there that has totally aligned with the long-term trends that are occurring in the business and finding a way to do the right thing in that jurisdiction.

So yes, when I look at the way we're positioned, I think we're in strong shape. There's always, obviously, governments doing certain things in certain jurisdictions, and we're always working with that, but we are carving our own path. It's -- we're probably ahead in a lot of respects to some of the local regulatory/government initiatives and in terms of our own thinking about where the business needs to go.

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

Any further questions here in the room? Hearing none, I believe this concludes our Investor Day. Any final remarks, Barry?

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

Just to say thank you again to Linda and the team for hosting us here, and thank you for everyone who's listened on the webcast and attended in person. We are excited about the next few years for Fortis and look forward to our continued engagement with you all. Thank you very much.
