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EDITED TRANSCRIPT

FTS.TO - Fortis Inc Investor Day

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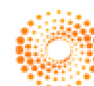

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PRESENTATION

Barry Perry *- Fortis, Inc. - President, CEO*

Good afternoon, everyone. Welcome to Fortis' Second Annual Investor Day for Toronto. The first thing I want to do today is introduce my head table. I am Barry Perry, CEO of Fortis. Karl Smith is our CFO, Earl Ludlow is EVP of Eastern Canada and Caribbean operations. Jim Laurito is President and CEO of Central Hudson Gas and Electric. Phonse Delaney is President and CEO of Fortis Alberta. Michael Mulcahy is President and CEO of Fortis BC. David Hutchens is President and CEO of UNS Energy in Arizona.

So today I also should actually -- that's a pretty male table up there. I do have another senior executive in the room, Miss Nora Duke, who is our EVP of Corporate Services and Chief Human Resources Officer. Nora, I don't know -- stand up. Thanks Nora. A bit of a challenge here with this bunch, but eventually it will change I think.

So just a few introductory remarks about our industry and then we will get right into the presentation. This past summer, we spent some time with our board developing and refocusing our strategy, and I want to just chat a little bit about that first.

Fortis, as you know, now we have nine regulated businesses. We are serving 3 million gas and electric customers across North America, and we are a leader in the regulated utility business in the continent at this point in time. That being said, there's a bunch of things happening in our industry. There's a real focus on greener, affordable and reliable power. That's the context that we operate our business in. And a lot of things happening focus on environmental standards, focus on investment in infrastructure to really deliver reliable power, really a focus on technology, changing technology that's occurring quickly in our industry, and customer demands are changing. And in the context of all that, there's utility consolidation that's happening.

Ten or so years ago, there were about 100 investor-owned utilities in our sector in the United States. Now we are down to about 40 at this point in time. So there's been pretty substantial consolidation that's occurred over that period of time. Fortis clearly has been part of that because we bought two US investor-owned utilities that are looking very attractive at this point. So it's -- we believe that trend, that consolidation trend, is going to continue. So our strategy has been developing the context of those market drivers.

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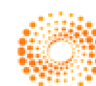

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In terms of our outlook, our strategy really is to leverage the footprint of our utilities, to leverage our operating expertise, to really use our financial strength to develop growth opportunities.

So really these nine businesses, we are challenging every one of them to obviously run their business very well, but also to find other opportunities in their in their service territories. And you will see, as we go through the presentation, there is a number of these opportunities that we are working on that we are very excited about.

We are introducing -- we have introduced dividend guidance for the first time. We've raised our dividend recently first quarter, so December 1 of this year, 10%, and now have introduced annual dividend growth guidance of 6% through 2020.

We think it's important to send a message to our shareholders, which by the way are predominantly retail-based at this point in time. We are about 70% to 75% owned by retail investors, and they truly do appreciate the dividend income.

We had a look at our sector, especially in Canada, and felt that we needed to introduce the guidance. But rest assured it's based on the confidence we have in our business and the growth of our business over the next five years.

We do have a very strong balance sheet. Karl Smith will talk a little bit about this. We are rated in the A category by S&P and DBRS.

So the initiatives we are focused on is executing our base CapEx plan. That's about CAD9 billion. We are, as I mentioned, focusing on additional energy infrastructure in our service territories.

We're also looking to increase our exposure to renewable power. We just finished the completion of the Waneta hydroelectric project in British Columbia, which is clearly in the category of renewables, so we are looking at doing more there, especially in places like Arizona in terms of solar, so Fortis you'll see in the future being a much bigger player on the renewables side.

One of our hallmarks is really our relationship with our customers and our regulators. We will continue to enhance those relationships. Our teams at each of our utilities are very much focused on the customer and on our relationships with regulators. And we are known to be I would say best in the business from that perspective.

Our BC business, fortunately for us, is -- we own the lion's share of gas infrastructure in British Columbia. So when you hear all the chatter about LNG in BC, Fortis is a player in those discussions. And some of our infrastructure is directly situated in the right place to participate in further investment. Whether it's being expanding our pipelines to deliver gas to export terminals, whether it is building LNG facilities to liquefy gas for a toll to export, we are having a number of discussions, we have projects underway, but a number of further discussions on LNG. And we really believe that we are poised to unlock the value of our business in British Columbia with regards to LNG.

And then utility acquisitions, our business has been built very successfully over the years by, from time to time, buying good businesses. Most recently, as you know, Central Hudson Gas and Electric and UNS Energy became part of Fortis. They are working out very, very well. They are highly accretive transactions at this point in time, and I would expect to achieve more of that kind of transaction on a go-forward basis.

So what have we accomplished in the past year? We've had a very good year at Fortis. We've integrated UNS successfully. We completed the Waneta project ahead of schedule and on budget. Mr. Laurito here successfully with his team got a very good three-year rate plan at Central Hudson. All the challenges of getting that deal done and the rate freeze we had to go through, frankly, now that have this three-year deal, it was all worth it.

We have strong EPS growth this year coming off of the two US acquisitions, getting through the cost of doing deals. 2015 is a clean year for the Company and we really expect to have a strong 2015.

As you know, we now increased our dividend twice this year, so we've kept our record going of -- this will be our 42nd year of dividend increases, a record in Canada.

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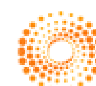

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We've sold our commercial real estate and about hopefully in the next couple weeks here are going to close our sale of the hotels. So over the years, we always got questions about that business, and we finally have now exited the business and we are essentially a purely regulated company at this point.

We did take advantage of a strong market for small hydro plants and sort of cleaned up our exposure in Ontario and New York through these facilities. They were like 1 to 2 megawatt kind of size, and we sold them to the City of Ottawa for $93 million and a nice gain earlier in the year.

And finally, one of the things I'm very proud of, along with my General Counsel, David Bennett, we settled the BEL expropriation matter and put that lingering issue behind us. It was not a big amount of money for the Corporation, but a bit of a scar on our sort of track record, and we have put that behind us at this point.

So a little bit more about UNS. We've retained the management team. This has been our style. We have not put I'll call it a Fortis person from pre-acquisition into either Central Hudson or UNS. So the teams that were in place are the teams that we have today, and we are very proud of these people. They have become part of our organization very quickly and culturally, it seems like they've been with us forever, frankly. And so of all the things that happened in the last year, that for us with regards to UNS is the most important, frankly.

And we really have benefited from a strengthening US dollar. We have significant EPS accretion on UNS at this point. Even if you strip out the US dollar benefits, the acquisition is performing as we had expected. So we are very, very happy with the outcome.

We've met every merger condition that we agreed to. Most recently, we thickened up the equity in our capital structure to 50% so that when they file their rate case, they will now have the same amount of equity in their structure as the other utilities in Arizona. So that should help us in terms of the outcome of the next rate case, which will be -- really see the impacts in our 2017 year.

They got credit rating upgrades. They've done some significant CapEx. They bought a 550 megawatt gas generating plant, Gila River 3, for $220 million, pretty cheap, frankly. And that's going to be rolled into rate base.

They are on track with their diversification plan away from coal. Just recently the Clean Power Plan rules were finalized in Arizona was, frankly, ended up faring a little better than the original proposed plan. So we do have a pretty good plan now to meet all of the conditions of the Clean Power Plan. And as I mentioned, they will be filing a rate case later this year.

They do have an historical test year. It's our only business with a historical test year. So the last year was 2011 that rates were set, so now we will be refreshing rates for 2017, effective 2017. The test year is going to June 30, 2015. So it will be a nice big catch up in rates flowing from that.

Waneta, this is one of my favorite projects, a big hydroelectric plant in southeastern British Columbia, very -- I think 5 kilometers from the US border, the largest project we've ever completed, four to five years of construction time. If you ever get a chance to go to southern BC, we will get you in to see this plant. It came in ahead of schedule 6 weeks, I believe, and again, on budget. It's going to contribute nicely to our company. The overall cost was $900 million. We own 51%. We do have two Crown corporations that own the other 49%. We've entered into 40-year PPAs with BC Hydro, and Fortis BC Electric to buy the power. There's next to no hydrology risk on this project, so the cash flows are very stable over time. And as of now, it's been up and running for a few months here, and it's performing as expected.

In terms of returns, we've had a good year, 14% for the last 12 months, and you see the various indices there. So coming off the UNS acquisition, shareholders who got in the stock around CAD30 really have done well with the combination of capital appreciation and dividends over that period of time.

Some of our investment opportunities, these are not in our base CapEx plan of CAD9 billion over the next five years, but we are really excited about some of these incremental opportunities. Each one of the team members will go into these in a little more detail. I just want to highlight for you some of the examples of the projects that we are pursuing.

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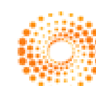

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On the distribution electric side, Jim Laurito and his team are working on some projects in New York related to the reforming of the energy vision process. They are underway there. That could see us -- see some incremental CapEx.

In Alberta, we are getting excited about sort of consolidation in the rural electric associations. We just successfully acquired a small REA in Alberta, and in reality we're paying about CAD25,000 a customer for these utilities and rolling them in the rate base at 100%. So it's a pretty attractive proposition, so we are looking forward to doing some more of those.

We are -- even though we've been at it for a long time, we are still optimistic that we will be able to consolidate some utilities in Ontario. Earl Ludlow is going to give us some more detail on that. But there are some new rules being passed that will give some flexibility on some tax holidays that should enable us to be successful in some utility consolidation here in Ontario.

On the transmission side, electric transmission, we are excited about a project in northwestern Ontario. Ourselves, RES and a number of First Nations have entered into a joint venture to build I think it's a 1,200 kilometer -- 1,800 kilometer transmission line, a fairly substantial project. It will take some time to get it going but we're getting a lot of positive feedback from the government, and Earl will talk a little bit about that.

We are also involved in a partnership in New York with the other utilities on a transmission co, and we have 6% of the interest in that. Some project are being put forward. Jim will give you more detail on that. We are excited about that. It's really -- transmission needs to be built in New York. Our 6% really is representative of our size and relation to the New York grid, Central Hudson size. We'd love to have more of that opportunity, but that's how the partnership was developed.

On the generation side, UNS Energy renewables, natural gas, really want to see some movement in getting utility scale solar in Arizona, building more of that. TEP is one of the largest owners of solar already. And as we move away from coal over time, I do expect we'll have some opportunities to acquire, build natural gas generation in the state of Arizona as well.

Caribbean, we are really focused on renewables, not building more diesel in the Caribbean, although we do have a couple of diesel plants that are coming online at this point over the next 12 months or so, but really focusing on bringing renewable power to our jurisdictions in the Caribbean. And I would also say looking at acquiring renewable power generation, if we can find the right assets, we are interested in that as well.

Our focus really though is on having assets with long-term contractual arrangements. We are not going to be that interested in merchant generation really. It's still sticking to that low risk profile.

Natural gas, Tilbury LNG, we have a site, and Michael Mulcahy will talk about this, that is 35 acres. It is zoned for LNG export. We're already building -- you see on the left there a tank, an LNG storage tank. The LNG there will be used for local transportation purposes, but we are looking at expanding that site, working -- currently in discussions with Hawaiian Electric about exporting LNG to Hawaii. But the site itself is very attractive to other parties as well, and can be built out much more than what we are anticipating at this point.

We are also working on this pipeline to the Eagle Mountain Woodfibre site, which is a small export terminal across from Squamish. That's a nice project and that's moving along through its environmental process.

And finally, Jim Laurito is working on a gas pipeline opportunity in New York State to really bring some more gas into the Hudson Valley region. There's some new generation or some generation that's been restarted that need gas and we need more supply. And it helps get the Marcellus gas into that region. There's a bit of a constraint there now. We are optimistic that project continues to move forward.

So, these are some of the opportunities. We will hear more detail on them as the team comes up to present.

So dividend guidance. Currently, with our recent increase, our 2016 dividend will be CAD1.50 a share, up from CAD1.40 this year. What we are saying is that CAD1.50 will increase annually by 6% through 2020. Obviously, it helps us continue to increase our record, and we are very proud to be able to make that announcement for our shareholders.

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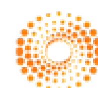

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Acquisitions. Fortis does have a very proven acquisition framework. Our model is a standalone model, so when we look at our businesses, we operate them on a substantially autonomous basis. It really is I think the unique aspect of how Fortis runs its business. No one else is doing this. You might say Brookshire does it this way or someone else does it this way. In reality, they do not do it. We are the only company that completely allows that unit to run on an autonomous basis with its management team, with its board made up of a majority of independent directors. Everything we've told our targets about how we run our business is how we have handled it. And I can tell you that gets us in a lot of doors.

And ultimately, though, to win a process or to acquire the next opportunity, you also have to get there on price. And at times, Fortis has not gotten there because it hasn't worked for us from an accretion perspective, and so we've taken a pass at the end of it. But I still feel optimistic that there will be those opportunities that we can get, both our approach to operations and the price to be successful in the process.

So sort of factors that we look at is accretion -- we really want to buy companies that are accretive in that first year of operations. That's our goal. Looking for support of regulatory environments.

We've really become a diversified company and we would like to continue to maintain that diversity. Right now, UNS is about 31% of our overall business and BC is about 30% of our overall business. So ideally I wouldn't want to have that go back up, for example, too much, so no business much bigger than that sort of 30% or so of the overall business. It does get us a lot. We have the lowest risk profile from S&P in terms of our business risk because of that diversity of our operations. No one regulatory decision, problem in any jurisdiction can really materially impact the Company. That's the sort of the approach behind that strategy.

We are looking for experienced management teams. And we have found in the recent acquisitions two that are very experienced. There's a lot of talent in New York and in Arizona that will be key players in our business on a go-forward basis.

Growth prospects, clearly we all look for those, and we think we have those in our two existing acquisitions.

Credit ratings. Central Hudson had an A rating, and now UNS will be in the -- TEP will be in the A category as well. So we are looking for those strong businesses. Fortis itself is in that A low category. We are very comfortable with that rating. And our large utilities being in that category as well is sort of our goals.

So that's our strategy. We haven't really changed it. We stick to what we say and we are still very excited about our prospects there.

So just to wrap up before we get into Karl's presentation, we are focused on continuing to grow our dividends, executing our CAD9 billion capital expenditure program in our base business. We are navigating some significant regulatory applications, one of which is the TEP rate application that will be filed later this year. We are optimistic about the outcomes there. And we are targeting really additional energy infrastructure opportunities in our service territories and are very optimistic we will find incremental investment above that CAD9 billion over the next five-year period.

So thank you. And I'm going to go to Karl. We'll take questions I think at the end is probably the best at this point.

Karl Smith - *Fortis, Inc. - EVP, CFO*

Thanks Barry. Good afternoon, everybody, and welcome.

Barry mentioned in his opening comments, or made a reference to our financial strength, so my job is to put some meat on those bones for you, and I will attempt to do that. A lot of it is data-driven. There's a lot of numbers. I will go through them relatively briskly, but try not to lose you too quickly -- as soon as I can get this thing to work. There you go.

So just by way of overview, some of the things that I will be talking to you about this afternoon include what we consider to be strong financial metrics. And I think when you compare ourselves across the sector, you will agree with our assessment there.

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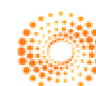

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I want to give you a bit more information about the diversification of our asset base and our earnings base. And as Barry alluded to, we continue to get more diversified.

We do have a particularly strong balance sheet, and I'll talk about that a little bit as well. And then I'll also add on to Barry's point about increasing nature of our dividends, and probably most importantly, the confidence that we have in committing to dividend growth going forward.

So let's start with some summary financial metrics. And what I've provided here for you is 2013 actual, 2014 actual, and then trailing 12 months up to June 30 of this year. Not a complete picture for 2015. As you know we don't provide guidance on earnings as of yet. But clearly you can see an improvement across all of these measures, earnings to common shareholders, most importantly basic earnings per common share, CAD1.70 to CAD1.81 up to CAD1.91 on a trailing 12-month basis.

For those of you that haven't looked, the First Call analyst consensus for our earnings for 2015 is CAD2.02. Our EBITDA is showing some nice increase there as well.

And then when you get into funds from operations, you can see a significant improvement in our cash flow. And as we go forward, we're seeing even strengthening cash flows.

Our CapEx numbers are there as well. 2014 -- 2015 will be the biggest capital program that we've ever delivered on, and I'll get into that in a little bit as well.

So all this adds up to a growing enterprise value and market cap. We've scaled up quite a bit over the last two years with the acquisitions of both Central Hudson and UNS. And also as a consequence our liquidity has improved I would contend. Trading volumes have been up significantly over the last two years, and the average daily trading volumes are getting significant compared to our most recent past. And all of this just speaks to the heft of our organization, our ability to do larger acquisitions, our ability to make larger investments and just having that financial ability and safety net to be able to go out and do things that we want to do.

In terms of diversity around the assets, this slide shows you that 96% of our assets are currently purely regulated. We would suggest that we are 100% regulated when we throw in the highly contracted generation assets that we have. Both sets of generating assets in Belize and in British Columbia have long-term contracts, and as close to regulated assets as you will find.

We have some very, very good diversification by jurisdiction. As you can see here on the slide, Barry more or less mentioned these figures, but that 30% or 1/3 figure (technical difficulty) a hallmark of our approach to diversification. We've worked over time to get ourselves into a position where no particular jurisdiction has over a third of our assets, and we are clearly there. Very well positioned to continue to grow our business going forward.

As well, our earnings are becoming more and more diversified. In particular, you will see here that the earnings from our assets in the United States have been growing significantly, no surprise given the two most recent acquisitions, particularly with UNS now coming into the fold. And we went through the first anniversary of our acquisition there in August. And the non-utility portion of our earnings, as you can see, is quite small on top of that stack.

I just wanted to have a few brief words on returns and equity. And what we have presented here is a composite or a weighted average of the returns in both countries. And as you can see, as you would expect for those that follow our sector, the allowed returns are higher in the US and the equity thickness as well is higher in the US. And that speaks to a lot of our strategy over the last couple of years. And this slide to me really justifies and indicates why we have been focusing on the US. And so at 9.16% on average with an equity thickness of 43.5%, we are much better shape than we would've been if we were just invested in Canada. So moving to the US has been very positive in terms of earnings and returns for us.

In terms of capital structure, and this, again, is just showing a timeline, an improvement in our capital structure. And the focus is mainly on the common equity thickness which continues to increase over time. I would suggest that it's better than it initially looks. From a credit rating perspective, we get a 50% credit for our preferred equity. So if you think about it that way, we probably look like a company that has 44% or 45% common

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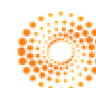

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equity. And when we have our conversations with the credit rating agencies is on that basis that they assess our creditworthiness. And as Barry mentioned earlier and I'll get into it in a bit, we do have some very strong credit ratings right across the board.

The other point that I think is very important coming out of this is even though we've come through a period in the last two or three years of being very acquisitive, we still focus on maintaining a conservative balance sheet. And I think this slide speaks to that and, again, speaks to our discipline around our balance sheet and how we use our financial strength to be able to accomplish those objectives.

In terms of liquidity, it's getting better by the minute. At June 30, on the left-hand stack, you will see how much of our credit facilities have been utilized and what the remaining capacity is. More importantly, look at the stack on the right-hand side in which we have provided a pro forma information where we've applied the proceeds of our commercial real estate sale. That didn't quite get into the bank account on June 30. It did shortly after that. We've also added into here the proceeds from the expected closing of the hotel sale that Gary mentioned will take place sometime in the next couple of weeks. Those are our credit ratings, and we are very proud of them.

I've also included this slide, and in this is more for a take-away to indicate the credit ratings across the board of our various subsidiaries. Tucson Electric Power is BBB+, but they do have a positive outlook. And given the increase in their common equity component of the capital structure, we are somewhat optimistic that that credit rating might be upgraded.

Let me look forward a little bit for you and talk about our capital plan, as we do every year. So this will be the first time that we would've talked about our five-year spend from 2016 to 2020, 2020 being the year that you would not have seen before. I mentioned earlier 2015 is our largest capital program and we will put in place about $2.2 billion CapEx this year. I will tell you that we are on track and do expect to deliver that full amount.

Barry did list the number of opportunities earlier. Again, to reiterate, none of that is included in our base plan. So this is our base plan. And one of the first things that always jumps off this slide for us and management is the outer years. And obviously you [don't] see a decline in those outer years, but part of it is the nature of the process. Visibility, once you get out past three years, is kind of tough. Our experience has always been that those outer years turn out to be higher than we initially forecast. It is a highly executable plan, and I do this every year to try to help you understand that, unlike some other companies that you might be familiar with or might follow, we don't have big, big projects generally. Barry did talk about Waneta, the biggest project that we ever did, high risk, long construction period. Most of our capital is not characterized by that. So I include this just to give you a better indication of how executable this capital plan is, lots and lots of smallish projects, a couple of big ones. I have identified them there for you. But we feel highly, highly confident in the ability of our organizations to be able to deliver on this plan. That turns into a rate base growth compounded annually of 4.4%.

For those of you that were here last year and possibly also in New York, you would've seen higher numbers for CAGR and rate base growth. First of all, I'll point out that number at the end is a significant one for us. We will have greater than CAD20 billion in rate base by the end of the forecast period.

In terms of the compound annual growth rate, we put a lot of capital in the ground in 2014 and 2015, so the base in which we are comparing our go-forward expenditures is much higher than when we talked to you last.

Also of note here is, because some of you will probably already be trying to do a reconciliation between this number of 4.4% and a dividend commitment of 6%, one of the most significant things, Barry talked about it already, is the rate case that we will file in Tucson Electric Power later this year. Since their rates were last based, and they are working off of a 2011 test year, they have invested CAD600 million in rate base. So there's no revenue associated with that right now. Their equity thickness will have increased from 43.5%, 43%, 43.5%, to 50%. So there is a sizable catch up that will take place in Tucson when Dave and his team are successful with -- and we are highly confident they will be successful -- with their next rate filing. So that's -- they are the only jurisdiction that we have where there is a historical test year, and the revenue growth tends to be a bit lumpy as a consequence. So, that's the main reason and the main contributing factor to the difference between that 6% dividend growth and this compound growth rate of 4.4% here.

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I also wanted to give you some indication of what our debt maturities are, and again, a really good news story here. The average annual debt maturities over the next five years average CAD200 million. And for a company of our size, that is very, very manageable. And as you can see, we have the luxury of our maturities even though over the next 20 to 25 years being spread out very, very much. What this says to me is that our exposure to refinancing risk and to interest rate risk generally is somewhat muted. So, on this basis, I would suggest that we are in really good shape as well.

And the last slide that I have regards our funding strategy and the way we think about how we fund our ongoing business, or how we might fund acquisitions. First of all, we work really hard to maintain that strong balance sheet that I've been talking about for the last few minutes. We also work hard to maintain the investment grade credit ratings, and we think that's a real strength of ours in a situation where we may be looking to acquire something.

We do maintain the subsidiary balance sheets in line with approved levels. That's been a fundamental tenet of our approach to managing regulation. We don't try to leverage or double-dip with respect to the capital structures of the regulated utilities. We will continue to do that.

As I indicated earlier, we have more than enough liquidity. When we do issue debt over this forecast period, it will primarily be at the operating company level. This capital plan that I'm discussing with you doesn't require the issuance of any common equity or any discrete issuance of common equity to accommodate.

We have a very loyal following of shareholders, and currently about 40% of shareholders are reinvesting their dividends, and that contributes about CAD150 million a year on average for us. So the only common equity that we will require in order to deliver this plan will be derived from the dividend reinvestment plan.

When we do issue debt at the corporate level and we do have a piece of debt that's coming up for maturity next year or the year after, we will issue that in US dollars. Our approach there is to create as large a natural hedge as we possibly can. Currently, about 45% of our earnings are coming from the US. The only hedging we are using is that natural hedge currently. We do feel very comfortable being long in US dollars right now, and as Barry mentioned earlier, it has benefited us, but we will assess and continue to assess this on an ongoing basis. As I mentioned, there's no common equity issuance anticipated.

And that concludes my remarks. I will now turn things over to Earl Ludlow to talk about Eastern Canada and the Caribbean.

Earl Ludlow - *Fortis, Inc. - EVP Eastern Canadian and Caribbean Operations*

Good afternoon ladies and gentlemen. In the next short while, I'm going to take you away from the numbers and probably address -- not probably, I will address some of the items that are occurring in the Caribbean and then organize my presentation under regulation. Then I'm going to move back to Ontario to give you a look at our positioning and how we see it moving forward in this province.

In particular, in the Caribbean, I will be speaking to the Canadian utilities -- sorry, the Caribbean Utilities Corporation, CUC, in the Cayman Islands, Fortis Turks and Caicos as well, and then in Eastern Canada, we will deal with Newfoundland Power and Maritime Electric and Prince Edward Island.

In the room today, we have Gary Smith from Newfoundland Power, the CEO, and also Bill Daley and his team from Ontario, and we also have Fred O'Brien, the President and CEO of Maritime Electric. If there are any hard questions, you can deal with them later.

So first of all, into the Caribbean, I will start by saying that the systems due to the CapEx expenditures we have been doing over the last few years are performing very well. Our CapEx expenditures for this year are in line with expectations. And as late as I guess this past week-end, the systems and Fortis Turks and Caicos were strongly tested by Hurricane Joaquin when it rested over Turks and Caicos for 48 hours. And we had minimal damage, and as a result, I'm happy to say all power was returned by I guess Monday. So that's a test and a testament to how the systems are run and the team that is in place.

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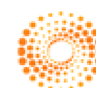
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We have been experiencing strong sales growth. In particular, FortisTCI is running about 5%, 5%-plus, on an annual basis, and CUC is running about 2.5% to 3% on an annual basis year-over-year.

The reason for the strong sales has been driven by the tourism industry and the strong American economy that is driving this. And it's also on the shoulder seasons that's growing in this area as well. And it's not just today. The evidence of this is also I would call the bricks and mortar in that evidence of construction in both territories or franchise areas in hotels, resorts, there's a lot of construction underway, and as we look out over the next two years, needless to say the markets are optimistic there.

We have two new generation projects that are in various stages of completion. One was a diesel and as Barry was saying, our objective is not necessarily to build new diesel but at this point, we have no choice. We have a 5 megawatt diesel underway, under construction, and actually complete on time, on budget in time for commercial operation effective September. We have a second unit in the Cayman which is a 39 megawatt unit that's, again, online -- or not online but on time and on budget, forecasted in-service date June 2016. And that's a CAD19 million plus project.

Barry spoke to the renewables and where we are. Both the Caribbean islands and countries are proceeding well in the particular Turks and Caicos. We have an MOU signed with an establishment there to implement a solar project. Similarly, we are in the process of finalizing details in Cayman for a little larger project that hopefully will be online within the next year.

Moving on to regulation, 2015 has been and I'm sure will continue to be a busy year for all of us in the regulated utility business. Some of the highlights -- Newfoundland Power, its 2016 CapEx program was filed in the spring, in June actually, and in September received its approval for 2016 as filed and it is CAD106 million.

Also in Newfoundland Power, there's been a request by the Public Utilities Board of Newfoundland Labrador that it file a general rate application on October 16. And that will involve a full cost of capital and rate-setting exercise for 2016 going forward.

As we look to Maritime Electric, they are in the process now of finalizing a filing for a general rate application and that will be done this fall as it transitions from an energy accord which was put in place a couple or three years ago, which will end on March 1. So this is its transition from where we are today to back to cost of service. And this in turn will also deal with cost of capital as well as the rates as we move forward.

Now, in the fall of 2014 -- I'm going to move on to Ontario -- the Ontario government released the Clark report, which was entitled "Retain and Gain Making Ontario's Assets Work Better for Taxpayers and Consumers". I guess to put it in terms and bring it to my language would be it was an assessment of how to better utilize and bring consolidation in the utility market and also to get better use out of the alcoholic beverage market in Ontario. I'd probably rather speak to the second one, but I think I will stick with utilities today.

So, stemming from that report and the subsequent consolidation or consultations, it was, in my opinion and I think in the opinion of many in the industry, a substantive change in policy. And this basically outlines a couple of things, the budget sites benefits of consolidation for municipal utilities and the important role that private capital can play in the facilitation of this consolidation. Keep in mind there is in excess of 70 MEUs in Ontario.

So the key driver here is the time-limited relief on taxes pertaining to transfer, and in particular of the electricity assets. And in the municipal utilities with less than 30,000 customers, they are exempt from the transfer tax, and the transfer tax rates reduce from 33% to 22% for the others.

So, this is an interesting time in Ontario. So why not talk about Fortis Ontario's strengths?

We basically joined Ontario I would suggest in 1996 when we came in here and took part with Canadian Niagara Power. That was almost two decades ago. We are one of the only private owner operator electric distribution utilities in Ontario. We have Canadian Niagara Power, Cornwall Electric and Algoma Power. I'll show you where these are just to refresh the audience here as to where we are positioned in Ontario shortly. And we have 10% equity in three other utilities. We have a strong reputation here in Ontario with municipal-owned LDCs, the OEB and the Province.

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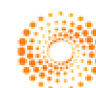

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We are well-positioned to be a consolidator, and that's our goal. And we are flexible in this, the various modes and operations, be it RFP responses, partnerships and mergers, and any combination thereof.

I put this slide up because not many people would know the distribution or how we are operated in Ontario. So we have, and I've been warned not to use military terms, but I'll use it anyway -- we have three beachheads in Ontario. We have the Fort Erie in the Niagara area, we have Cornwall in the eastern part of the province, and we have the Algoma up just north of Visseuse. So we have the rural, the rural north and the other two, positions us very nicely and as we look at this province on a go-forward basis.

Okay, here goes it, Barry. Barry skipped over the words. I'm not going to. Wataynik -- I got it wrong already. I've said that 50 times in the last two days. The Wataynikaneyap project -- how's that for you?

On August 27, Fortis Ontario announced a partnership with RES, which is the Renewable Energy Systems, and also with the Wataynikaneyap Power, which represents roughly 20 First Nations in northern Ontario. We looked at this and we've been working on this, and thanks to Bill Daley and Scott Hawkes and others here in Ontario, this has been a lot of work to pull together. This will give you a flavor of where it is positioned. It's in you will hear the Ring of Fire, and Pickle Lake and [Su Luco] and it is in that area of the province. The project, that's last time I'm going to say it, Barry -- it's a good project, basically deals, as I said, with 20 First Nations. It's estimated at about one-third, CAD1.35 billion total project cost.

There's two phases. Both phases must go, not one without the other. And the first will be the Pickle Lake in the second will connect 16 remote communities to take them off diesel. This is 1,800 kilometers of 230, 115 and 44 KV transmission lines.

To date, we are looking at the beginning of construction in 2018 for Phase I and 2020 for Phase II. These are early days. Their dates are subject to move but we are moving along very nicely. There's legislation currently in front of the house here in Ontario which could expedite this, and in particular, the last item which references the transmission line application which was filed with the OEB, this could move us along very nicely. The next stage after that will be filing for a full deferral account with the regulator.

And to summarize the value of this project to us as a company and also to the people in Ontario and the aboriginals, this is a quote from the Honorable Bob Chiarelli, the Minister of Energy, that this unprecedented agreement -- here it comes again -- between the Wataynikaneyap Power and FortisRES to expand grid connections to 16 First Nations communities in Northwestern Ontario demonstrates a significant step forward in that plan, and the plan is the Ontario long-term energy plan. This is a solution to a long-term problem in Ontario.

So, to conclude my section, I've listed four top priorities. Underneath these top priorities is a theme of operational excellence in operations that I'm not going to bore you with, but they will lead on safety, customer service and system operations. They are given. But in this shop in Eastern Canada and the Caribbean, the capital programs are strong, working, as I've said earlier. We will pursue developing what we have and pursue other energy, renewable energy, particularly in the Caribbean. The regulatory agenda in Eastern Canada is going to be heavy, strong, but we've got a good team that's in place and working our way through that.

And to summarize the Fortis Ontario growth opportunities, I have listed the Wataynikaneyap projects, so I had to say it one last time before I finished, as well as the consolidation of the LDCs.

So ladies and gentlemen, that's my presentation. I will now turn it over to Jim.

Jim Laurito - *Fortis, Inc. - Central Hudson President and CEO*

Good afternoon everyone. I'm laughing because, before Earl started, he leaned over, and he was grinding over saying the words "Hurricane Joaquin". He got that one perfectly. And I told him yesterday in the dry run just call it the W project. He said no, no, I can do it. So E for effort though, Earl.

So Jim Laurito from Central Hudson, as Barry mentioned at the outset. And usually this is where I normally say, as Central Hudson's first US acquisition, we'll be their high school sweetheart because we will always be first. But I'm not going to say that today.

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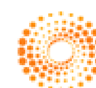

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What I am going to say is that the first 2.5 years of the merger -- post-merger environment have been absolutely stellar. And the highest compliment I think I can pay is that the merger itself is really now a distant memory.

I'm going to talk about our new three-year rate plan, and I think it's really instructive and important that, all through that rate plan, the word -- 11 months, thousands and thousands of pages of interrogatories as my CFO Chris Capone here can attest to because he sweat bullets over some of those, nowhere in that case was the word "Fortis" ever mentioned. And that's the highest compliment you can pay. Outside of the Company, policymaker regulators see Central Hudson the same as they were pre-merger, and that is a testament to Fortis' seamless integration and standalone business model, which truly differentiates us.

Also inside the Company, I think it's important employees see it as seamless. But importantly, this merger allows us to do things that we could never do on our own, and that's really the beauty of it and horsepower we get behind it. And as in the UNS territory, as Barry mentioned, all of our merger commitments have been met as well.

So what I'm going to cover today is I'm going to take you through an update of our two most important regulatory initiatives, our new three-year rate plan that was approved recently this past June, and our reforming the energy vision, or REV, proceeding, which has garnered national attention. I'm also going to discuss some regional growth opportunities in electric and gas transmission, nothing as ambitious as the W Project, but they present themselves primarily due to our strategic geographic position in New York State and the Northeast region.

So, let's get started. So a lot of you have heard me say this before. I would describe the New York regulatory environment as tough but fair. As you'll see in a minute, our recently approved rate plan validates this characterization.

There are three key risk moderators in the regulatory compact in New York, and that's revenue decoupling, which protects our downside risk on sales, a full pass-through of purchase gas and electricity costs, and deferral treatment for pension costs as well as manufactured gas plant site remediation expenditures, all very important risk mitigators. And on balance, we have a very supportive regulatory construct that favors A credit ratings, and we have an extremely constructive relationship with our regulators, as Barry mentioned one of Fortis's strategic initiatives. And we are very proud of that.

And importantly, in June, we received approval for this new three-year rate plan and I'm going to walk you through some of the highlights of that now. This plan is going to take us through 2018, and I would say without a doubt the headline item is approval of our largest capital investment plan in our history, $475 million over the three-year period. It includes rate increases of $45 million on the electric side and $11 million on the gas side, which were substantive. But more importantly, the bill impact on customers was muted through the use of some of the remaining financial benefits from the Fortis merger. So in fact, in year one, your average electric residential customer is only going to see a $1 per month increase in their bill, and gas customers will actually see a slight decrease. The allowed ROE is 9% with earnings sharing above 9.5%, so the first 50 basis points are for the benefit of shareholders, and it includes a common equity layer of 48% as well.

Now, this capital investment plan I mentioned was approved in its entirety as filed. And it includes a number of important programs to upgrade our infrastructure -- improving reliability, resiliency, and supporting the direction of the REV proceeding and making our system stronger, smarter and better.

The risk mitigation protections I mentioned earlier will continue with the added benefit of establishing a new major storm reserve to eliminate the risk of cost recovery for major events.

We will also be moving all customers to monthly billing frequency from the existing bimonthly frequency, and that's for the first time since 1943, when all of our meter readers had to go off to fight World War II. So how is that for regulatory lag? It makes that historic test year look pretty good.

So in addition, we received approval for what we would call our REV foundational investments. Those are distribution, automation, and distribution management systems which will further automate the grid and fine-tune the voltage that we deliver to customers, which will provide them savings. And lastly, we received approval for two REV demonstration projects that I'll discuss earlier. So, on balance, we think this new rate plan is a good outcome and it provides us the certainty we need to run our business for the next three years.

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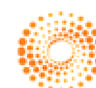

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So now let's talk about an update on our REV proceeding, which as I said earlier has garnered national attention as New York's version of the distribution utility of the future and which, by the way, we think has great potential for us to grow our business and get closer to our customers.

The primary objectives of REV are to increase the penetration of distributed energy resources through primarily additional solar, but also demand response and energy efficiency, and to have the utilities both participate in and facilitate increased third-party involvement in these areas as the distribution system platform provider. Say that one 10 times quickly! That is supposed to drive innovation and create new markets for energy products and services.

So, from a policy perspective, what they are trying to accomplish here is greater penetration of distributed energy resource, and that is seen as a way to improve system efficiency, increase fuel diversity, reliability, resiliency, and result in reduced CO2 emissions.

In addition, through enhanced customer education, engagement and innovation on the part of the utility and these partnerships with third-party providers, new information, products, and services will be offered to help customers better manage their energy consumption. And of course, we have to accomplish all of these goals while also doing what we know customers want most, which is maintaining the affordability of their energy.

Procedurally, REV is progressing on what they call two tracks. And a track one order was issued in February of this year, which determined that the incumbent utilities would be that distribution system platform provider, which really means that we're going to continue to operate and maintain the grid while evolving that platform to integrate much more DER, provided those resources are cost beneficial to customers. A fundamental tenet here is we do not make investments that are not beneficial for customers.

Track two is very important. That's going to determine the ratemaking structure under which the utilities will be compensated. And that will introduce new -- additional earnings opportunities for new market based services and products while still maintaining, importantly, the cost of service recovery model.

So, importantly, we see great opportunities for our business resulting from this REV initiative, first in these foundational projects I mentioned. They are a necessary precursor to preparing the grid to integrate additional DER, and they will result in customer savings through this fine-tuning of voltage delivered, which allows consumption to drop without consumers changing habits.

Next, the opportunity is also for us to utilize technology to engage more closely with our customers in new and different ways. And that's going to result in a more personalized menu-driven customer-centric approach that will enhance our opportunity for value proposition in the eyes of our customers. And best of all, these opportunities are consistent with our growth strategy for capital investments, making them what we call no regrets opportunities.

So, our strategy from day one on REV has been to be supportive, collaborative and to really be a first mover. And through our foundational investments and demonstration projects, which I will talk about in a minute, we will really evolve from a monopolistic supplier to a facilitator and integrator of new products and services that will increase our customer engagement and ultimately value. That's the key.

So why now for REV, you might ask? Our view is that we are quickly and permanently moving from a producers in control to a consumers in control society. What do I mean by that? You see it in other parts of your lives, whether in telecom, cable, video, social networking. This on-demand menu driven culture is really driven by technology advances and changing customer expectations. And in our industry, two-way power flow, integration of much more distributed generation and interactive relationships with these distributed energy resource providers of all types is going to become the norm. So, as utilities, we need to adapt, innovate and collaborate if we are to succeed.

Of the four demonstration projects we proposed in our rate plan, the two approved to date are the demand response and energy exchange projects. For the demand response projects, we've targeted three areas of our territory where we can defer approximately $50 million of future capital investment if we are able to secure an adequate amount of customers who are willing to reduce demand when called upon. This is a win-win because customers avoid the cost of this additional capital investment and they are also compensated for their participation in the demand response program.

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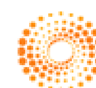

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On the technology side, our energy exchange is probably the most exciting demo project we have proposed because we are partnered to create a web and mobile portal for all customers, not just the demonstration or pilot, all customers. And this will provide personalized information on their own energy consumption habits in which we will be able to provide an interactive energy profile, messaging tips, alerts and other helpful tools to assist in their energy management. Then we'll have an enhanced offering of a marketplace where we will provide customers the opportunity to search and purchase products and services, earn rebates, rewards, incentives, and further enhance our experience. So picture in your mind an Amazon-like experience. The result is going to be increased insight and empowerment for our customers over their energy consumption, and that will turn into customer value on our part.

So now let's switch gears from technology to infrastructure growth, those energy infrastructure opportunities Barry spoke of at the outset. Our New York Transco, the investor-owned electric utility entity formed in 2014, is currently in the process of obtaining FERC approval of the initial set of projects that we filed, and those are valued up to $500 million. And we anticipate getting that done relatively soon. We also have additional projects pending approval at the New York State PSC valued up to $1.2 billion, which we anticipate a decision on by year-end 2015. These important projects will benefit all New Yorkers by reducing costly transmission congestion from upstate to downstate, and it will also increase the renewable energy generation deliverability, which will help the state meet its environmental goals. As Barry mentioned, our stake in these projects is 6%, and that brings our total investment opportunity to about $100 million at Central Hudson at FERC returns, and these investments and earnings are not included in our forecast.

Switching now to the gas side, our strategic geographic position between the Marcellus Shale Basin and gas-starved Northeast markets make our region a potential gateway for natural gas pipeline expansion. We are attempting to leverage this proximity by developing a pipeline to and potentially through our region with the benefits of lower-cost gas, increased reliability and increased supply portfolio diversity to our customers. In addition, this lower cost gas will also result in lower electricity prices in our territory and statewide, which makes this a clear win-win for customers and shareholders. And as with the electric transmission, any investment in earnings from this opportunity would also be upside to the current forecast.

So, in closing, I would say we are very pleased to be focused on executing this new rate plan providing three years of certainty. We are very excited about our REV investment opportunities, and we are also very optimistic about bringing these potential transmission investments home, all of which will position us for growth in the future.

So thanks. And now I'll turn it over to Phonse Delaney, CEO of Fortis Alberta.

Phonse Delaney - *Fortis, Inc. - Fortis Alberta President and CEO*

Good afternoon. It's a pleasure to be here today to talk to you about the business of Fortis Alberta.

Fortis Alberta is a distribution-only utility serving more than 520,000 customers through 40 different service points throughout central and southern Alberta.

In my presentation today, I'm going to touch on three main areas when it comes to our current business environment. First and not surprisingly, I will discuss what we are seeing regarding Alberta's economic situation. And no, the sky is not falling for everybody in Alberta these days. And then I'll discuss what's happening in our regulatory environments. And finally, I'll conclude with a discussion of some of the key opportunities that we are pursuing at the local level at Fortis Alberta.

Alberta's economy is clearly feeling the effects of the plunge in oil prices. New well developments have been canceled. There's been significant job losses and oil companies are aggressively streamlining their costs. This slide shows some of the economic indicators for the province of Alberta for 2015 and 2016 after very, very strong growth over the past number of years in the area of 4%. Alberta is in recession in 2015 with current forecast predicting a modest return to growth in 2016.

So key questions. How does this downturn impact the business of Fortis Alberta? First, I'll talk about our capital expenditures. Our actual and forecast CapEx is shown on this graph. And overall, we are seeing that capital expenditures are going to remain strong over the next few years. Now, it may

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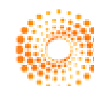

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be counterintuitive in light of the downturn, so to explain, it's useful as a distribution-only utility to think of our CapEx grouped into three broad categories.

The first category is customer growth. These are the capital expenditures required to connect new customers to the grid, to connect new loads to the grid, and they are the ones most impacted by economic conditions.

In the customer growth category, we are forecasting for 2015, 2016, 2017 a CapEx to be reduced by about 20%. And that entails about a 50% reduction in new connections associated with the oil and gas sector, but it is offset a bit by the strength we are seeing in agriculture, particularly in new irrigation loans.

Our next category of expenditures is sustainment, and that's associated with replacing, refurbishing, upgrading existing assets to maintain the safety and reliability of the power system. The sustaining category of capital investment is increasing through 2015, 2016 and 2017 compared to previous years. Now, many of these types of expenditures are specifically tested and approved by our regulator through the capital tracker mechanism proceedings, which I'll get to later, so we are very comfortable with this level of sustainment CapEx as we go through the next couple of years.

And finally, there is a category that we call externally-driven capital expenditure, and these are principally contributions that we make to the Alberta electric system operator to upgrade the transmission network on behalf of distribution customers. The main factor here is the large transmission build that's currently ongoing in Alberta and coming to a close over the next couple of years. This large transmission build brings with it significant contributions from us and significant distribution CapEx to connect these new substations and transmission facilities to the grid and relocate lines. Given that these externally driven expenditures, capital expenditures, are already approved by the regulator, they are longer-term projects and projects that are currently in progress, we are very confident with the forecast going forward.

I'll turn now to another item that bears discussion in terms of Alberta's economy, and that's the impact on our revenues. To add some color to the situation in Alberta, it's best to understand our revenue is classified into three broad categories. This chart shows that our revenues comprise of 55% in demand charges, 30% in fixed customer charges, and just 15% in energy charges. So our rate design provides us with a large amount of stability through this economic period.

With respect to the largest component of revenue, that's demand, there's been a great deal done by customers over the years in Alberta to get their demands under control. In fact, our load factor, which is the average divided by the peak load in Alberta, is between 75% and 80%. And I have yet to find a jurisdiction as good as that.

So my point is, as industrial customers are out there streamlining their costs, and the oil companies are very good at this and very aggressively getting at cost, there's not much low-hanging fruit in the demand management side of the equation.

Another point is that we are coming off a period a very high growth. We've connected many, many new customers over the last couple of years. And Alberta is pumping and piping more oil than we have ever pumped and piped. And that takes kilowatt hours and kVA and kilovars and those sort of things. So despite the price of oil, more electricity is required, and that's a positive for our revenues.

So revenue growth, with that as a backdrop, we are seeing revenue growth remain strong. This slide shows our revenues remain healthy and are growing in 2016 based on the regulatory filings that we have as of right now. There are three significant components to that revenue. We've got our base revenue and our capital tracker revenue, and they are determined through our performance based regulation mechanism, and miscellaneous revenue.

Under performance based regulation, our base revenues are based on the original going-in rates which are increased annually by a simple formula, I minus X, where I is inflation and X is a fixed productivity factor of 1.16%. The inflation factor for 2016 is now a known for us because it's based on Alberta CPI and Alberta weekly earnings for the period midyear 2014 to midyear 2015.

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On top of the base revenue increase is the additional revenue required for capital trackers. A key decision was delivered by the regulator in March of this year with regard to capital trackers. We view that decision as fair and balanced, and it gave us clear direction on the requirements of the regulator in terms of capital tracker approval going forward.

With respect to miscellaneous revenues, these include work we do for third parties, notably telecommunications companies. And we have succeeded in growing those revenues in recent years under performance based regulation. We have many situations in Alberta, in the big geography of Alberta, where we can complete work for telecom companies, help them reduce their cost and unveil a new revenue opportunity for us, so it's a win-win situation.

Turning to the regulatory environment as a whole, we are currently in year three of our five-year PVR term. There's been significant lag in getting the capital tracker mechanism all sorted out. But overall, we've done well under PVR and we've managed to run our business and find efficiencies, and we are pleased with our earnings results.

As I speak, our executives are testifying right now for the 2016/2017 capital tracker application. The trackers we are requesting are very much in line with what has already been approved by the regulator in that March 2015 capital tracker decision.

Now, on the heels of that very positive March capital tracker decision, we received a decision regarding generic cost of capital for Alberta utilities. And that decision reduced our 2013 to 2015 allowed ROE down to 8.3% from 8.75%, and also reduced our equity thickness from 41% to 40%.

Now, that GCLC, that ROE, applies, in the PVR term, applies to -- is only calculated based on the revenue required for capital trackers. It doesn't have an effect on the base revenue changes, which, as I said, are based on going-in rates with inflation less productivity. As well, we will have another generic cost of capital proceeding in Q1 of next year to set allowed returns and equity thickness for 2016 and 2017, and that's -- currently there's a lot of work going on in the Alberta utilities to prepare for that.

So, at 8.3%, our allowed return is the lowest allowed return in Canada. Fortis Alberta has joined all other Alberta utilities, and we've requested the regulator to review and vary to RV that decision on the basis of the lag and the retroactivity. There was especially a large amount of capital invested in Alberta, particularly in transmission, between 2013 and 2015. So that RV was on hold, and it will now proceed now that the Alberta Court of Appeals has released its decision regarding the other act of regulatory issue in Alberta, which is the utility asset disposition.

Utility asset disposition is a matter that's unique to Alberta and it's challenging for Alberta utilities. The issue dates back to 2006 and the Supreme Court of Canada stores block decision, which involved another Alberta utility. And in that decision, the court ruled that the utility keeps all of the gains on the sale of an asset no longer required for utility service. Now, subsequent to that, in 2013, the regulator ruled that losses due to extraordinary retirements are to be borne by the utility shareholder. And since that time, this ruling has been interpreted by the regulator to mean that utility assets destroyed by, say, a forest fire in the event of the ATCO Slave Lake fire, that those are extraordinary retirements and the undepreciated value of those assets is to be borne by shareholders. As well, a recent decision regarding AMI installations was made such that the remaining book value of the old electro-mechanical meters is to be borne by the shareholder.

So, this changes the historical regulatory construct in Alberta. And as such, the matter was appealed to the Alberta utilities -- all Alberta utilities, sorry, appealed this decision to the Alberta Court of Appeals. And on September 18, the court ruled against the utilities and dismissed the appeal. So this is an active issue in Alberta right now. All of the utilities are working together and examining our options going forward, which include an appeal to the Supreme Court of Canada. The whole matter is likely to end up with increased rates for customers, which is not a positive outcome for the regulator. And from a Fortis Alberta perspective, it is less risky because our assets, being a distribution-only utility, our assets are distributed vary widely. We don't have huge concentrations of assets that could get hit by a storm or such, like a substation.

So, there are several key opportunities that are being pursued at Fortis Alberta. One of the more evident opportunities are the high-voltage distribution systems that are within our service territory that we do not currently own and could purchase, integrate into our own operations, and realize benefits for customers due to economies of scale.

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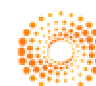

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Encompassed within our service territory, there are nine municipal utilities, large, medium, and small. The smaller municipal utilities in particular are finding it harder to sustain their operations as they face labor skills, issues and aged systems that require significant capital investment to keep them safe and reliable.

There are also 20 rural electrification associations intermingled within our service territory. These are cooperatives that have been in existence since the 1940s. There used to be 300 of these cooperatives. 15 of the 20 in our area we operate them, and five are self-operated. Now, the AUC has approved, the Alberta Utilities Commission, has approved a clean, clear process and formula for Fortis Alberta to purchase these assets, and we have succeeded this year in acquiring two of these REAs. And as Barry mentioned, the purchase price is CAD25,000 per member, depending on how much infrastructure they have. And when these assets are acquired, the commission approves the assets into rate base and revenues are adjusted accordingly to recover cost, even under PVR. So it's a very, very attractive opportunity for us.

And under the calculation that's approved by the Alberta Utility Commissions, we estimate that the combined value of all of the REAs in our service territory is in the order of CAD800 million.

Another key opportunity at Fortis Alberta, and this is more on the cost side, is the application of technology. We recently installed a state-of-the-art system control center and we are aggressively pursuing remote controls, SCADA, distribution automation technologies. We serve a very large geographical area. For instance, our employees drive 17 million kilometers per year. So these types of technologies have an outsized benefit for us for a company like ours in terms of reducing our cost and improving our reliability.

So I'll end there, and thank you.

Barry Perry - *Fortis, Inc. - President, CEO*

I've got to say it's hard for me to go negative on Alberta, because I'll just remind everyone we bought the business back in 2003 for -- we had CAD600 million in rate base and I think we're up to about close to CAD3 billion now. It's probably been the fastest-growing utility franchise in North America over that period. Clearly some headwinds returns and some of these regulatory developments, but I fully expect that the commission in Alberta will work with the the utilities to work this out.

We're going to take a break for 15 minutes. We're going to come back at 25 to 3, so just 15 minutes. And what we have remaining is the two largest businesses, Fortis BC and UNS Energy, and then I'll wrap up at the end, and we'll take some questions. Thank you.

Michael Mulcahy - *Fortis, Inc. - FortisBC, Inc. President and CEO*

Michael Mulcahy - *Fortis, Inc. - FortisBC, Inc. President and CEO*

Well, it's not good when the speaker is holding up the presentations, is it? My apologies. Good afternoon.

I'm going to provide an overview of Fortis BC, an update on our regulatory environment, and what we have on the go, and provide an update on several key initiatives, the least of which is obviously some of the activities around our LNG opportunities.

In BC, we have two utilities. We have Fortis Energy, Inc., which is our gas utility, and Fortis BC, Inc., which is our electric utility. Combined, we service about 1.1 million customers. We deliver approximately 21% of the total energy consumed in British Columbia. On the gas side, we're predominantly a distribution utility. We do have some transmission. And on the electric side, in addition to distribution, transmission, and generation, we also manage about 1,200 megawatts of hydro generation for third parties.

Fortis BC, we're regulated by the British Columbia Utilities Commission. Rates are set in BC to recover costs, inclusive of our cost of capital and our allowed return on equity. Currently, in British Columbia, in our gas utility, our equity thickness is 38.5% and our ROE, or allowed ROE, is 8.75%. On the electric side, we have a slightly thicker equity thickness of 40% and a 0.4 basis point premium, so 9.15% for a return on equity.

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We're currently operating in a PBR environment. We'll be in that PBR environment through 2019. We entered into it in 2014. It is -- all costs are generally flowed through to customers with the exception of O&M. And our O&M and capital are set on a formulaic basis.

The primary driver for earnings within both utilities is our ability to find productivity enhancements in our O&M. We have an earnings sharing mechanism where O&M savings are shared equally between customers and the utility on a 50-50 basis. Certainly, we've had some initial challenges, but we do seem to be finding our way through it, and early signs right now in terms of opportunity and flow-through to both customers and utility have been very positive.

We were also ordered to file a cost of capital application this year. We just filed our application on Friday, would anticipate that we will be in a hearing early in 2016, and the decision should be out sometime probably second quarter 2016, and it will be for the year 2016. And that is for FEI, or our gas company, which is the benchmark utility in BC.

In Barry's introduction, he had referenced some of the thinking around LNG in BC, and I'll do a brief overview of what we believe to be some strategic advantages that we have in BC generally and with closer respect to Fortis BC. BC has got a very robust infrastructure with respect to pipelines, lots of access to gas, particularly up in the Montney. At Fortis BC, we happen to operate two of the five existing LNG facilities in Canada, so we have brownfield sites both at Tilbury and Mount Hayes. Our unique positioning of our Tilbury facility provides us good proximity and access to Hawaii and Asia.

LNG clearly in British Columbia is well aligned with provincial policy and provincial energy objectives.

At Fortis BC, we've invested a lot of energy, pardon the pun, in terms of developing strong relationships and partnerships with First Nations. And for those of you that know the environment, it's a very robust environment around First Nations file, something that we've been actively engaged in for a number of years.

The model that we have for our Tilbury facility actually presents a very low risk tolling model, generally a recovery of liquefaction charges only. And the particular model has no commodity risk, as all gas costs are flowed through.

On our Tilbury site, this is a rough rendering of our Tilbury site. I'll point a couple of things out. This is our existing storage tank and our existing liquefaction. This is a 600,000 Bcf tank and we've got about a 5,000 GJ liquefier and regasification plant here. I'll talk a little bit about an update on our Tilbury 1A project, which is the addition of a storage tank. And for purposes, that's this tank here.

But the Tilbury site itself is a 35-acre site located in Delta. That's already sown for LNG. It has open access -- or open ocean access. It's 21 kilometers from the Georgia Strait and can accommodate oceangoing ships, tankers, anywhere from 65,000, to 80,000 metric cubic ships.

One of or perhaps the most important thing about this site is that it is scalable. We have the potential to add up to 3.5 million tonnes of liquefaction and about 4.6 Bcf or billion cubic feet of storage. Being scalable means that we have the ability to develop that site in stages as opportunities present itself, so it doesn't have to be an all in at once. With these attributes, we think that this site is uniquely positioned to take advantage of some of the market.

An update on Tilbury 1A. So, since our presentation last year, we've begun construction on our expansion of Tilbury. It's noted as Tilbury 1A. The expansion includes the addition of a 1 billion cubic foot storage tank and approximately 230 tonnes of liquefaction. Right now, the construction is proceeding as planned and we expect it to be in service in Q4 2016. As a total capital cost, the CAD440 million, which will go into rate base. This particular activity or this particular project supports the local domestic market activities, particularly focused around our transportation, our road marine, a couple of other pilot projects that we now have on the go, and also supports our focus on remote communities generation.

Since June 2014, oil prices have declined approximately 55% to 60%. Diesel has certainly declined, but not to the same extent. It's about 32% lower than it was at the same time.

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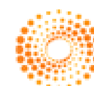

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Even in the context of the current market and some of the declines in oil pricing, LNG still continues to be competitive in the diesel market. We can then see price advantages, and what we're demonstrating here is that the LNG price on a per unit basis equivalent to diesel comes in at about CAD0.29, or just about half of what the cost of diesel is on the road. What we believe, we believe that provides us a strong competitive advantage and develops market potential for the ones that I just previously mentioned around marine, line haul, and local trucking.

Tilbury -- further expansion. Tilbury 1B, or the next phase of our Tilbury expansion, has been designed to supply HECO, or Hawaii Electric, with LNG. Since the presentation a year ago where this was referenced, there's obviously been several changes in the marketplace. We've seen the price of oil come from about $90 a barrel down into the $45 to $50, fluctuating. In December, there was a public announcement of NextEra's intention to buy HECO. We've also received approval from the government to build this particular project without BCUC regulatory approval for inclusion of up to CAD400 million in rate base, which is not included in our forecast.

Discussions. We're currently in the midst of -- we have had some changes in our discussions with HECO. We did sign a conditional contract with HECO back in 2014. Since that time, we've had some discussions around changing the particular method of transportation. The original thinking on that contract would have been shipping through ISO containers, individual ISO containers. The discussions around that particular contract have moved to a transportation through bulk shipping or freighters. Certainly that's been our primary driver in the change of potential capital costs, and we're currently undergoing a process to review those capital costs, driven primarily by the shipping requirements. In the event that we see incremental capital costs associated with this project, they would certainly be recoverable through the tolling charge.

Talking to Tilbury and in terms of where it sits, as we look at Tilbury on a full buildout, we can see Tilbury being competitive in terms of the broader West Coast market for delivered LNG to the Asian market. This slide simply shows the price per delivered LNG to the Asian market when we compare the US Gulf Coast, the US West Coast, and the BC, the Western Canada BC projects.

And simply the message here is we believe that Tilbury on a full buildout continues to be competitive with some of the larger projects, yet has some of those unique attributes of being a smaller scale niche type opportunity.

I'll provide an update in terms of our Woodfibre LNG. Barry had mentioned it previously. The Woodfibre project consists of a 47-kilometer new pipeline construction and compression upgrade to service a new customer known as Woodfibre LNG located in Squamish. In December of 2014, we received government approval to exempt this project from BCUC regulatory approval, thereby improving all of the costs associated with the project to go into rate base. The estimated cost on this project is approximately CAD600 million. That is not included in our forecast.

Right now, FortisBC, we're going through two separate environmental assessment approvals. Woodfibre is conducting their own environmental assessment. FortisBC is conducting its environmental assessment. We are making progress and would expect the conclusion on our EA process sometime in Q4 or Q1 later this year.

In summary, to close with some of our top priorities, we continue to focus on operational excellence and some of the key principles around strong utility operations, maintaining strong rate stability, continuing a key focus on our customers, increased productivity to support our PVR environment, obviously continued focus on system integrity and safety, strong focus on execution of our capital program, which ranges in the CAD400 million to CAD500 million a year -- CAD500 million per year over the next three years, and a keen focus on the expansion of our LNG opportunities with respect our transportation, remote communities, and the continued buildout of Tilbury.

So that concludes my presentation, and I'll invite Dave Hutchens up.

David Hutchens - *Fortis, Inc. - UNS Energy Corporation President and CEO*

Good afternoon. I'm going to talk about three topics, and I'm going to talk about them really fast. There's a lot of material in my slides. I'm not going to touch on all of the material there, but I think it's a good hand-out for you guys to take home. And obviously, if you have any questions about it, you can catch me afterwards or catch us anytime and we'll fill in some of the details.

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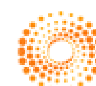

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So, I'm going to talk about solar, which apparently you guys don't talk about much here in Toronto. Every time I'm here, it's pretty cloudy. We'll talk about some rate cases and we'll also talk about the EPA's Clean Power Plan.

So just as a quick reminder, our three regulated utilities are regulated by the Arizona Corporation Commission, which is constitutionally created fourth branch of Arizona government. There's five commissioners that are elected on a statewide basis. They can only serve two four-year terms and they set retail energy rates and policy. And as was mentioned before, it is the cost of service methodology and is based on historical test year, so that's where our friend regulatory lag comes into play.

We do have a constructive regulatory environment. We have authorized ROEs from 9.5% at UNS Electric up to 10% at Tucson Electric Power, pretty standard for all the utilities in the state. We also have equity ratios, as Barry mentioned, which are standard in the state of right around 50%.

We have adjusted mechanisms to mitigate a lot of our risk, mostly around fuel, direct fuel pass-through mechanisms, as well as loss fixed cost recovery mechanisms which allow us to recover the fixed costs associated with reduced sales from energy efficiency and distributed generation. Those are at all three utilities.

There are no stay out of rate provisions, which is always a good sign, so you can keep that lag down as much as you possibly can. And I think one of the things that the commission is proud of is their track record of getting rate cases done in less than a year.

I think the main thing to take away from this slide is the last bullet, and that's the corporation commission gets and understands the issues around distributed generation, rate design and net metering and are willing to discuss them and hopefully get some solutions. So, speaking to that, solar distributed generation does provide some challenges in the sunny state of Arizona. Some of the bigger challenges are just economics. Rooftop solar is twice the cost of the slightly larger, you don't even have to get that big to get down to half the cost, what we will call either utility scale or community scale type projects. As long as you get in that megawatt size or larger, it's less than half the cost of what it would take to put up a 3 or 4 kilowatt system on a roof.

Obviously, net metering, rate design cause shift between those who put those panels on the roofs and those who don't have those panels. So that's the biggest issue and the biggest rub we have in the state of Arizona right now.

And then there's also additional system investments that's needed to make your distribution system actually full power in two directions, which never used to do.

If you look at that graph on the right, when I was up here a year ago, you didn't have that bar on the right that showed 2015. So it sort of was a semi interesting looking scenario. Now it gets really interesting. So you can see that residential distributed generation PV system installs have doubled this year compared to last year.

As far as what we are doing, we want to make sure if customers want solar, we are the ones that provide it. So we have come up with innovative products over the years to provide solar to our customers, and those projects -- or those different offerings are listed here. The main purpose of these is to be cost effective and to reduce the cost shift to other customers. And those are the community solar programs. We also have -- that's been around since 2010. We also have a TEP owned where we own the actual solar system on customers' roofs. That is a new one that just started this year and we've got a new proposed community solar program going forward.

So, our strategy is extremely simple and very simple to understand. And it's all about us getting more solar for less money. Remember, that's our customers' dollars that are being spent on solar. We want to make sure that if we spend a dollar, we get as much solar as we possibly can. So we're focused on developing more of those community scale arrays, looking for cost-effective offerings to our customers like those prior mentioned programs, and making sure that we modify and address both net metering and rate design so that we can send accurate and equitable price signals so that everybody is on the same page about the cost causation between customers and utilities.

So what might some of those proposals look like? This is the proposal that was -- that we filed at UNS Electric back in May for their rate case. And you can expect basically a carbon copy of this to come out in the TEP rate filing.

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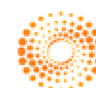

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As far as net metering goes, we actually made a filing of this outsider rate case but brought it into the rate cases, so that's been out there for a while. Instead of allowing customers to bank these excess credits and get a full retail rate credit, what we are proposing is they get what we call the avoided cost of solar, which is the value of their solar, when it's excess, onto our grid, that we pay them what we can get similar solar for. It's not an avoided cost of other generation; it's an avoided cost of solar to keep out that argument about whether or not solar is better than wind or nuclear or coal or gas. So, we say we will compare it right directly to what we can buy solar for, and we use the most recent PPAs for that. And as it shows here, it's under $0.06 per kilowatt hour.

As far as rate design goes, we are proposing both a slight increase in the fixed cost recovery across all customer classes, but we are also proposing a three-part rate design that will apply to partial requirements customers, which are distributed generation customers. Since they put solar panels on their roof, they are providing part of their requirements but not all of it. We want to see the basic service charge increase as well as having a demand chart so that they can really actually notice when they are leaning on our grid, which they do 24 hours a day, but you will be able to get that signal and that right price signal for what demand really costs as well as the lower energy charge that would result from those two changes.

So, now shifting a little bit to TEP's rate case, it was mentioned we will be filing a rate case later this year. We're targeting early November for that. Besides that, those rate design and net metering issues, we also have a big slug of capital investment that turns into rate base that we're going to be asking for.

If you look at capital investment since our last test year, which was 2011, at TEP, it's $1.3 billion. These are US dollars by the way. And we also, as Barry mentioned, are increasing our equity layer from what was 43.5% up to the more standard 50%.

When you look at all of this $1.3 billion, I think the pie chart says a lot. And that's that it's not in any one big investment, that it's spread across the entire value chain of our vertically integrated utility. And so you look across there and say okay, all that stuff makes sense. And a lot of these have to do, especially if you start in the upper right there, both the solar, Gila River and Springerville Unit 1 all have to do with our resource diversification strategy that I'll talk about here in a minute.

So the rate filing timelines for -- on the top side, it shows the UNS Electric filing calendar. We filed that case in May. We are hopeful that we get new rates effective May of next year.

As far as TEP goes, these are all potential schedule. This is just what we are laying out. Our wish list for what the schedule would look like hasn't been laid out by the commission yet. Don't ever want to propose something or show something that the commission hasn't agreed to before they actually agree to it. So we will be filing that in November and we hope, with that filing and that timing, that we will be able to get a hearing in late 2016 and hopefully have rates by January of 2017.

Shifting to the generation portfolio just real quick, we talked about this last year here. I talk about this all the time. We developed a resource diversification strategy about two years ago and are basically fully implementing it now. This strategy reduces our coal on a capacity basis by one-third and reduces our CO2 initiative by 25%. And that's by 2020. Everything is done on this with the exception of the pending shutdown of San Juan Unit 2, which is in New Mexico. And that unit is expected to shut down or required to shut down at the end of 2017. So, this is basically baked. We're just waiting for the last piece to fall in. So that gets us in pretty good position for the Clean Power Plan discussions that started. We developed this before the Clean Power Plan. No way did we think it was going to be as bad as that draft rule was, but we now have a very good head start on what we need to do with the Clean Power Plan.

Just as a quick reminder, the EPA's Clean Power Plan is basically sliced into state requirements, state compliance requirements. And there's two states that we operate in, New Mexico and Arizona, but there's also another category and that's on the Native American reservations, and particularly in our neck of the woods Navajo. So we have plants that are particularly in three different what EPA calls regions as far as the Clean Power Plan goes. So I'll talk about each of these a little bit more as we go through here, but it's a good map to have to show where all of our different resources are in the UNS portfolio.

So when we talked about the Clean Power Plan last year, and I have been talking about it for a year since then, it was really, really heavily hitting the state of Arizona, which of course was a big issue for our state. We got a lot of stakeholders together and talked to the EPA about what we saw

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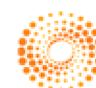

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as an unfair hit on Arizona based on just some modeling issues and some policy issues that they decided in the draft Clean Power Plan that was going to apply across all of the states. So here's some of the major revisions that they made to the draft plan in the final, and they did create a uniform national emission rate which actually does improve that state-by-state equity quite a bit, which defines what the emission rates from the pounds per CO2 per -- pounds CO2 per megawatt hour that each type of plant can emit. That means gas and coal. So that was very meaningful. They addressed our "Cliff", as I'll show you in a minute, as well as our timing concerns.

They also provided what they call a reliability safety valve, because every utility was really worried, especially us in Arizona, that, if you had to comply to that draft rule, you would be shutting down plants before you get infrastructure into a place, whether it's gas infrastructure, transmission -- who can cite a transmission line in under five years? No one in this room. No one ever anywhere can do that.

They also provide more definition on this mass based alternative, which is a really good option for states to consider, as well as they introduced this clean energy incentive program which is basically like getting extra credit for renewable investments as well as low income energy efficiency projects if you do them before this rule actually becomes effective in 2022.

So, this was the original Clean Power Plan, the draft that scared us all. We actually were the state was the poster child of all discussions around what was wrong with this plan. So after all of those conversations with the EPA, we actually went in and said this is so bad we've got to give them something, we've got to propose something to them, and make them see that we are actually willing to go down and reduce those CO2 levels. We weren't just going to say 100% push back, no. So we offered this solution. This is all the stakeholders across the state.

When EPA came out with their final rule, it was obvious that they listened to us. They not only have taken out that 2020 "Cliff" and have pushed the compliance period out to 2022, they did that for everybody. We weren't special or anything. But they pushed that out two years, but they also gave us a nice glide path that allows us a much easier compliance picture. On each of these slides, it lists which plants that we have in each of these regions for your reference.

New Mexico, actually the draft was good. The final one is fine there. We are in compliance there from a TEP perspective in the state, looked okay in that region as well because of the pending shutdowns at the San Juan generating station. Taking two coal plants out there was really helping out in New Mexico's costs.

Now, on the Navajo Nation, on that reservation, now, this is subject to federal implementation plan so states won't come in and develop their own plan on this. And this is basically what the feds threw out as a draft federal implementation plan. And it shows a compliance path that's a little bit tougher.

So, we are only a 7% owner of Four Corners, which is operated by Arizona Public Service, and a 7.5% owner of the Navajo generating station, which is operated by Salt River Project. All of us will be talking in great detail with EPA hoping to get a little bit more relief from this, because there have been significant shutdowns at Four Corners and there will be a significant -- one-third generation will be shut down at Navajo already. So we are hoping that they will take that into account and provide a little bit of relief there.

So this is just an interesting graph because -- or interesting map -- because we in Arizona obviously got a fair bit of relief, and you are saying what happened across the rest of the US? The requirement, the reduction, the CO2 reduction, actually got more stringent in the final plan than it was in the draft. So, it went from a 30% reduction from 2005 to 2030 to a 32% reduction from 2005 to 2030. And I say, what happened? They reshuffled the deck, which they said they were willing to do. But I -- like going to show on this slide one right after the other, you can see where it is a very wide variation between reductions by state here, and then in the final rule, you can see how it got much more dark blue across a much broader array of states, and really is hitting the coal states hard up in the Midwest as well is in the Northeast there.

So there's a lot of questions that remain around the Clean Power Plan. We've got to figure out what the federal plan looks like, a lot of state decisions and agreements that have to be made. We have to understand the carbon markets. Can we rely on those carbon markets as an alternative compliance method?

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And of course litigation. This is where the lawyers are going to make an entire career on the Clean Power Plan, because they will -- if you go to law school today, you will be able to do the clean power Plan stuff for your entire career, I'm certain of it. But the outcome is definitely not certain.

We have a lot of growth opportunities down in the Southwest in Arizona. The Clean Power Plan does bring up some opportunities. It's not only issues around replacing coal with natural gas or renewables, but it provides us the investment opportunity to do that, whether it's generation transmission needs as well as renewables that you might be able to get two-for-one type credits as part of that clean energy incentive plan.

Distribution system investments. We are modernizing our grid. There's a lot of products and services that our customers are looking for out there. There's the two way-flows issues that I mentioned before. And integrating all the solar is definitely right there looking at us squarely in the face.

Our solar strategy is more towards the larger scale, things that we can invest in. Even though we are investing in residential programs a rooftop at a time, we see the great potential for additional solar, particularly PV investments.

And on the transmission side, besides just the Clean Power Plan and maybe some potential transmission investments there, looking at where we are situated on the map down there in southern Arizona, Tucson Electric Power is in southern Arizona and our affiliate, UNS Electric, actually serves all the way up to the Mexican border. We are right there on that highway waiting for some transmission investments, so for us to do in order to connect the Mexico markets, which are starting to rattle some sabers down there again. And what they really need is not where they're going to put that generation, on which side of the border, but they need transmission lines, which is exactly what we can provide and we are the utility in those areas.

Our top priorities, always the top one that I talk about is our operational excellence, making sure we are consistently and constantly improving customer satisfaction, safety, and reliability while controlling our costs. Bottom line, we've got to make sure that our rates are affordable and, more importantly, competitive with the alternatives that will be proposed over here over the next five to 10 years.

The other two I talked about on executing our diversification program in the Clean Power Plan as well as the regulatory strategies. It's all going to be about rate design; it's all going to be about net metering. That's of those rate cases are going to be about.

And then from our perspective, as a vertically integrated utility, we do have the options and the possibilities of getting more involved in the wholesale energy and transmission side of the business. That is a big chunk of our business. We have also customers already. We are looking to grow that. That's another piece of our business that we can grow and hopefully spread out the pie of assets that we use to serve our retail customers, to serve many more retail customers through wholesale contracts.

That's all I have.

Barry Perry - *Fortis, Inc. - President, CEO*

I should mention we had the board of Fortis down in Tucson last week, and I think the two days we were there, the temperature was well over 100. So they got a good taste of what the utility means to the community down there.

I'm just going to wrap up and then we're going to take some questions.

So, looking forward, we are heading towards a rate base of $20 billion by 2020. We're going to grow our dividends annually by 6% through that period. Really believe we will capitalize on additional energy infrastructure opportunities during that period. You've heard a good summary of those today. And we will continue to focus on disciplined utility acquisitions over that period.

In terms of shareholder value, we really believe we have a strong platform for growth. We have a group of well-run utilities, low risk diversified business, a strong balance sheet and really predictable dividend growth on a go-forward basis.

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That sums up our presentation today, and we'll open the floor to questions. I will be the emcee to pitch them to my colleagues on the panel if I can't answer them.

QUESTIONS AND ANSWERS

Andrew Kuske - *Credit Suisse - Analyst*

Andrew Kuske, Credit Suisse. So Barry, if you just give us some perspective on how you think about the business on a longer-term basis and just the proportionality of assets, Canada versus US, given some of the constraints in the Canadian market for allocating capital into the sector?

Barry Perry - *Fortis, Inc. - President, CEO*

I would think, right now, we are about 40% US, 60% in Canada and the Caribbean basically. And you could easily see that skew to more US assets over the time frame, five years to 10 years. Simply the targets are, for acquisitions at least, are not in Canada. They are in the US. And we're going to continue to invest in our Canadian jurisdictions. There's nothing that I see right now that would say I'm stopping investing in any one of the Canadian jurisdictions. Really these are good jurisdictions. We've gotten reasonable regulatory treatment. Yes, there are some headwinds in certain areas, in Alberta on certain matters. But I firmly believe we will work through those issues over time.

The other mix in our business, Andrew, is the gas/electric. We are a predominantly electric company. 70% of our assets are electric right now, 26% gas, I think it is. So there is no magic there either. We are interested in gas distribution franchises as well. So over time, that could be equal. It could stay the way it is. So we don't have a particular view on it has to be that sort of 75%/25% electric kind of thing.

Andrew Kuske - *Credit Suisse - Analyst*

And then just as a follow-up on the electric IOUs, you mentioned this earlier on, we've seen a pretty significant reduction from 100 15 years ago down to say 40-ish now. How do you think about that five years out or 10 years out with the land grab that's underway right now?

Barry Perry - *Fortis, Inc. - President, CEO*

I think it continues. Until regulators stop approving deals, this continues. There was a pause for a number of years a few years ago because some deals never got done, and then people stepped back. But deals are getting done in our sector.

And companies, more and more companies are prepared to take on complex deals. And I think any regulated utility business in North America right now that thinks they can't be bought by another business, I think they are a bit naive, frankly. This is a market that is consolidating. And we are hunting obviously, so we are not being hunted, maybe we are, but we are on the hunting side at this point in time. So -- but it's that kind of business at this point.

Winfrey?

Unidentified Audience Member

Some utility gravediggers or WAGs are predicting that the traditional electric utilities in the United States as we have known them are headed for the same destiny as the Great Auk in two steps. The first one, at risk impact of net metering, and the second one, somewhat longer-term, very much improved battery technology which might perhaps totally separate distributor generators from the utility. And what is your view?

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Barry Perry - *Fortis, Inc. - President, CEO*

I think these are emerging threats in our industry, Winfrey. The industry has always been able to manage big changes. And I don't lose a lot of sleep about those issues, frankly. We are on the front lines of some of them in Arizona. We heard Jim Laurito talking about what's happening in New York and changing the utility landscape. So we are learning a lot from those processes. And I think we will manage through those risks. In my life time, I don't think I have to worry too much about a utility not being the primary supplier of energy in the jurisdictions that we operate in. That's my view. I firmly believe that. We will manage through these issues, and most of our assets still remain in the grid and the energy sort of network that deliver to customers. So I think that's where you want to be in this evolving business.

Ben Pham - *BMO Capital Markets - Analyst*

Ben Pham, BMO Capital Markets. Could you comment on the potential buildout of your generation business. It's 4% now. Do you want to get to 5% -- or 10%, 15%? And do you envision more a number of different Waneta projects within your various franchise areas in terms of magnitude?

Barry Perry - *Fortis, Inc. - President, CEO*

Ben, I'm just being funny there. But Waneta it is a unique project. It's very unlikely we find a project that with a size of that in terms of green energy, hydropower, in our jurisdiction. But clearly we'd like to own more renewable power with the attributes of being long-term contracted.

I do believe we will make headways in Arizona in solar over time. We may be able to acquire some amount of renewables. I don't see it being a large part of our business going forward. The way I look at it I guess preliminary-wise is really 10% of our balance sheet is $3 billion. When I think about all of that contracted energy infrastructure, over time it could see us getting to that kind of level. We are at 4% today. But there's no acquisitions in front of me right now that could get us there in one transaction. But over time, we could see us growing up to that level. But risk profile-wise it should look very similar to our regulated business.

Ben Pham - *BMO Capital Markets - Analyst*

And can you also comment on your currency exposure the next couple of years? You had CAD[1.3] million in your CapEx assumptions. What do you see in the earnings stream?

Barry Perry - *Fortis, Inc. - President, CEO*

Karl, why don't you give the sensitivity to EPS.

Karl Smith - *Fortis, Inc. - EVP, CFO*

Sensitivity is [7%] basically. I mentioned in my comments earlier we feel pretty comfortable in terms of our exposure right now. We have done some work on creating and developing a hedging program that will continue to reassess probably on a quarterly basis. And as I mentioned, we'll also continue to issue debt wherever we can in US dollars, and that will enhance the hedging that we have in place. We are about 40% hedged now naturally, so we do have a ways to go.

Unidentified Audience Member

Just a question on the natural gas transmission, you touched on it a little bit, the Marcellus to the northeast. A couple of questions. First, would you partner with someone? Second, is just project development? Third, can use your right-of-ways on your existing utilities, like on the wires business, for a pipeline? And also would it be integrated -- like you talked about some synergies with respect to your service territory, so would it be more of an integrated -- you only got to touch on that and that seemed to be a new area, so I just wanted to dig down on that.

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Barry Perry - *Fortis, Inc. - President, CEO*

I'm going to let Jim answer most of that question, but I will say that we are interested in partners. If they bring something to the project that allows the project to go forward, we really don't need capital. We have got tremendous access to capital ourselves. But if it means having a partner that's involved allows a project to go forward, then clearly we would look at that.

Jim, maybe you can jump in and answer the remaining questions.

Jim Laurito - *Fortis, Inc. - Central Hudson President and CEO*

Sure. Absolutely correct. Partner question, absolutely we would consider that.

To your question on path, I would say, with what we are considering, 95% plus of the route would be on existing disturbed electric corridors, so rights-of-way. So FERC would look very favorably upon that type of route, as you know.

And then I think in terms your question around the development in customers, there's an interesting mix here. There's really something in this for everyone. There are a couple of generating plants that we, Central Hudson, actually used to own, that we sold to Dynegy several years ago. They subsequently went bankrupt and both plants were sold to two different owners. Both of those have restarted and come back to life and are potential customers, so that's a driver. We also have LDCs in the region that could be potential customers. Producers at times are in a push gas situation, so they are also on the list of potential customers. And then, importantly, our Central Hudson distribution customers will benefit from this because, today, we take our peaking gas from one source, which is the Iroquois pipeline. And that 10, 15 years ago was the cheapest source of gas in the region. Today, it's the most expensive source of gas. So that's what we mean when we say portfolio diversity.

So I think what we will see is the potential for generators as customers, LDCs for partners, producers as potential partners, and our LDC customers would benefit as well. So we think, all in all, still in the preliminary stages, but really, really good potential here.

Barry Perry - *Fortis, Inc. - President, CEO*

Other questions?

Unidentified Audience Member

Barry, if I can just ask about acquisitions. Historically, you've talked about sizes up to about CAD5 billion and a preference for single-state. Just as you've become a bigger company, can you talk about, just update those parameters?

Barry Perry - *Fortis, Inc. - President, CEO*

I would have to go much higher now considering my neighbor in Atlantic Canada, how big they went. Clearly, we are a bigger company with $24 billion of enterprise value, so we feel we can do a fairly large deal. But I would go back to the mix of the diversification slide, and it's not likely we'd do a deal like would represent more than 30% or so of the overall business going forward in any one jurisdiction. So that, from a risk perspective, we really don't want to go down that path.

Recall that when we bought the BC business, we were like about 55% in British Columbia, but now that business is down to about 30% of the overall company.

So, Robert, really we have been doing some good sized deals really. And I wouldn't want to sort of peg a number at this point, but clearly larger than what we've done in the past.

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I remind everyone there are only a very few number of utilities left in North America. Some are very large. Some are very small. When you look in the middle, there's a handful. So it's not a long list.

Unidentified Audience Member

And I guess, I don't know if you can wrap a number around that, when you look at your size constraints, both on the high side, the low side, states that you may not want to be in it and then as you talked about (technical difficulty) with the existing management teams, and I get the sense a lot of them. So if you knock out the ones that you feel aren't a good fit, what are we talking about in terms of numbers of potential targets?

Barry Perry - *Fortis, Inc. - President, CEO*

I think there's five or six potential targets. Ideally, for us, the regions we're in -- the Northeast, the Southwest -- just from a personal perspective, frankly, it be better to acquire business in those regions. It's not the only criteria, but if there was a good business available in another jurisdiction -- the Northwest, the Midwest -- we would consider it. But in an ideal world, you're clustering your customers in a region, so that's where we would first start.

Unidentified Audience Member

If I can just ask -- can I ask a question about rev? You guys have been pretty positive and optimistic about that. It's a little different tone than, say, some of the other utilities in New York have felt about it. How do you see yourself as being set up differently, if it's so positive to you? Is that something you are pushing out to some of the other jurisdictions, as trying to be out in front of the curve on some of these issues?

Barry Perry - *Fortis, Inc. - President, CEO*

The question -- you said rev, right, in New York?

Unidentified Audience Member

Correct.

Barry Perry - *Fortis, Inc. - President, CEO*

Well, Robert, I'll just chip in. I'll let Jim jump in as well, but I think it's an example of the Fortis approach. And led by Jim and his team really, we embrace the policy change in New York. Our team at Central Hudson, led by Jim, spent a lot of time and effort meeting with the staff of the Commission, being involved in the process, and frankly, turned it into a good experience. Yes, a lot of hard work to get to where we are, but you can see the rate plan that we've gotten agreed to now in New York is very strong, and we are seen as a real player and leader in rev in the state, I would say hitting above our weight at this point in time, when you consider some of the bigger players that are operating in that jurisdiction.

Jim?

Jim Laurito - *Fortis, Inc. - Central Hudson President and CEO*

Yes, absolutely right, Barry. And also, Robert, I would say one of the things we have to keep in mind here is that the real drivers for this are technology and what customers are now expecting. The fact that the regulators have created a generic proceeding and that's moving forward, that may accelerate the process, but there are things on the technological side like distribution automation to automate the grid more that we needed to be doing anyway. And frankly, they were part of our longer-range capital investment plan prior to. I think you also heard Phonse talk about

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distribution automation in his area. So this is something a utility needs to be doing. Make the grid more automated, more self-healing, that's where technology is moving.

Also, on the other side, when we talk about the technology to change the way we engage with customers, I don't think anybody would argue with the fact that most utilities are not the most creative, haven't been the most creative and innovative with how we communicate to customers, largely because regulators have not permitted it. So, we send you a bill once a month. It's virtually indiscernible, and everybody just looks at the bottom line number. Yet we can't change one thing in that bill without regulatory approval.

So, what the regulators can do, and we advocate for, they can change, which will help us move forward as well because I think we would all agree we only move forward at the pace of regulation. So the fact that our new Chair in New York is very pro-innovation and driving rev, we see that as a real benefit because we think these are things we need to do for customers anyway.

Unidentified Audience Member

Great, thank you.

Paul Lechem - *CIBC World Markets - Analyst*

Paul Lechem, CIBC. A question for you about the LNG projects in BC. In last year, we saw you included the projects in an upside case. This year, we've got a bit of an update, but it seems to me that you've been running into -- or not you, but the projects have been running into roadblocks in Hawaii. We've seen the NextEra takeover been delayed and there's been a lot of pushback in the Squamish region for the Woodfibre project.

So, just wondering, should we read anything into the fact that you've taken this out of your upside case now? What is your view that these projects proceed?

You've given us also a hint that the projects are competitive and you're looking at other Asian off-take. So can you just give us some flavor about reality? Where do you see these projects at this point? Are they going to go? Do you think they're going to go? When would they go? Can you give us some further flavor on these projects?

Barry Perry - *Fortis, Inc. - President, CEO*

Mike, I'm going to take a stab and then you can fill in. But we're still optimistic. We have a good site Tilbury. Clearly, the NextEra acquisition of HECO, that's a big, big thing in Hawaii. They have to go through a process. The fuel switching that was being proposed by HECO, which we started talking to them about before the NextEra deal, that's also a major change for the state. And using LNG as a transitional fuel to go from oil to renewables, which is what the government wants to do in Hawaii, that's under some debate in the state at this point in time. I think the logic is strong for that.

So the reality is HECO and NextEra to work through these issues with the government in Hawaii, the state government. In the meantime, we continue to explore other opportunities for our Tilbury site, because there's a greater amount of capacity to allow that site to be built out. And we are optimistic, even if HECO did not proceed, that we would find other players there.

In terms of Woodfibre, listen, these projects in British Columbia are being scrutinized tremendously from a First Nations perspective and an environmental perspective. It's not unusual that there would be a slower processes involved. We still remain very optimistic about that pipeline expansion to bring gas to Woodfibre. They are spending a significant amount of money on that project, and we're doing a lot of the work on their behalf. There's strong support from the government to move forward. So I'm really expecting over the next few months or so some more positive developments in Woodfibre.

So overall I think they are still part of our upside case, along with a lot of the other opportunities that we have identified today.

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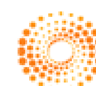

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Matthew?

Matthew Akman - *Scotiabank - Analyst*

Thanks. Matthew Akman, Scotiabank. So, I just wanted to stay on the acquisition theme. It's obviously topical. It feels like you guys are a little more inclined to do M&A than you were last year. You can correct me if I'm wrong when I finish my question, but last year, it felt like you were in digestion mode and organic growth mode and that acquisitions were on the back burner. Since that time, it feels like multiples for utilities have gone higher, not lower. And if anything, the risk profile of US utilities really have somewhat deteriorated. You can debate me on that, but based on technology change, and we saw the solar penetration charts and so on. And it's not a big deal now, but it's an emerging trend.

So given those changes in the industry and the fact you still have organic growth that's strong, why is acquisition still one of your major points of focus right now?

Barry Perry - *Fortis, Inc. - President, CEO*

Well, I think you're right in your assessment from a change from last year to now in terms of how we think about this, because we said to our shareholders last year that we just bought a large company. We wanted to reestablish our earnings level to allow our shareholders to understand what the benefit of having Central Hudson and UNS are as part of our group. And we have done that at this point in time. We're really headed towards a very strong 2015. The dividend increase recently and the introduce of guidance, shareholders should read into that our confidence about our business over the next five years.

I will say that Fortis has been successful in building its business through acquisitions. We feel that it's really an expertise that we have. We've been having discussions for more than a decade with many, many players in the US, but we're only going to do the right deal. If the deal doesn't work, if it means that we're not going to have accretion for three years or two years or there's issues around the deal, then we're not going to do the deal. So I think we're still going to be disciplined in our approach. We may not find that (technical difficulty). It may be that it is too hot, for lack of a better word, out there, that things are too expensive, that we may not do it.

So rest assured we're going to (technical difficulty) discipline, but you can't stop looking, Matthew. It's really, you can't remove yourself from the discussions because these things take a long time to start, go from the start to the point where you can successfully convince a management team and a board of another public company to entertain selling their business to you. It doesn't happen overnight. It takes sometimes two, three, four years to get to that point.

Matthew Akman - *Scotiabank - Analyst*

Yes, sometimes two, three, four months, I hear. Just shifting and maybe a sub question on this is my only other question. On Ontario (technical difficulty) that transfer tax is still 22% or whatever. How big an impediment is that I guess to making acquisitions happen? And I guess related to that, are sub-30,000 customer utilities even attractive, or are they just too small to be attractive?

Barry Perry - *Fortis, Inc. - President, CEO*

Let me just jump in. Correct me if I'm wrong, Bill Daley or Earl, below 30,000, there is no transfer tax, right?

Earl Ludlow - *Fortis, Inc. - EVP Eastern Canadian and Caribbean Operations*

Yes, but --.

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Barry Perry - *Fortis, Inc. - President, CEO*

So the model at Fortis is we have a team that's working here in Ontario already, a management team. They've been pounding the pavement for a long time, frankly. We have small businesses that form part of what is Fortis Ontario.

So the effort to consolidate smaller, less than 30,000 customer utilities, we're all okay with that. That's what we've been trying to do. Listen, we would have loved to have been able to buy Brampton Hydro, but it wasn't available. The pension funds got together and they did their deal.

So, you deal with the hand that's been dealt, basically. And in Ontario, it does look like it's small size utilities for us at this point in time. And we're optimistic that we can secure a few of those.

Matthew Akman - *Scotiabank - Analyst*

Just to follow-up, Earl, you don't -- do you see any of the larger utilities going, even though -- they cut the transfer tax so that maybe someone (technical difficulty) presumably, or what got it? Do you think some will go?

Earl Ludlow - *Fortis, Inc. - EVP Eastern Canadian and Caribbean Operations*

It's possible. I think as we look out and we continue our discussions, time will tell.

The other part of (technical difficulty) with the transfer tax where it is today as we look out, even on the break points on the number of customers, it's early days is what I'm trying to get at, I guess, in this whole point. And I'm not convinced that that structure won't change as we go forward as well. (technical difficulty) due to coming for us I think January 1 range of next year. As we go out, yes, I think some of these larger utilities may also be on the market.

Matthew Akman - *Scotiabank - Analyst*

Thank you. Those are my questions.

Barry Perry - *Fortis, Inc. - President, CEO*

Back to Winfrey.

Unidentified Audience Member

I have two questions I'll ask one at a time. What were the after-tax capital gains you realized from the sale of your real estate portfolio? And B, of the partial sale of your hotel portfolio. That's the first question.

Karl Smith - *Fortis, Inc. - EVP, CFO*

We were able to shelter those taxes on those sales.

Unidentified Audience Member

100%?

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Karl Smith - *Fortis, Inc. - EVP, CFO*

Yes.

Unidentified Audience Member

Okay. The second question is at the 2003 World Gas Conference in Tokyo, a well-respected Japanese scientist calculated 480 parts per million of CO2 concentration would mean the end of human life. And he went on to say that even if the globe would instantaneously convert from petroleum-based and coal to natural gas (technical difficulty) 480 parts per million, except a little later. Do you ever think about that?

Barry Perry - *Fortis, Inc. - President, CEO*

(Laughter) Not that particular conversation, no. But Winfrey, rest assured, we're always focused on doing what's right from an environmental perspective. And you can see the efforts we're (technical difficulty) in Arizona to make sure we comply with the Clean Power Plan. We are obviously very much pro making improvements in all those areas. And there are a lot of changes happening in the delivery of energy in North America that are positive from an environment perspective, and Fortis is a big part of that. So, we're going to continue doing it. And I think, as the world evolves from here, there will be, at least in the I think more in the developed countries, a big change and the emission rates for -- related to energy.

Any other questions?

Well, thank you, everyone. I do want to recognize one person before we go, so you get to thank her. Donna Hynes has been our head of Investor Relations -- stand up, Donna -- for a long time. We've been spending a lot of time -- we've spent a lot of time on the road together, and she's moving on to a new role. She's going to be working with the executive group with the Company in helping us out there.

We do have a new VP of IR, Janet Craig-- stand up, Janet, so everyone can see her, who's going to lead this function. Janet brings with her a wealth of experience with some large public companies in (technical difficulty). Thank you, Donna, for all your help over the years.

Thank you very much, and that's it. Thanks, everyone.

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