

Q3 2026 EARNINGS CONFERENCE CALL

November 3, 2026

FORWARD LOOKING INFORMATION

Fortis includes forward-looking information in this presentation within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of *the Private Securities Litigation Reform Act of 1995* (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would, and the negative of these terms, and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: forecast Capital Expenditures for 2026 and 2027-2031; expected timing, outcome, and impact of legal and regulatory proceedings; forecast five-year CAGR to 2031; annual dividend growth guidance through 2031; forecast Rate Base for 2026 through 2031; forecast three-year CAGR to 2029; the expectation that the proportion of ITC's FERC-regulated assets in the Corporation's consolidated Rate Base will increase during the Capital Plan period; expected nature, timing, benefits, and costs of certain opportunities above and beyond the Capital Plan at ITC, including investments associated with the MISO LRTP Tranche 2.1 projects, other MISO LRTP and MTEP projects, and customer connections associated with load growth; expected in-service dates and total cost of the MARS project; expected nature, timing, benefits, and costs of certain opportunities above and beyond the Capital Plan at UNS Energy, including investments associated with load growth for new and existing customers, integrated resource plans, and FERC-regulated transmission; expected timing and resources for TEP to serve load pursuant to an energy supply agreement with its data center customer; estimated costs of incremental generation and associated transmission investments associated with the approximately 550 MW high-load-factor customer scenario in TEP's IRP; planned resource additions under TEP's and UNS Electric's base case IRPs; projected average system cost per kWh under various scenarios included in TEP's IRP; TEP's planned retirement of coal-fired generation by 2032; TEP's aspirational goal of net-zero direct greenhouse gas emissions by 2050; expected timing of the ACC acknowledgement of IRPs in 2027; expected nature, timing, benefits, and costs of certain opportunities above and beyond the Capital Plan at FortisBC, including investments associated with the Tilbury LNG Expansion post-2031, Regional Transmission Pipeline Expansion, and customer and load growth in the Okanagan electric service territory; estimated potential incremental capital above and beyond the Capital Plan; expected and potential impacts on rates associated with various affordability initiatives, including O&M savings targets at Central Hudson, beneficial load growth at ITC Midwest and TEP, capital optimization related to the UNS Springerville Natural Gas Generation, and rate benefits associated with LNG projects at FortisBC and the Eagle Mountain Pipeline Project; expected sources of funding for the Capital Plan, including common equity provided through the DRIP at current participation levels; the expectation of a consistent capital structure over the planning period; the expectation that the funding plan supports existing investment-grade credit ratings; planned re-establishment of the short-form base shelf prospectus and ATM Program in early 2027; forecast credit metrics for 2026 and 2027-2031; forecast Capital Expenditures for 2027-2031 by business unit; forecast capital expenditures for pre-2027, 2027-2031, post-2031, total project cost and estimated completion dates of Major Capital Projects, including ITC MISO LRTP – Tranche 1, ITC MISO LRTP – Tranche 2.1, ITC Big Cedar Load Expansion, UNS Transmission Project at TEP, UNS Gas Generation Project at UNS Electric, UNS Springerville Natural Gas Generation, FortisBC Tilbury 1B Project, FortisBC LNG Storage Tank Expansion, FortisBC AMI Project, and FortisBC Eagle Mountain Pipeline Project; expected construction timing of Tilbury 1B; expected stakeholder consultation related to Tilbury Phase 2 LNG Expansion; potential additional capacity of, ability to supply domestic or bulk LNG export markets from, and expected staged development of the Tilbury Phase 2 Liquefaction Expansion; forecast Rate Base for 2026 through 2031 and five-year CAGR to 2031 by business unit; estimated impact of the U.S. dollar-to-Canadian dollar exchange rate, inclusive of hedging activities, on the Capital Plan and EPS; the Corporation's commitment to a coal-free generation mix by 2032; the Corporation's 2050 net-zero greenhouse gas emissions target; forecast debt maturities for 2027-2036; the expectation of a declining dividend payout ratio over time; the expected strategic focus of the Corporation on organic growth; the expected regulatory framework for FortisAlberta following the current PBR term; expected nature, timing, benefits, and costs of certain opportunities at FortisAlberta, including investments associated with load growth, large load interconnections, reliability and wildfire mitigation; the intention to maintain a buffer above rating agency credit metric thresholds; the potential use of the ATM Program, hybrid capital, and other financing alternatives to fund capital above and beyond the Capital Plan, and the expected timing of any such funding requirements; estimated capacity to issue additional hybrid capital; the expected impact of the proposed federal productivity deduction on the Corporation's credit metrics and on customer rates at its Canadian utilities; and the expected timing of a final investment decision and permitting associated with the Tilbury Phase 2 Liquefaction Expansion.

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

Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking information. For additional information with respect to certain of these risks or factors, reference should be made to the continuous disclosure materials filed from time to time by the Corporation with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information herein is given as of the date of this presentation. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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

Note: U.S. dollar-denominated five-year Capital Plan and forecast rate base converted at a forecast USD:CAD foreign exchange rate of 1.35 for 2027-2031.

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Presentation

Operator

Thank you for standing by. This is Betsy, the conference operator. Welcome to the Fortis Inc. Third Quarter 2026 Results and New Five-year Capital Outlook Conference Call. [Operator Instructions] The conference is being recorded. [Operator Instructions]

I would now like to turn the conference over to Stephanie Amaimo, Vice President, Investor Relations. Please go ahead, Ms. Amaimo.

Stephanie A. Amaimo
Vice President of Investor Relations

Thanks, Betsy, and good morning, everyone. Welcome to Fortis' Third Quarter 2026 Results and New Five-year Capital Outlook Conference Call. I'm joined by David Hutchens, President and CEO; Jocelyn Perry, Executive VP and CFO; other members of the senior management team as well as CEOs from certain subsidiaries.

Before we begin today's call, I want to remind everyone that the discussion will include forward-looking information, which is subject to the cautionary statement contained in the supporting slide show. Actual results can differ materially from the forecast projections included in the forward-looking information presented today.

Non-GAAP financial measures referenced in our prepared remarks are reconciled to the related U.S. GAAP financial measures in our third quarter 2026 MD&A.

Also, unless otherwise specified, all financial information referenced is in Canadian dollars.

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

David Gerard Hutchens
President, CEO & Director

Thank you, and good morning, everyone. This past quarter has been one of the busiest and most positive I can remember during my tenure as CEO, leading to meaningful progress and significant opportunities for our business going forward. We're also happy to put another strong quarter behind us.

Operationally, we continue to provide safe and reliable service to our customers and invested $4.2 billion in our systems year-to-date. For the full year, we expect to invest approximately $6 billion, up $400 million from our plan. And we delivered earnings per share for the third quarter of $0.92.

And today, we are unveiling our new 5-year capital plan, our largest to date. Big news hit in the quarter with respect to our Tilbury site in British Columbia and ITC being awarded a competitive bid project in Iowa. And today, we announced that our Board of Directors declared a fourth quarter dividend increase of 4%, marking 53 years of dividend increases.

Before getting into the details of our new 5-year outlook, I will turn the call over to Jocelyn to speak to our third quarter results.

Jocelyn H. Perry
Executive VP & CFO

Thank you, David, and good morning, everyone. For the quarter, reported earnings were $474 million or $0.92 per common share. And on a year-to-date basis, reported earnings were $1.4 billion or $2.69 per common share. As you can see on the slide, reported earnings in 2025 included income taxes and closing costs of $0.06 per share associated with the disposition of FortisTCI. Excluding this impact, adjusted EPS for the quarter was up $0.05 and year-to-date adjusted EPS was up $0.06.

On the next slide, you will see the adjusted EPS drivers for the quarter by segment. At ITC, EPS increased by $0.03, driven by rate base growth and lower stock-based compensation expense, partially offset by higher finance costs. Our U.S. Electric and Gas segment contributed a $0.02 increase, mainly driven by UNS Energy. The growth in Arizona was due to higher electricity sales associated with residential and industrial usage and customer growth.

The timing of operating costs and lower income taxes associated with the amortization of investment tax credits on the battery storage project also contributed to the increase. Moderating this was the impact of milder weather quarter-over-quarter and regulatory lag associated with rate base growth not yet reflected in rates.

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At Central Hudson, earnings were largely consistent quarter-over-quarter as rate base growth, the timing of costs and a contribution to a customer benefit fund in 2025 were offset by a favorable regulatory adjustment made in the third quarter of 2025 upon implementation of the most recent rate order.

Our Western Canadian utilities increased EPS by $0.02 in the quarter, driven by rate base growth as well as lower income tax expense at FortisAlberta.

And for our Other Electric segment, EPS decreased by $0.01, largely due to the disposition of FortisTCI in September 2025.

The Corporate and Other segment reflect net unrealized losses on derivative contracts compared to unrealized gains in 2025, the timing of income tax recoveries and the disposition of Fortis Belize in the fourth quarter of 2025.

Foreign Exchange had a $0.01 favorable impact for the quarter, and higher weighted average shares issued under the dividend reinvestment plan and ATM program impacted EPS by $0.01.

And as noted on the slide, the 2025 disposition of our assets in Turks and Caicos and Belize lowered EPS by $0.02 in the quarter, net of finance cost savings.

Year-to-date results were mainly driven by the same factors discussed for the quarter with a few additional items to note. For the 9-month period, Central Hudson was up $0.04, primarily due to rate base growth and the timing of costs, partially offset by the favorable regulatory adjustment in 2025 as discussed earlier.

At UNS, EPS was down $0.01, which reflects lower margin on wholesale sales and higher operating costs in addition to the other items noted for the quarter.

And lastly, the impact of Foreign Exchange was $0.03 and the impact of the 2025 dispositions net of finance cost savings was $0.05 year-to-date.

Turning next to our regulatory update. In October, the ACC administrative law judge issued a recommended opinion and order in TEP's general rate application, recommending an allowed ROE of 9.65% and a 55% common equity component of capital structure. We currently have an allowed ROE of 9.55% and a 54% equity component of capital structure. The order also recommended an annual formulaic rate adjustment mechanism with a range of plus or minus 50 basis points around the allowed ROE, the inclusion of post-test year adjustments, the elimination of certain adjustor mechanisms and the deferral of certain costs associated with Roadrunner Reserve II for future recovery. The ALJ's recommendation proposes implementation of new rates by December 1 and is subject to ACC approval, which is anticipated later this month.

I'll now turn the call back to David to cover key elements of our new 5-year capital plan.

David Gerard Hutchens
President, CEO & Director

Thank you, Jocelyn. Our new $32.2 billion 5-year capital plan is $3.4 billion higher than our previous plan. Our 5-year rate base CAGR is 7.5%, up 50 basis points compared to the prior plan. We have also extended our annual dividend growth guidance of 4% to 6% through 2031. This new plan builds on the growth momentum across our high-quality footprint while keeping customer affordability top of mind.

The growth in our 5-year plan is largely driven by transmission and LNG investments. At ITC, the $1.7 billion increase was primarily driven by projects associated with MISO's Tranche 2.1 long-range transmission plan, along with higher baseline reliability projects and new interconnections.

At FortisBC, the $1 billion increase primarily reflects investments in LNG infrastructure, including the Tilbury Phase 1B liquefaction expansion and the new Tilbury LNG Storage Tank.

The remaining increase is driven by customer growth and reliability investments across our footprint.

The new plan is highly executable with approximately 75% directed towards transmission and distribution investments and critical infrastructure that supports stable and predictable returns. The capital program is low risk and comprised of 100% regulated projects and includes 11 major capital projects.

Consolidated rate base is expected to increase from $45 billion in 2026 to approximately $56 billion in 2029 and $64 billion in 2031, yielding 3- and 5-year compound average growth rates of 7.7% and 7.5%, respectively.

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Last month, we were pleased to see MISO award ITC the Tranche 2.1 competitive bid project in Iowa, known as the MARS project. This allows ITC to design, build, own and operate the project, which includes approximately 300 miles of new 345 and 765 kV transmission lines in ITC's service territory. The project's total investment is estimated at $1 billion with approximately $500 million included in our new 5-year capital plan with the balance expected post 2031.

Now, I will take a few minutes to speak in more detail on the capital plans at our 3 largest utilities. ITC's capital plan of $11.6 billion is the largest in the company's history and supports 5-year rate base growth of 8.6%, up 50 basis points compared to the prior plan. ITC's regulated assets currently represent about 1/3 of our consolidated rate base with that portion expected to trend upwards over the plan as ITC continues to deliver our strongest rate base growth.

Significant opportunities above and beyond the base plan exists at ITC, including approximately USD 2.9 billion to USD 3.4 billion post 2031 for Tranche 2.1 projects assigned through rights of first refusal as well as approximately $500 million for the MARS project that I mentioned earlier.

ITC may also realize future opportunities associated with projects as part of the ongoing MISO and SPP transmission planning processes.

Other potential areas of growth include customer connections associated with over 10,000 megawatts of load growth for proposed data centers, industrial customers and economic development projects in various stages of development across their footprint. This is up from 8,000 megawatts last quarter.

With significant investments underway and a robust pipeline of future growth opportunities, ITC is well positioned to deliver sustained long-term growth through this transformative period of transmission expansion.

Turning to UNS Energy. Their capital plan of $5.6 billion supports 5-year rate base growth of 7.4%. Like the prior plan, investments are spread across the value chain. Notably, over 2/3 of the capital plan is concentrated in transmission and distribution infrastructure with the balance consisting of generation and other investments.

As for opportunities above and beyond the plan, we continue to see strong interest from both new and existing customers across our service territory. At TEP, we have one approved energy supply agreement associated with approximately 300 megawatts of data center load that is expected to begin ramping in 2027 and will be supported by existing and planned resources, including renewable generation and energy storage already in service or under development.

Beyond this initial agreement and the subsequent phases under negotiations with the customer, our Arizona service territories are experiencing strong demand associated with mining, industrial development, electrification and broader commercial and residential growth. These opportunities have the potential to drive additional investments in generation, transmission and distribution infrastructure over time.

Last week, both TEP and UNS Electric filed their 2026 integrated resource plans with the Arizona Corporation Commission, outlining their plans to meet customers' projected energy needs over the next 15 years.

TEP's base case scenario prioritizes affordability and assumes average annual sales growth of 5.7% through 2031. It also includes up to USD 1.3 billion of opportunity above the capital plan through 2031, subject to RFP processes.

Additionally, to evaluate the significant growth potential I previously mentioned, TEP included a high-growth scenario in its integrated resource plan that would require approximately 800 megawatts of new generation and require up to USD 1.5 billion of incremental investments. These opportunities are not currently reflected in our base capital plan, but represent meaningful long-term growth potential for the business. It is important to note that this high-growth scenario is very beneficial to TEP's customers with the lowest rates of all scenarios as seen on the graph to the right. In terms of the next steps, the stakeholder process will begin next year, and we expect ACC acknowledgment in the third quarter of 2027.

Turning now to British Columbia, where investments in natural gas and LNG infrastructure are driving strong growth at FortisBC. FortisBC's $6 billion capital plan includes investments to maintain system reliability and integrity alongside major LNG and advanced metering infrastructure projects. The capital plan supports rate base growth of 7.9%, up from 6% in the prior plan.

There are a number of projects underway at our Tilbury site with additional opportunities for growth. Back in July, we received an Order in Council for a larger Phase 1B liquefaction project as well as the Marine Jetty to support LNG marine fueling in the Port of Vancouver. Total investments for this project are expected to be approximately $1.7 billion.

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In September, FortisBC received environmental approvals for its Phase 2 expansion, including investing up to $1.1 billion in the Tilbury LNG Storage Tank Expansion project. This 3 Bcf storage tank and associated regasification improves resilience and supports affordability for our customers. Phase 2 also provides an opportunity of up to 2.5 million tonnes per annum of additional liquefaction capacity to serve emerging domestic and export LNG markets. We have the flexibility to develop this project in stages, and we estimate an investment opportunity in the range of $2 billion to $4 billion depending on market demand, and the majority of this expenditure is expected beyond 2031. We continue to work through permitting and our final investment decision.

Development at the Tilbury site has been many years in the making and represents the exceptional work by our team in British Columbia to expand the use of their gas network to produce regulated LNG that lowers carbon emissions and improves customer affordability. Bringing it all together, we are focused on executing our new 5-year plan while working to advance our robust growth pipeline.

I will now turn the call back to Jocelyn.

Jocelyn H. Perry
Executive VP & CFO

As we prepared our new 5-year outlook, customer affordability remains front and center. In addition to efficiently funding our capital plan, several of our key customer affordability initiatives include O&M savings targets, low-growth projects like in Iowa and Arizona, least-cost capital projects like the Springerville Repowering Project and the continued delivery of customer conservation programs. And with increased sales of LNG through the expansion of our Tilbury facility, we expect to continue to provide rate benefits for our customers. We continue to take a disciplined approach to funding the $3.4 billion increase in the new 5-year plan, together with the $400 million increase in our 2026 capital plan.

We advanced a portion of our funding requirements in 2026 through the issuance of USD 1 billion of hybrids and approximately $260 million of ATM equity in the third quarter. Over the next 5 years, as you can see on the funding pie chart, our capital plan is expected to be funded primarily through cash from operations and debt issued at our regulated utilities. Our dividend reinvestment plan remains the foundation of our equity needs over the 5-year plan. We do expect to issue approximately $250 million of ATM equity over the next 12 months, subject to market conditions.

Overall, our funding plan is designed to support our strong investment-grade credit ratings. Our credit profile is underpinned by a diverse, high-quality portfolio of regulated utilities with 95% of our assets in transmission and distribution across constructive regulatory jurisdictions, providing stable and predictable cash flows. The plan supports average S&P FFO to debt metrics above 12% over the 5-year period with improving financial flexibility in the latter years, as well as average Fitch FFO leverage of approximately 5.9x. Taken together, our high-quality regulated portfolio, disciplined funding approach and improving credit metrics positions us to execute the capital plan while maintaining a strong credit profile.

Today, we announced the declaration by our Board of Directors of a fourth quarter dividend of $0.665, representing a 4% increase. This brings us to 53 consecutive years of increases in dividends paid, a track record that we are very proud of. With our strong dividend history and regulated growth strategy, we are extending our 4% to 6% annual dividend growth guidance through 2031.

I'll now turn the call back to David to wrap up.

David Gerard Hutchens
President, CEO & Director

When we think about the Fortis investment proposition, it really comes down to sustainable growth supported by our high-quality portfolio of regulated utilities. We have strong rate base growth, a robust growth pipeline and a transparent funding plan. We're investing to strengthen the resiliency of our systems and ensure they can reliably and affordably meet customers' evolving energy needs. We are doing that from a strong foundation: 100% regulated utilities, solid investment-grade credit ratings, regulatory and geographic diversity and a proven track record, all the right pieces to provide long-term value to our customers and shareholders.

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

Stephanie A. Amaimo
Vice President of Investor Relations
Thank you, David. This concludes the presentation. At this time, we'd like to open the call to address questions from the investment community.

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Question and Answer

Operator

[Operator Instructions] The first question today comes from Maurice Choy with RBC.

Maurice Choy
RBC Capital Markets, Research Division

Recognizing that there's a lot of good growth in ITC as well as FortisBC, I do want to touch on the large load opportunity at UNS Energy. In the past, you've highlighted a potential of incremental generation costing about $1.5 billion to $2 billion through 2030. And as I look at the presentation today on Slide 14, I see that there is up to $1.5 billion of investment. So assuming these numbers are apples-to-apples, is it fair to suggest that your new plan includes some, but still not very much large load-related CapEx? And maybe as a quick follow-up, if that's true, in the spirit of today's U.S. elections, how do you see your outlook for this remaining growth CapEx being shaped by the election if it does proceed as the poll suggests?

David Gerard Hutchens
President, CEO & Director

Yes. Thanks, Maurice, and thanks for the question. No, actually, there is no additional capital in our plan related to any data center growth in Arizona. The difference is just the size that we were assuming. So when we talk about the estimated $1.5 billion of additional investment opportunities, it was based on adding a certain amount of load to our integrated resource plan. So we were trying to -- we basically ran a model to try to get numbers based on probably something that was in the middle of that range that we were looking at before.

So when we talked about -- when we talk about the projects in Arizona, we have the existing 300-megawatt ESA. We have additional opportunity for investment at that site, which we always put kind of around that 300 megawatts to build that total site out to, say, 500 or 600 megawatts. And then, we were always talking about a second site as well that is still looking at building out there in the north part of the Tucson area. And that one we estimated at 500 to 700 megawatts. So when we put in that $1.5 billion to $2 billion, it was more like that whole bucket of projects. And here, we are actually just taking a little bit smaller portion of it for that high-growth scenario.

And then -- so to opine on the election outcome and whether or not and what that might mean for data center development, I think as we sit here today and as folks go to the polls in the U.S., obviously, the data center topic has been very front of mind for a lot of voters and a lot of politicians. What I'm hoping is that we can hopefully find our way away from rhetoric and look at the real positive benefits that we see from data centers. As long as they're done right, as long as there's no cost shifting, as long as there's net benefit to our customers and all the environmental and water and the rest of those things are addressed by the communities that they're going in. But when you have these large loads come in, it makes your system more efficient and saves customers money.

We're seeing that in Iowa, as you saw on the slide, talking about that 20% reduction in those rates there. We see it in Arizona, even though we're not making any additional investments for the first 300 megawatts of data center that we have there. We're seeing a $13 per month benefit. So all of those things hopefully will flow through and people will see the proof and the positive nature of what this -- of what some of these large loads can do. And it's not just large data centers, it's large load and high-capacity factor customers like we're seeing for LNG in British Columbia. So there are some positive benefits, but I think no one wants to talk about them until tomorrow.

Maurice Choy
RBC Capital Markets, Research Division

Understood. That all makes sense. And maybe I could just finish it off with a question on funding, particularly given the greater growth that you have in front of you. I know that the DRIP program is still the main tool that you use for your common equity requirements. And in the past, you said that, you know, all options are on the table if CapEx rises, including asset sales and considering the options there. How should we think about your use of ATM moving forward? You've initiated that as part of your Q3 period using that vehicle versus discrete issuances. And perhaps more broadly, I see the 12.3% FFO to debt average, but how do you philosophically size what is the right buffer versus your 12% threshold?

Jocelyn H. Perry
Executive VP & CFO

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Thanks, Maurice. Yes. So we do have the ATM program available. And the DRIP, as you said, has been quite healthy and provided most of the equity needs that we have. Look, we anchor everything back to, I think, the credit metrics that you referred to. And what is the right buffer? It takes a lot to move the metrics given the size of Fortis. But, yes, we've said that we'd like to have a 50 to 75 basis point buffer above those metric thresholds. And really, it's not any one thing that I think would happen with Fortis that would kick us past those buffer limits. It's more about if things change in the world and the thresholds just change at the rating agency level and not anything to do with Fortis. But we do anchor sort of our funding plan around holding that kind of level of buffer.

So when I think about the ATM going forward, as we listen to David talk about all those, I guess, above and beyond the plan opportunities in each of our regulated utilities, back to what you said Maurice, we will be looking at everything. ATM will be one piece of that to fund that, but again, anchored back to our credit profile and our credit metrics. We also have room for hybrid, more hybrids in our cap structure. We only have about 6% in our cap structure today. And as you know, I mean, there's room to add more there. And so again, no real secret to how we think about funding. We try to maintain the buffer. But when we start to see and get visibility on the growth above and beyond the current plan that we'll have, we'll assess what options are in front of us, and we'll choose it once we can see the new growth profile for the new capital plan.

Maurice Choy
RBC Capital Markets, Research Division

That's great flexibility, and congrats.

Operator

The next question comes from Rob Hope with Scotiabank.

Robert Hope
Scotiabank Global Banking and Markets, Research Division

I appreciate all the details on the updated capital plan. Maybe taking a look at Slide 17 and Tilbury LNG and kind of the spending breakdown there. As the federal government and provincial government are much more amenable to, we'll call it, conventional energy investment, and there is a concerted effort to accelerate projects. As you take a look at these projects, is there an opportunity to do more at that site? Or could we see some of the time lines being moved forward there?

David Gerard Hutchens
President, CEO & Director

Yes. I'll turn that over to Roger to talk about the time line because I know he's got -- they're really hustling to get these projects done as quick as they can, which is what is shown in this table on Page 17. But I also want to make sure that it's really loud and clear that, that second phase, the Phase 2 expansion that can add up to 2.5 mtpa of liquefaction there. That's a huge project and has a ton of opportunity. We know we have to figure out the FID and a whole bunch of other stuff and permitting and all the things that we have to do on consultations, et cetera. That one, we're hoping we could see squeeze in the beginning of the next 5-year plan. But Roger, can you opine on some of those details?

Roger A. Dall'Antonia
President and Chief Executive Officer of FortisBC

Yes. Thanks, Dave. Rob, thanks for the question. Yes, as Dave noted, Tilbury has 3 distinct projects to it. Tilbury 1B, which is the Order in Council, we received in the summer, which is really focused on the marine fueling market as that grows.

The second point is the storage tank, a 3 billion cubic foot storage tank. That is really gas storage on-site for system resiliency and reliability and managing gas supply costs. And then Tilbury 2 is liquefaction, and that could serve 1 of 2 markets. It could serve the expanded Tilbury through the expanded bunkering market for marine fueling or could be export of LNG. That is the full build-out.

I think, Rob, you were asking whether we could do more on that site. With this environmental assessment certificate that we just received, that covers the potential on that site. As far as time lines go, Tilbury 1B and TLST (sic) [TLSE] are in this plan, and we are into the design phase and contracting, and we expect to commence construction at some point 2027 and in service end of 2031 into 2032, but we'll have more details on that, as we get through the development and planning.

Tilbury 2 is the bigger opportunity. It could be done in phases, as Dave said, or we could end up seeing a large offtake, but we also have to deal with upstream investments for gas supply. So there's a bit more work to realize that opportunity. But given the growth of the bunkering market, part of it could be done earlier within the next number of years to serve that market while we look to broader opportunities beyond BC with export LNG.

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Robert Hope
Scotiabank Global Banking and Markets, Research Division

All right. That's great. And then maybe moving over to a bit more of a broader question. There's been some large and notable M&A transactions in the utility space. Dave, can you maybe update us on how you're thinking about the potential for M&A in this environment or still the focus on organic growth?

David Gerard Hutchens
President, CEO & Director

Yes. I would say still our primary focus is obviously on organic growth. And we're doing a lot of that. As you can see, our 5-year capital plan has increased every year. I think it went from 6% to 6.5% to 7% to 7.5%. So we're really seeing that additional organic growth come to fruition. I think we and our investors would agree if we have $1 to spend, the best place to spend it is in additional organic growth because it's $1 invested in rate base and you get $1 in rate base. So it's the most efficient way for us to add value. It's also a great way for us to add value to our customers, especially investing in the infrastructure that they need for energy or in infrastructure that provides more efficient and lower and more affordable power for them. So that's the main focus still.

We do see a lot of the M&A activity that's happening in the sector. And there's always the view that there may be some potential opportunities there, whether it's through a balance of synergies, bigger balance sheet, better credit, all of those things. We continuously look at all that stuff. But it's not a focus of ours because it's not something we need to do. It's something that we continuously evaluate, though.

Operator

The next question comes from John Mould with TD Securities.

John Mould
TD Cowen, Research Division

Maybe just starting with the Tucson Electric rate case, and I appreciate you don't want to get ahead of the commission and its debates and a potential final order. Just wondering if you could talk about from your perspective, the puts and takes in the ALJ recommendation and how you're thinking about potential regulatory lag just in the context of the recommended post-test year plan and first adjustment in April '28 -- 2028, excuse me, as currently proposed?

David Gerard Hutchens
President, CEO & Director

Yes. So first off, yes, we are still in the middle of the rate case process, and the Recommended Opinion and Order is just kind of one piece along the way. And we're really anxious and excited to get to the open meeting and get the rate case behind us and hopefully get rates effective the 1st of December, which is the plan currently. So yes, it is going through the normal process. We filed exceptions last week on a couple of issues that are still in debate like ROE, et cetera. So it's just in that normal process. I wouldn't opine any more than that.

And then, on the regulatory lag perspective, we did get the recommendation for an adjustment mechanism. And that's -- it basically looks a lot like UNS Gas' and other ones that have been recommended in the state. And it will not go into effect. The first actual adjustor will be in April of 2028. So there will be a little bit of regulatory lag that we'll see between the time period of these rates going into effect and that April time frame, which will reflect the costs and investments made up until the end of 2027. So still a little bit of regulatory lag there, but this is one of those things where it's -- it may not be absolutely perfect. It's not a forward-looking test year kind of mechanism, but it's a really great result from the perspective of leveling out and smoothing out the earnings down in Arizona.

John Mould
TD Cowen, Research Division

Okay. And then just maybe going to ITC and the 10 gigawatts of potential load growth customer connections there, mainly data centers and economic development. I appreciate this is out and beyond the plan as it stands. I'm just wondering if you can give us a sense of how that potential load growth is paced, like what the timing might look like? And how we should think about the potential investment on your end that could come from that bucket of projects? Maybe it's aspirational to say that if they all were to come to fruition, but just how are you thinking about the potential incremental investment opportunity that could come from that if you do see a high conversion rate?

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David Gerard Hutchens
President, CEO & Director

Yes, I'll turn that over to Krista, as she can kind of explain the different pieces we have there for interconnections and then additional transmission investments that might come through some of the other planning processes.

Krista Kay Tanner
President & CEO of ITC Holdings Corp

Yes. Thanks, Dave. John, thanks for the question. Yes, I think you should look at that as incremental, so we already have quite a bit in the plan. So we have $800 million in the plan for data centers, and that's for 4 data centers that have been publicly announced and have approval. So everything in that 10 gigawatt bucket are things in our pipeline, and they're anywhere from further down the pipeline and having negotiations on agreements to early stages of doing the planning work. So I think you can expect that not all of that will come to fruition, but it's real enough that we felt good about projecting that. And as Dave always says, we never put anything in the plan until it's real.

Operator

The next question comes from Ben Pham with BMO.

Benjamin Pham
BMO Capital Markets Equity Research

I wanted to start out with the higher CapEx plan. I know you've mentioned that it's highly executable for a number of different reasons. Can you unpack that maybe a bit more for us and comment maybe specifically on your thoughts on the labor availability, material availability and maybe just more -- what do you think is the most difficult part of executing to a higher plan?

David Gerard Hutchens
President, CEO & Director

Yes. Thanks, Ben. I think this is kind of standard questions that we look at any time we take on big projects, making sure that we have the resources, making sure that we can get in the queue for the supply chain, which will drive the time line of the projects. All of those things are part of how we've been doing projects forever. And it's no different. It's just that these are -- we have a lot more and a lot larger projects. So it obviously is a little bit more -- it requires a little more attention and focus on those large projects. But this isn't something that we're changing overnight drastically.

I mentioned before that we have been slowly increasing our rate base growth. So this isn't us going from 3% to 7.5% and wondering how we're going to get all that executed. This is all well within the capabilities of our companies and things that we've been planning for a long time, and we'll focus on that. So that's why we think that they're highly executable because it's stuff that we do and have been doing for decades and decades. So other than supply chain, labor and kind of those same concerns that you'll see across any sector really these days, we think that we will be able to sort that out.

Benjamin Pham
BMO Capital Markets Equity Research

Okay. Got it. Maybe my second question, my second question is on the Federal Mega Deduction. Is that reflected in your plan at all? And if any, is there implications on credit metrics or rate base implications for the Canadian utilities?

Jocelyn H. Perry
Executive VP & CFO

Yes. So Ben, we have not reflected. As you know, that's not in the legislation just yet. And so the final details of that is to be determined. Based on what we see though, thus far, we don't expect it to have a material impact on our credit metrics. And if you think about it, what this deduction does, it allows you to sort of write off things a little faster for tax purposes. So it reduces your taxable income and the amount of taxes you have to pay, but that would also reduce, particularly in our Western utilities, the amount that we're collecting from customers. So net-net, we're not expecting it to have a material impact on credit. And so -- but we'll stay tuned for the final rules around the PMD. And once we have it in hand, we'll come back with more certainty around the impact.

Operator

The next question comes from Mark Jarvi with CIBC Capital Markets.

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Mark Thomas Jarvi
CIBC Capital Markets, Research Division

Jocelyn, just going back to your comments on funding. Just curious in terms of where you could push the hybrid issuances? And then just like what would be a reasonable assumption in terms of ATM usage over the next 2 years to execute on the plan ahead of you?

Jocelyn H. Perry
Executive VP & CFO

Mark, with respect to where we could push the hybrid capital, like I said, we have about 6% in our cap structure today. I mean, if you -- DBRS' limit, I think, is 10% and S&P is 15%. If we were to push it to 10%, yes, we definitely have over $2.5 billion that we could do in hybrid capital for any growth above and beyond the plan.

With respect to usage of the ATM, we've laid out what we need for the current plan that we have. We have no plans of using the ATM program, all but for additional capital being added to the plan that you're looking at. ATM will be one thing that we will look at in addition to hybrids and everything else in our toolkit. So no plans to use the ATM above what we've stated here today. And -- but as we firm up above and beyond the capital plan investments, if some of those were to come to fruition, then ATM would be one consideration that we would use.

Mark Thomas Jarvi
CIBC Capital Markets, Research Division

Would you see anything kind of potentially coming into the plan in the next couple of years that would require the ATM? Or does it feel like it's more later in the 5-year plan that things could change?

Jocelyn H. Perry
Executive VP & CFO

So -- I mean, we can't build these things overnight, and these are large projects. And David just basically said that these things are evolutionary over time, and we've been slowly increasing our rate base growth. I would tend to think that we would see more in the latter years of the plan as opposed to the front end of the plan.

Mark Thomas Jarvi
CIBC Capital Markets, Research Division

Yes, that makes sense. And then Dave, just coming back to your commentary on planning and ramping into the growth, how do we think about the IRP base case in Arizona, potentially the large load? Do you just go larger on existing sites where you plan to add combined cycle units in 2031? Do you have additional sites you're there? Like how far in advance are you in terms of an accelerated sort of IRP planning process right now?

David Gerard Hutchens
President, CEO & Director

Yes. We have many sites and options that we've been looking at and evaluating for that. So it's quite a number of them. And there's sites for generation development. There's transmission needs. There's a lot of different things that fall out of the integrated resource plan if we see especially that high-growth scenario. So we do have some options laid out and are evaluating those.

Mark Thomas Jarvi
CIBC Capital Markets, Research Division

I'm just curious in terms of the conversation about expanded 300 megawatts, going on 300 megawatts, the second site. How are the customers thinking about time lines? We're seeing some questions about slippage on time lines. Are your customers feel like there's an opportunity to go faster if you have an accommodating utility setup here and communities to support this project?

David Gerard Hutchens
President, CEO & Director

Yes, that's a great question. I think, Susan, if you can opine on that.

Susan M. Gray
Chief Executive Officer of UNS Energy

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Sure. Thanks for the question, Mark. Yes, so we're working really closely with our customers to understand their needs and to go as fast as they need us to go. That's why, as Dave mentioned, we've got a lot of options that we're evaluating to make sure that we can meet the time lines that come up. We haven't had anything put in front of us yet that we can't meet. Of course, with Project Blue, this first phase, we already have the generation available. And so as we plan out the next sites, we will work really closely with the customer to make sure that we're bringing the new capability online to meet their needs.

Mark Thomas Jarvi
CIBC Capital Markets, Research Division

Is there any indication, Susan, that their timelines have changed, either accelerated or delayed?

Susan M. Gray
Chief Executive Officer of UNS Energy

We haven't seen necessarily a shift one way or the other. We are still negotiating further expansion of Project Blue. We've got Copper World just announced that they're planning to be online later in our 5-year plan. And we've got South32 still moving forward on their original time line. So I haven't seen anything shift one way or the other.

Operator

The next question comes from Michael Lonegan with Barclays.

Michael B. Lonegan
Barclays Bank PLC, Research Division

So you raised your dividend 4% after also raising it 4% last year. You continue to guide a 4% to 6% growth now extended through 2031. Obviously, subject to Board approval, but just what is your thinking? Could we expect the low end of this 4% to continue over the plan? Or do you expect an increase in the rate of dividend growth? Anything you could say there? Like do you have a targeted payout ratio over time? Anything you can say there would be helpful.

David Gerard Hutchens
President, CEO & Director

Yes. We haven't got to the point where we're putting out a targeted payout ratio. And what we've always said for the last several years is, yes, we're targeting that 4% to 6%. We also want to make sure that we're pulling our payout ratio down and which we have pretty well over the last 3 or 4 years. So we'd like to keep nudging that a bit lower, but we don't really have anything other than the 4% to 6% guidance on the dividend going forward.

Michael B. Lonegan
Barclays Bank PLC, Research Division

And then, in Alberta, obviously, the third PBR term appeal was dismissed. I know the argument there was that the commission improperly based the capital funding. Just wondering how are you feeling about the prospects in Alberta going further in terms of -- going forward in terms of the regulatory environment? And do you have concerns over -- about less than favorable outcomes in the future?

David Gerard Hutchens
President, CEO & Director

Yes. This is the beauty of our business model is we have people in each of our jurisdictions to opine on exactly what's going on in their neck of the woods. So I'm going to turn that to Janine.

Janine Sullivan
President & Chief Executive Officer of FortisAlberta

Thank you for the question. Yes, the outcome on the PBR appeal decision wasn't entirely surprising. We felt it necessary to bring it forward to the court to have the discussion about how the plan was designed. But we have been prepared that this may be the way the court may align with the outcome of the previous decision of the AUC. With respect to our relationship with the AUC, we have a very, very constructive relationship with the regulator. We're operating very effectively under the current PBR plan. And we've been in contact with them about how a rebasing opportunity might look and what the prospects for future ratemaking might look like, whether that's a continuation of PBR or a return to cost of service or what other regulatory approaches might be undertaking. So we're constructively and proactively having those conversations with them and our relationship allows us to do that.

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There's a lot happening in Alberta, certainly a lot of opportunities for economic growth. FortisAlberta operates in 8 of Alberta's 10 fastest-growing communities. So we're seeing a lot in terms of new load interconnections, large loads, commercial, industrial and some data center. So on all fronts, I would say, feeling very, very positive about the opportunities to continue to invest in a fairly large system that we have here. I mean, even to continue to invest in reliability and wildfire, new technologies to make sure that we're leveraging the grid for affordability, lots of prospects, lots of appetite to see us continue to do those things. The positive relationship with the regulator positions us well to do that. And we are more and more seen as a trusted adviser with the government of Alberta, as they want to see these things happen in the province as well. So certainly partnering with them and the AESO to make sure that all these things can occur.

Operator

[Operator Instructions] The next question comes from Hannah Velasquez with JPMorgan.

Hannah Marie Velásquez
JPMorgan Chase & Co, Research Division

Just wanted to circle back on the TEP rate case. So to the extent that the ALJ's recommendation is tracking pretty closely to your original request, I know you had discussed in the past about potentially revisiting, issuing EPS guidance, is that still something that you would take a look at? Or how are you thinking about that in relation to this rate case outcome?

David Gerard Hutchens
President, CEO & Director

Yes. We still are considering that one of the things that -- one of the prior questions was around regulatory lag associated with the next 1.5 years until the first adjustor goes into place at TEP. So we'll have to manage basically that timing, but it is something that we definitely consider.

Operator

This concludes the question-and-answer session. I would like to turn the call back over to Ms. Amaimo for any closing remarks.

Stephanie A. Amaimo
Vice President of Investor Relations

Thank you, Betsy. We have nothing further at this time. Thank you, everyone, for participating in our third quarter 2026 results and new 5-year capital outlook conference call. Please contact Investor Relations should you need anything further. Thank you, and have a great day.

Operator
This brings to a close today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

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