

The logo for Fortis Inc. features the word "FORTIS" in a bold, blue, serif font. The letter "O" is replaced by a stylized yellow and blue wave icon. To the right of "FORTIS" is the word "INC." in a smaller, blue, sans-serif font.

**FORTIS** INC.

Q3 2016 Earnings Call

November 4, 2016

A black street sign for Wall Street. The sign has white text. At the top, it says "← 22-51" with an arrow pointing left. Below that, "WALL ST" is written in large, bold, white, sans-serif capital letters. To the right of the text is a small, black and white photograph of a person in a hat walking on a street. The background of the slide is a blurred image of Wall Street, showing a building with a "FORTIS" sign and several flags (American and others) flying in front of it.

← 22-51  
**WALL ST**

# Forward-Looking Statement



Fortis Inc. (“Fortis” or, the “Corporation”) includes forward-looking statements in this presentation within the meaning of applicable securities laws including the Private Securities Litigation Reform Act of 1995. Forward-looking statements included in this presentation reflect expectations of Fortis management regarding future growth, results of operations, performance, 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 statements, which include, without limitation: targeted annual dividend growth through 2021; the Corporation’s forecast consolidated midyear rate base for the period 2016 through 2021; forecast midyear rate base at ITC for the period 2016 through 2021; the expected timing of filing of regulatory applications and receipt and outcome of regulatory decisions; the Corporation’s forecast gross consolidated and segmented capital expenditures for the period 2016 through 2021 and the expectation that forecast capital expenditures in the later years will increase as those years approach; the nature, timing and expected costs of certain capital projects including, without limitation, the ITC Multi-Value Regional Transmission Projects, 34.5kV to 69kV Conversion Project and the Lake Erie Connector, the Central Hudson Gas Main Replacement Program, FortisBC Lower Mainland System Upgrade, Tilbury LNG facility expansion and pipeline expansion to the Woodfibre LNG facility, and the FortisAlberta Pole Management Program; estimated consolidated fixed-term debt maturities and repayments through 2021; and estimated long-term debt issuances for the period 2017 through 2021.

Forward-looking statements involve significant risk, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally, including those identified from time-to-time in the forward-looking statements. Such risk factors or assumptions include, but are not limited to: uncertainty regarding the outcome of regulatory proceedings of the Corporation’s utilities and the expectation of regulatory stability; no material capital project and financing cost overrun related to any of the Corporation’s capital projects; sufficient human resources to deliver service and execute the capital program; the Board of Directors exercising its discretion to declare dividends, taking into account the business performance and financial conditions of the Corporation; risk associated with the impact of less favorable economic conditions on the Corporation’s results of operations; currency exchange rates and resolution of pending litigation matters. 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 statements. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the continuous disclosure materials filed from time to time by Fortis with Canadian securities regulatory authorities and the Securities and Exchange Commission. Fortis disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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



Barry Perry

President & CEO



# ITC Acquisition Closed

Secured minority investor with GIC Private Limited to acquire a 19.9% equity interest in ITC for US\$1.228B. The process was completed in just over 70 days in April 2016.



Received Fortis shareholder approval on May 5, 2016



Received ITC shareholder approval on June 22, 2016



The transaction review by the Committee on Foreign Investment in the United States was completed in July 2016



Federal and state regulatory applications filed



Obtained federal and state regulatory approvals. All regulatory approvals received within 245 days of deal announcement or 132 days after all state regulatory filings were made.



Raised US\$2.0B in debt associated with transaction on October 4, 2016



Fortis shares listed on NYSE on October 14, 2016



Closed transaction on October 14, 2016; 248 days after deal announcement



Completed

# NYSE Listing

- Fortis listed on the NYSE under the symbol “FTS” – October 14, 2016
- Investor executive roundtable sessions held by Fortis at NYSE – October 17, 2016
- Fortis commemorated the listing by ringing the opening bell at NYSE – October 18, 2016

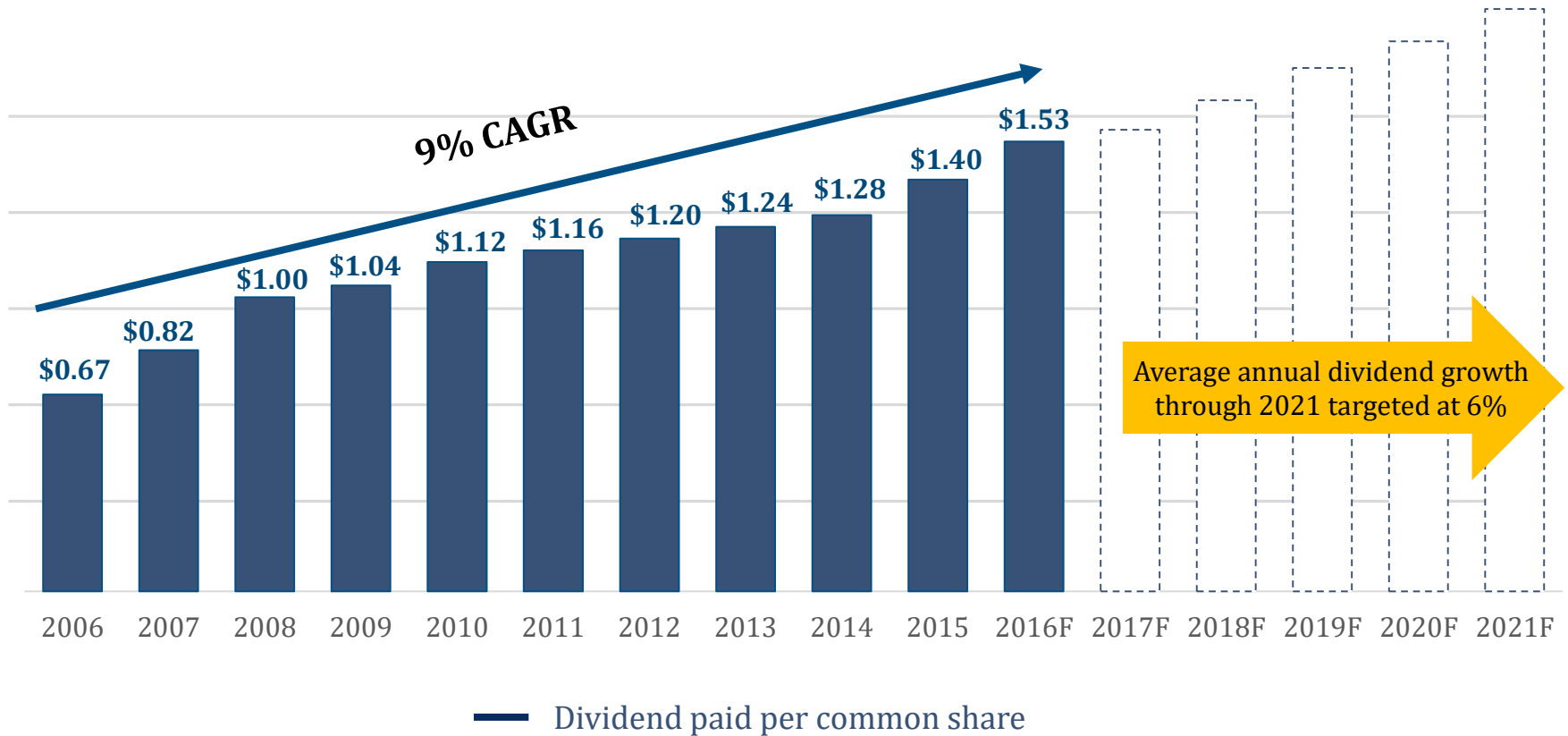


# Fortis Today

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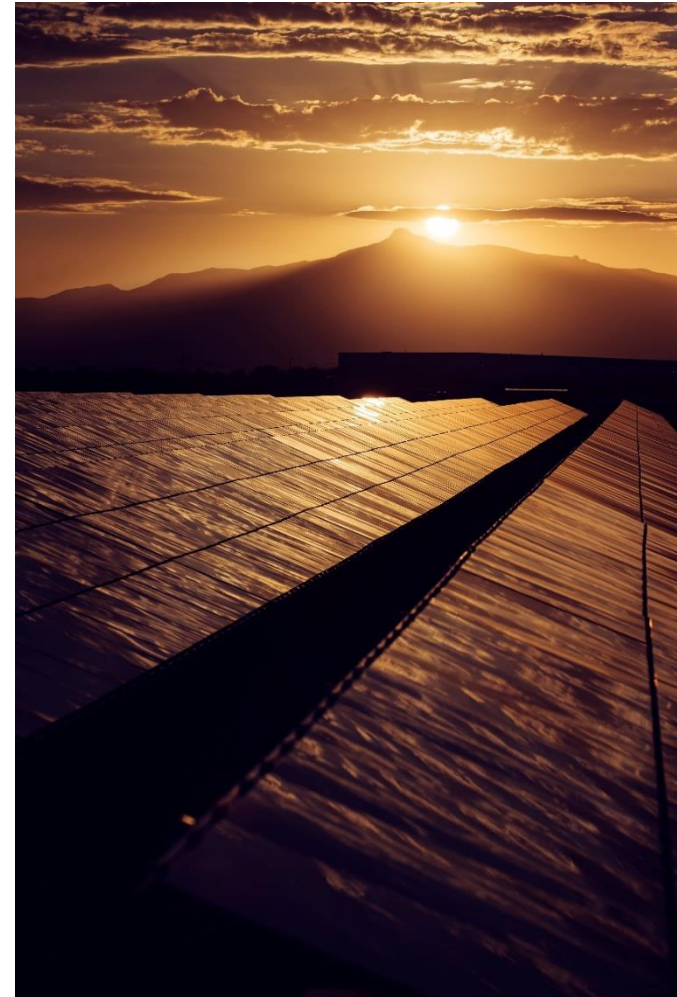
- Leader in the North American regulated electric and gas utility business
  - ITC provides strong platform in electric transmission sector
  - Successful utility acquisition track record
  - Tremendous economic, geographic and regulatory diversity
  - Regulatory outcomes provide stability for near term
  - Visible growth provided by base 5-year capital program
  - Pursuing several additional energy infrastructure opportunities
  - Record dividend growth and superior long-term returns to shareholders
- 





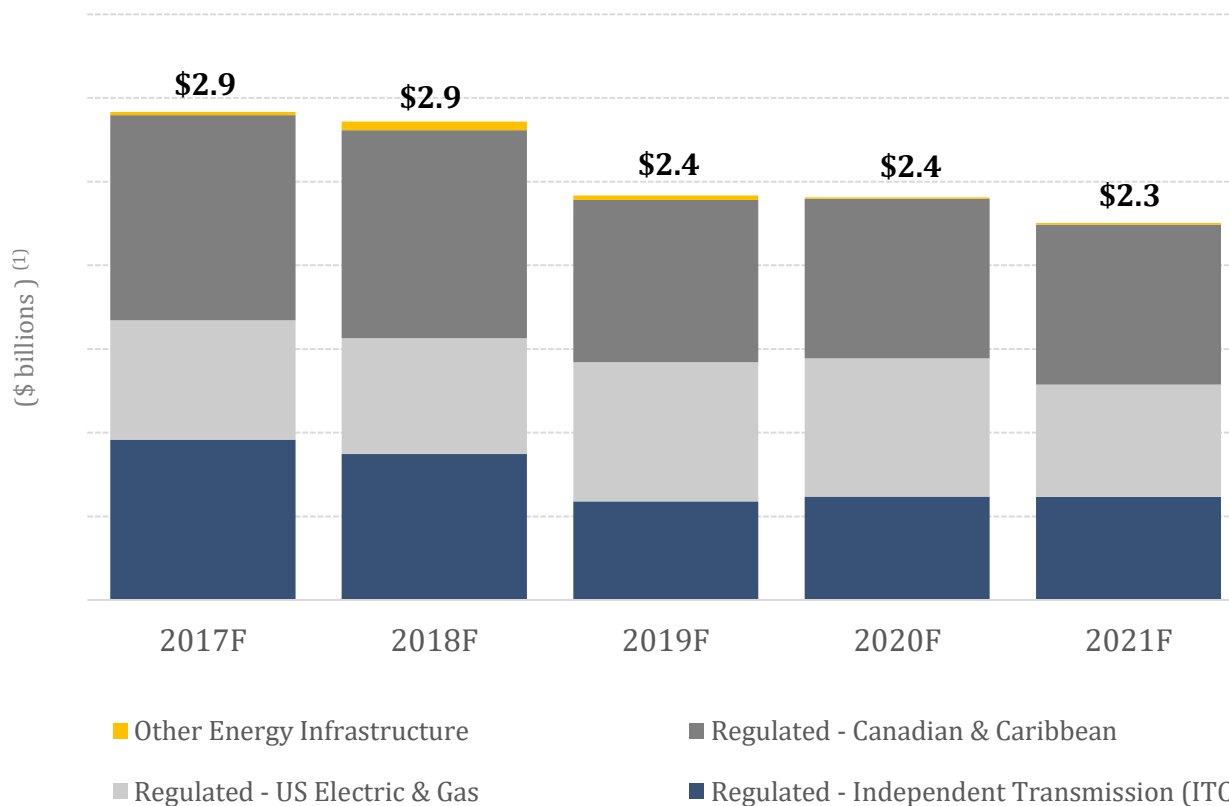
Longest record of any public corporation in Canada

- Successful completion of ITC transaction on October 14, 2016
  - Issued US\$2 billion unsecured notes to finance a portion of the acquisition
  - Listed shares on the NYSE
- Significant progress on key regulatory proceedings
  - TEP revenue requirement settlement agreement
  - GCOC decisions received in BC and Alberta
  - FERC issued order affirming ALJ ROE recommendation for the initial refund period at ITC
  - Regulatory outcomes provide stability for near term
- Capital investments on track
  - \$1.4 billion invested to date in 2016
  - Annual 2016 capital spend expected to increase \$200 million to \$2.1 billion due to investments at ITC from date of transaction



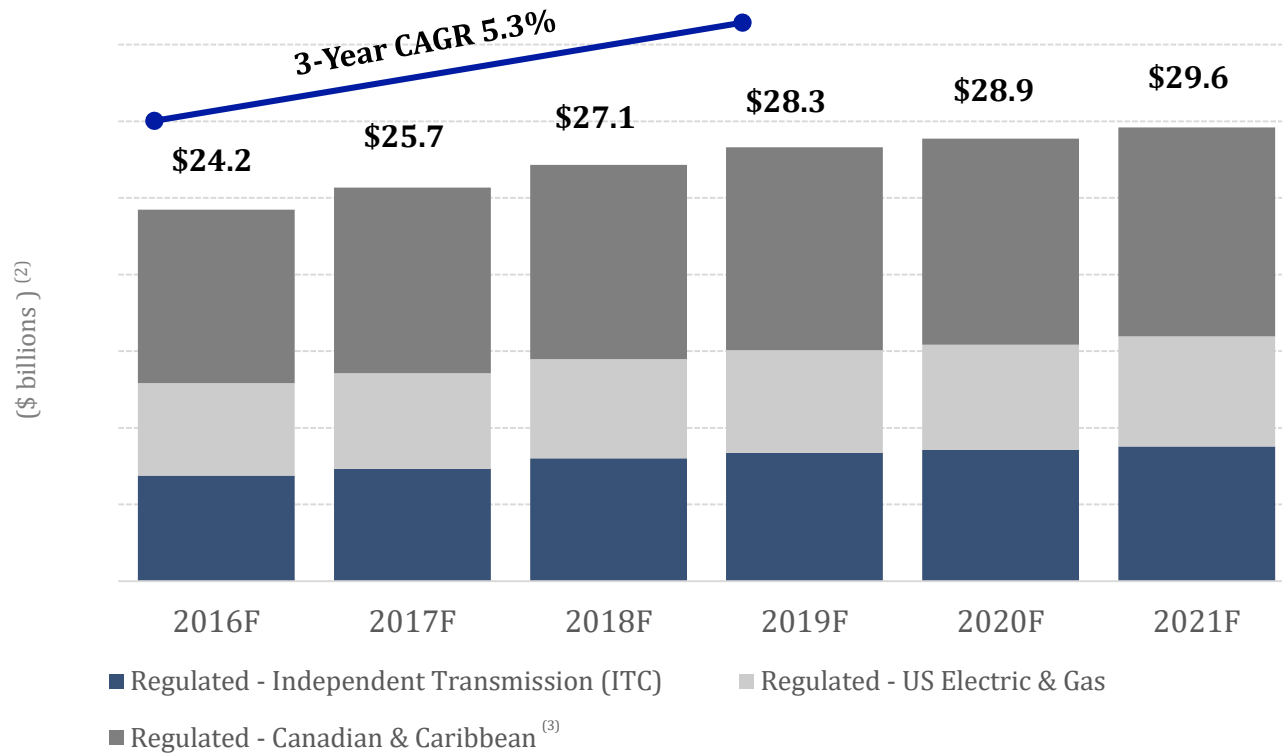


## Capital Expenditures ~\$13B Five-Year Capital Program



(1) US Dollar denominated CAPEX converted at a USD/CAD exchange rate of 1.30 for 2017 through 2021.

## 2016 – 2021 Midyear Rate Base<sup>(1)</sup>



(1) Includes the impact of bonus depreciation and excludes construction work in progress.

(2) US Dollar denominated Midyear Rate Base converted at a USD/CAD exchange rate of 1.32 for 2016 and 1.30 for 2017 through 2021.

(3) Includes 100% of the Waneta Expansion, of which Fortis has a 51% controlling ownership interest.

# Progress on Major Capital Projects

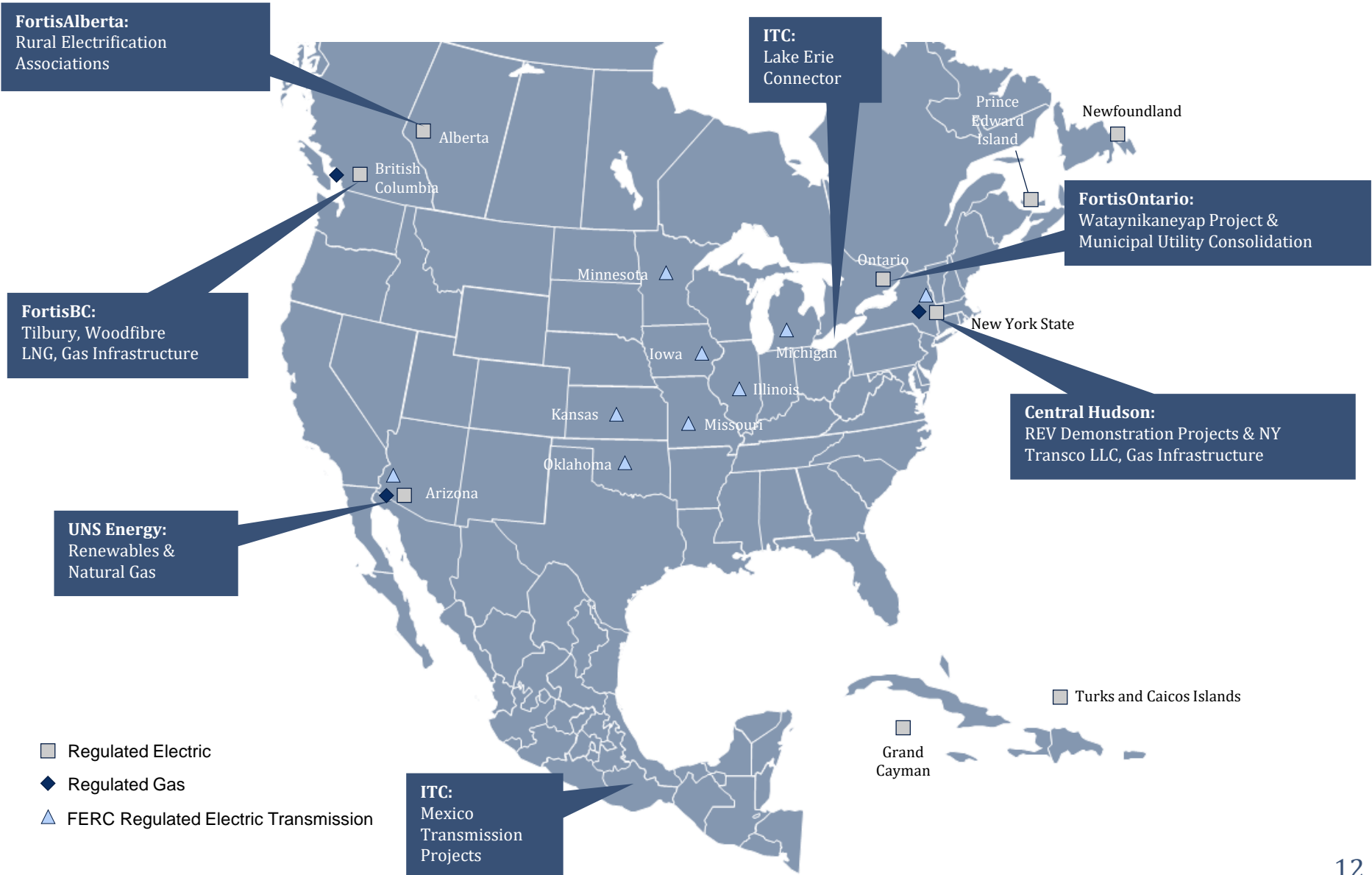
\$millions <sup>(1)</sup>	2016	2017-2021
ITC Multi-Value Regional Transmission Projects <sup>(2)</sup>	74	450
ITC 34.5kV to 69kV Conversion Project <sup>(2)</sup>	18	458
UNS Energy Springerville Unit 1 Purchase	112	-
Central Hudson Gas Main Replacement Program	26	202
FortisBC Tilbury LNG Facility Expansion – Tilbury 1A	90	38
FortisBC Lower Mainland System Upgrade	31	379
FortisAlberta Pole-Management Program	47	96

(1) US Dollar denominated CAPEX converted at a USD/CAD exchange rate of 1.32 for 2016 and 1.30 for 2017 through 2021.

(2) 2016 reflects capital expenditures from date of acquisition.



# Opportunities Beyond Base Plan

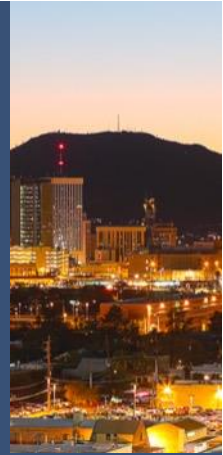
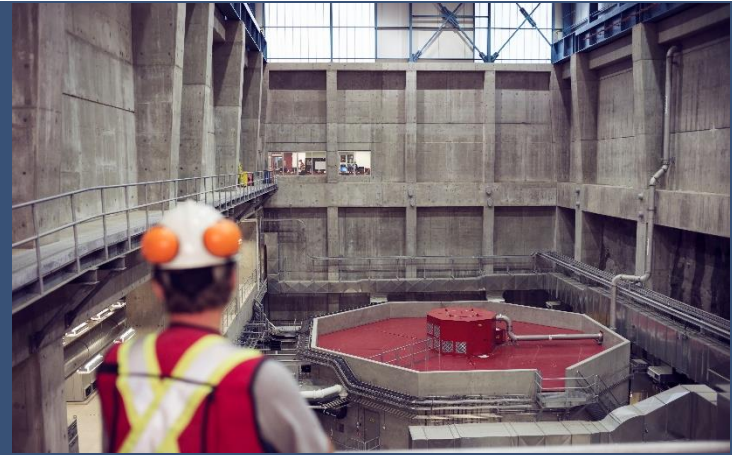


- Regulated Electric
- ◆ Regulated Gas
- ▲ FERC Regulated Electric Transmission



# Karl Smith

Executive Vice President,  
Chief Financial Officer

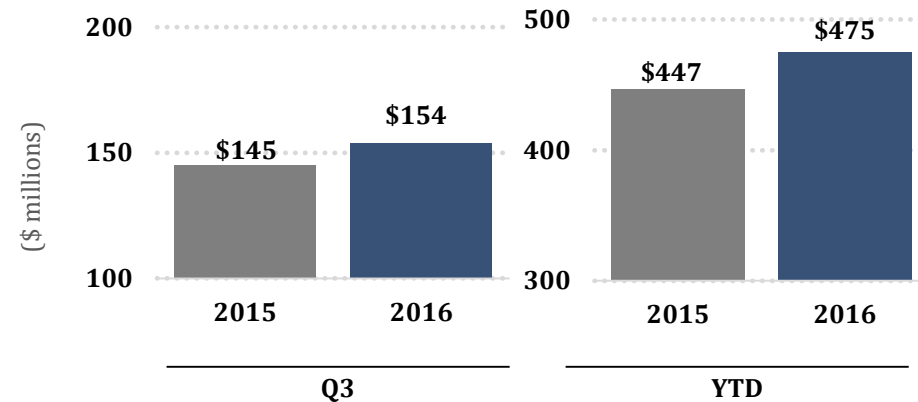


# Diversified Portfolio of Utilities Continues to Deliver Strong Performance

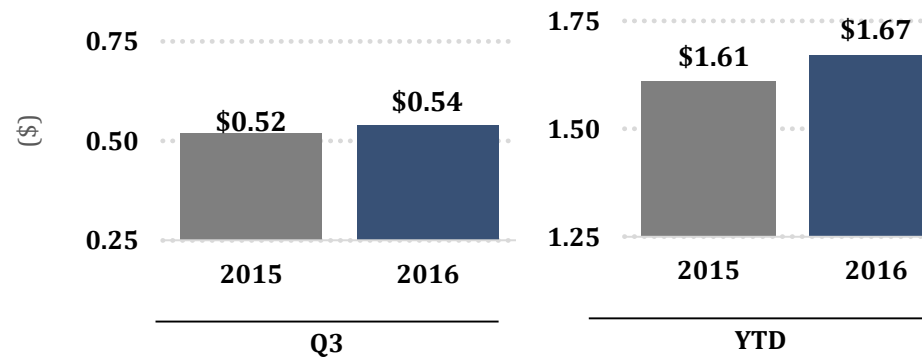
## Financial Highlights

- Strong performance from regulated utilities during the quarter
- Unused consolidated credit facilities of approximately \$2.2B, excluding ITC
- \$2.1B capital program forecast for 2016 and is on track
  - Increased by \$0.2B due to expected capital investments at ITC from date of acquisition
- Raised US\$2B in debt to finance a portion of the ITC transaction
  - US\$0.5B 5-year notes at 2.100%
  - US\$1.5B 10-year notes at 3.055%

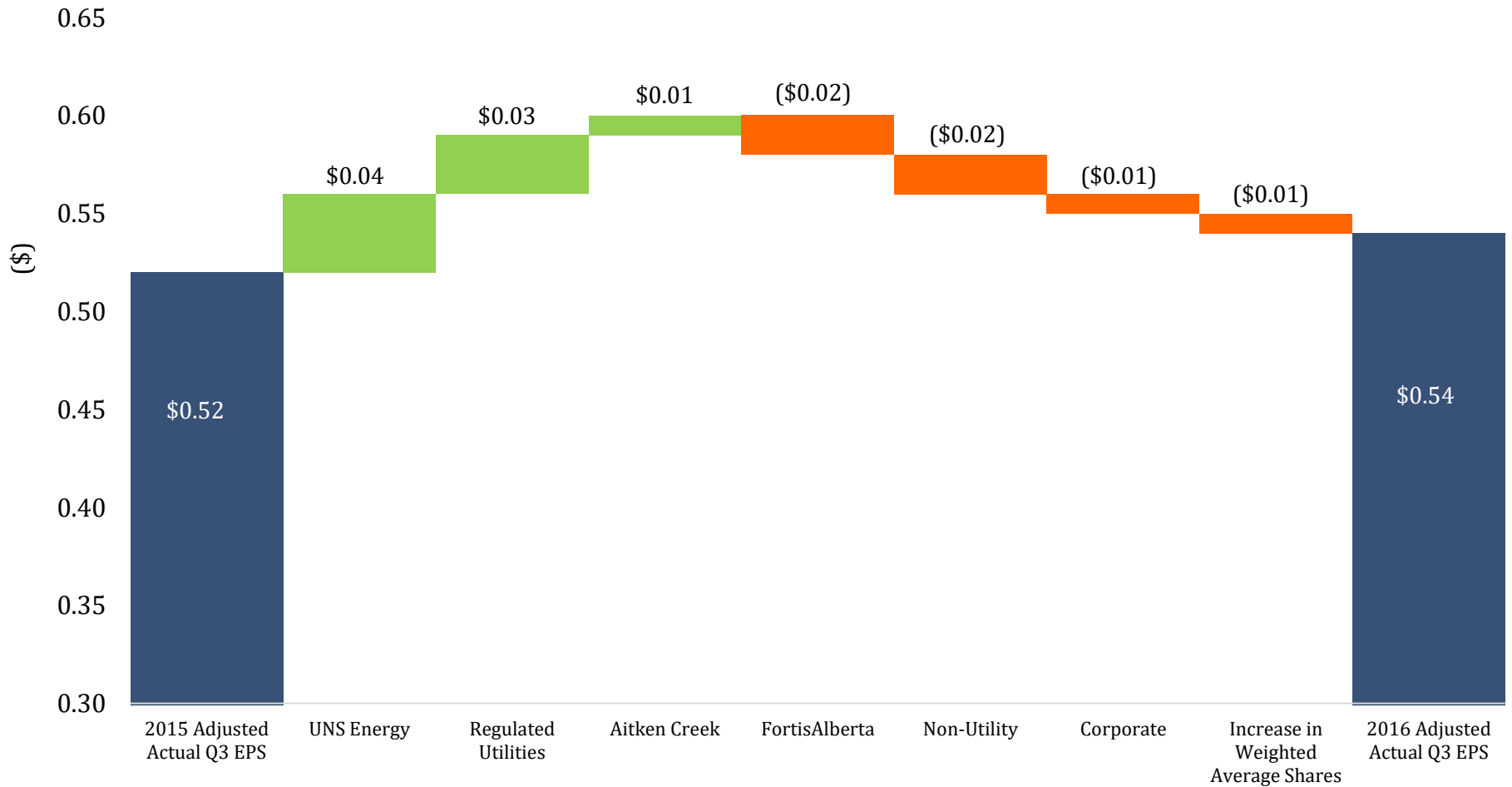
## Adjusted Earnings



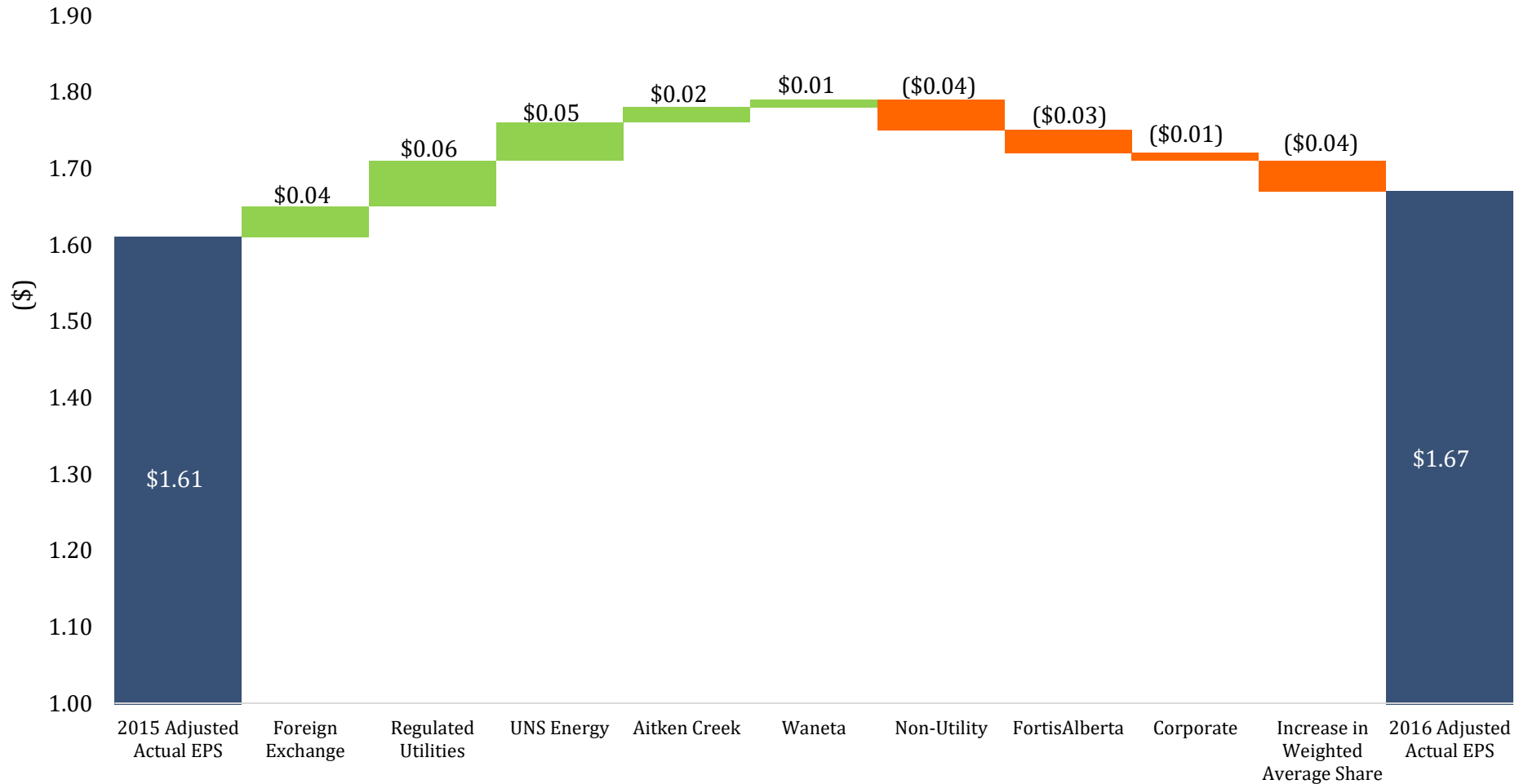
## Adjusted EPS



# Multiple Drivers of EPS Growth – Q3



# Multiple Drivers of EPS Growth- YTD





## Financial Highlights

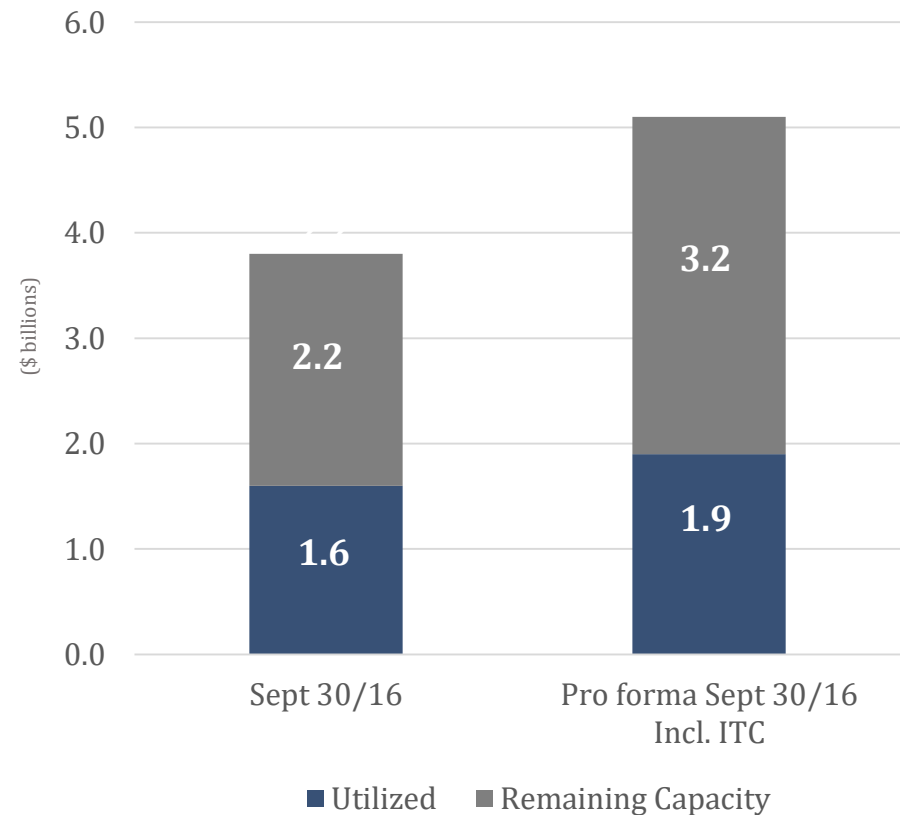
- Q3 and September YTD performance reflects impacts of transaction costs and MISO base ROE complaints
  - Q3 2016 net income of US\$50M
  - Q3 YTD 2016 net income of US\$185M
- In October, S&P reaffirmed the credit ratings of ITC Holdings and its operating companies
  - Revised the outlook to stable from negative, subsequent to the completion of the acquisition
- Capital expenditures on track
  - US\$561M spent to date in 2016



## Credit Ratings<sup>(1)</sup>

Fortis Inc.	
S&P	A- / BBB+
DBRS	BBB (high)
Moody's	Baa3

## Credit Facilities



(1) In October 2016, following the completion of the acquisition of ITC, DBRS revised the Corporation's unsecured debt credit rating to BBB(high) from A(low) and revised its outlook to stable from under review with negative implications and S&P affirmed the Corporation's long-term corporate and unsecured debt credit ratings. In September 2016, Moody's assigned a Baa3 issuer rating to Fortis Inc. and a Baa3 senior unsecured rating to an outstanding Fortis Inc. debenture, with both ratings given a stable outlook.

## Summary of Recent Regulatory Outcomes

Regulated Utility	Application/Proceeding	Outcome	Agreement/ Decision Timing
TEP	2017 General Rate Application (GRA)	<ul style="list-style-type: none"> <li>- Settlement agreement reached on revenue requirement</li> <li>- 9.75% ROE and common equity thickness of 50%</li> </ul>	August 2016
FortisBC Energy	2016 Generic Cost of Capital Proceeding (GCOC)	<ul style="list-style-type: none"> <li>- ROE maintained at 8.75% and common equity thickness of 38.5%</li> </ul>	August 2016
ITC	Initial MISO Base ROE Complaint	<ul style="list-style-type: none"> <li>- 10.32% base ROE with a high-end zone of reasonableness of 11.35%</li> </ul>	September 2016
FortisAlberta	2016/2017 Generic Cost of Capital Proceedings (GCOC)	<ul style="list-style-type: none"> <li>- 2016 ROE maintained at 8.30% and increasing to 8.50% for 2017. Common equity thickness reduced from 40% to 37%.</li> </ul>	October 2016

## Remaining Regulatory Decisions

Regulated Utility	Application/Proceeding	Filing Date	Expected Decision
TEP	2017 General Rate Application Approval of Settlement	November 2015	Q4 2016
FortisAlberta	Next Generation PBR Proceeding	Not applicable	Q4 2016
Central Hudson	Reforming the Energy Vision	Not applicable	TBD
ITC	Second MISO Base ROE Complaint	Not applicable	2017

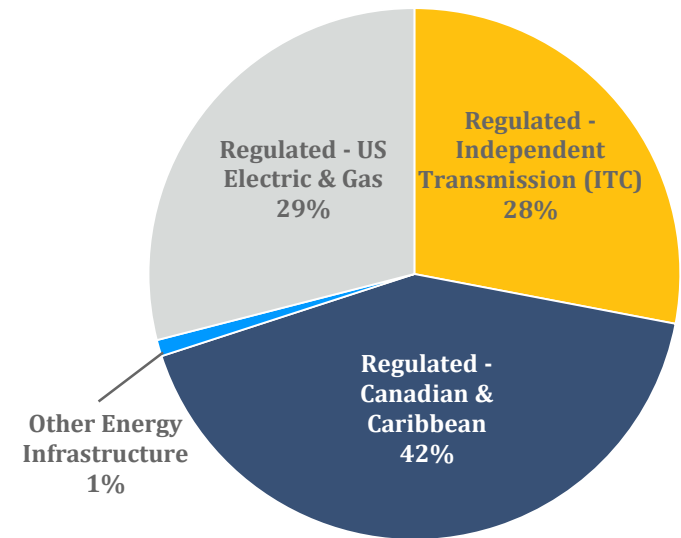
# 2017-2021 Forecast Highlights

<b>Capital Expenditures</b>	<ul style="list-style-type: none"> <li>- <b>~\$13B base capital program</b></li> <li>- Highly executable, low-risk, capital projects</li> </ul>
<b>Opportunities Beyond Base Plan</b>	<ul style="list-style-type: none"> <li>- Woodfibre – Potential ~\$600 million <b>LNG opportunity</b></li> <li>- ITC Lake Erie Connector – 1,000 MW, bi-directional, HDVC line connecting PJM and IESO</li> <li>- Various <b>infrastructure opportunities</b> across North America</li> </ul>
<b>Midyear Rate Base</b>	<ul style="list-style-type: none"> <li>- <b>~\$30B midyear rate base by 2021</b></li> <li>- 3-year rate base CAGR 5.3%</li> <li>- Holding current base capital at \$2.9B annually increases 3-year CAGR = ~40 basis points</li> <li>- 5-year rate base CAGR 4.1%</li> <li>- Holding current base capital at \$2.9B annually increases 5-year CAGR = ~100 basis points</li> <li>- Rate base reflects ITC bonus depreciation impacts</li> </ul>
<b>Dividend Strategy</b>	<ul style="list-style-type: none"> <li>- <b>6% average annual dividend growth target through 2021</b></li> <li>- Q4 2016 dividend growth of 6.7% to \$0.40 per share equivalent to annualized dividend of \$1.60</li> <li>- 43 consecutive years of annual dividend increases</li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>- Consolidated unused credit facilities averaging \$3.4 billion over forecast period</li> <li>- Consolidated fixed-term debt maturities and repayments averaging \$450 million annually</li> <li>- Capital structure supportive of the Corporation’s investment-grade credit ratings with equity averaging 36%</li> </ul>
<b>FX Assumptions</b>	<ul style="list-style-type: none"> <li>- <b>US\$1.00:CAD\$1.30 assumed</b> over forecast period</li> <li>- 5 cent change in the US dollar to Canadian dollar exchange rate would impact earnings per common share by approximately 7 cents</li> </ul>
<b>Regulatory Stability</b>	<ul style="list-style-type: none"> <li>- Regulatory stability in the near term with recent rate case settlement agreement or decisions at Tuscon Electric Power, FortisBC, FortisAlberta and FERC’s recent ROE decision at ITC</li> </ul>

# 2017-2021 Five Year Forecast by Segment

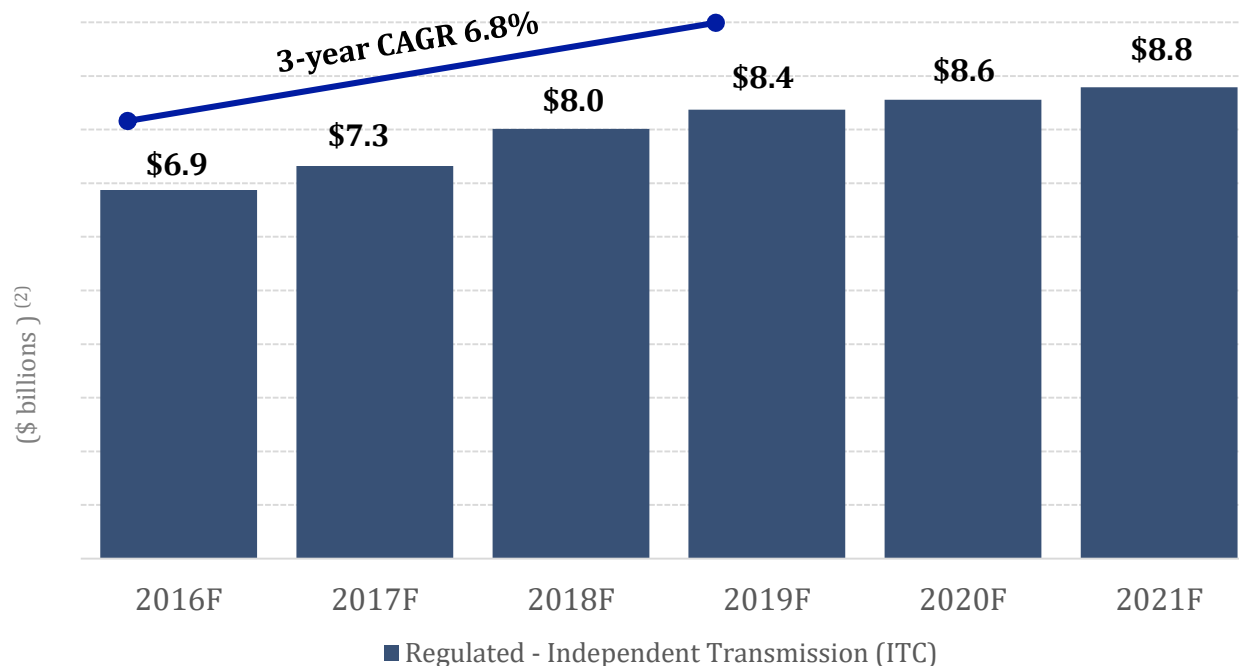
2017 Capital Forecast	(\$millions)
Regulated-Independent Transmission (ITC)	958
ITC	958
Regulated-US Electric & Gas	
UNS Energy	520
Central Hudson	222
Regulated-Canadian & Caribbean	
FortisBC Gas	443
FortisAlberta	419
FortisBC Electric	111
Eastern Canadian	153
Caribbean	99
Other Energy Infrastructure	18
<b>Total Capital</b>	<b>2,943</b>

5-Year Capital Forecast by Segment



<i>\$millions</i>	2017	2018	2019	2020	2021
Regulated – Independent Transmission (ITC)	\$ 958	\$872	\$590	\$619	\$616
Regulated – US Electric & Gas	742	693	830	825	671
Regulated – Canadian & Caribbean	1,225	1,244	970	955	958
Other Energy Infrastructure	18	50	27	8	8
<b>Total Capital Expenditures</b>	<b>\$2,943</b>	<b>\$2,859</b>	<b>\$2,417</b>	<b>\$2,407</b>	<b>\$2,253</b>

## ITC's Midyear Rate Base <sup>(1)</sup>



(\$Billions)	2016	2017	2018	2019	2020	2021
Bonus depreciation impact on midyear rate base	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)	(0.5)

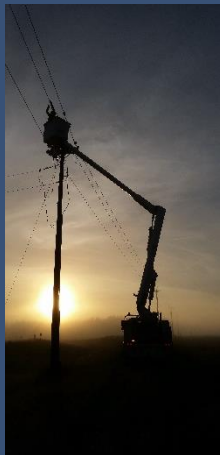
(1) Includes bonus depreciation and excludes construction work in progress.

(2) US Dollar denominated CAPEX and Midyear Rate Base converted at a USD/CAD exchange rate of 1.32 for 2016 and 1.30 for 2017 through 2021.

**FORTIS** INC.

Barry Perry

President & CEO



- Highly diversified; virtually all regulated electric and gas assets
- Highly executable base capital plan
- Focus on transmission & distribution
- Regulatory stability
- Consistent dividend growth
  - 43 years of consecutive dividend increases
  - 6% average annual dividend growth guidance through 2021
- Strong M&A track record & upside growth potential
  - Integrate ITC
  - Pursue additional growth opportunities
- Track record of superior shareholder returns





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← 22-51  
**WALL ST**