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

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Lisa, and I will be your conference operator today. Welcome to the Fortis Q3 2019 Conference Call and Webcast. (Operator Instructions)

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

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

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

Before we begin today's call, I want to remind you that the discussion will include forward-looking information, which is subject to the cautionary statement contained in the supporting slide show. All non-GAAP financial measures referenced in our prepared remarks are reconciled to the related U.S. GAAP financial measures in our 2019 third quarter MD&A. Also, unless otherwise specified, all financial information referenced is in Canadian dollars.

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

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

Thank you, Stephanie, and good morning, everyone.

Fortis delivered another successful quarter, both operationally and financially, positioning us well to achieve our goals in 2019. Adjusted EPS was $0.66 for the third quarter, and we reported adjusted EPS of $1.93 to the end of September. These earning results were in line with our expectations, and Jocelyn will speak to this in more detail shortly.

Through September, we invested $2.6 billion in our energy delivery businesses across North America to improve reliability, modernize the grid and deliver cleaner energy to our customers.

On the shareholder front, our Board declared a fourth quarter common share dividend of $0.4775 per share, representing a 6.1% increase in our quarterly dividend. This increase aligns with growth we are seeing in our business and the guidance we have provided to our shareholders. We have now increased our annual dividend paid to shareholders for 46 consecutive years.

Last month was the 3-year anniversary of closing the ITC transaction. As such, it was fitting that we held our Investor Day this year at the ITC headquarters near Detroit, Michigan. Investors were able to see first hand the culture of operational excellence at ITC through tours of acritical substation, it's operations control room as well as its cybersecurity operations center. In addition, we showcased the Motor City and the efforts underway by the transportation sector to shift to electric vehicles and the important role of utilities to support electrification and a lower carbon economy. Beyond highlighting ITC and the Motor City, at Investor Day, we also highlighted innovation and the shift to cleaner energy across our businesses in support of our growth strategy.

Fortis is committed to reducing greenhouse gas emissions and increasing renewable energy use. Our teams are discovering innovative ways to deliver energy as clean as we can, as fast as we can with customer affordability and reliability top of mind. As you may recall, the Wataynikaneyap Transmission Power Project in Northern Ontario includes building 1,800 kilometers of transmission lines to connect 17 remote communities to the Ontario grid. We are excited about this project as it will reduce greenhouse gas emissions associated with diesel generation currently used and will provide safe and reliable service in the communities. The project continues to progress with the engineering, procurement and construction contracts being awarded during the third quarter. In addition, the project recently achieved a significant milestone with the finalization of financing and the issuance of the Notice to Proceed. The project is targeted to be completed in 2023.

Turning to the Caribbean. CUC in Grand Cayman recently received regulatory approval for a 20-megawatt utility-scale battery storage project which will result in lower fuel usage and reduced greenhouse gas emissions. This battery storage will also enable more renewable generation to be connected to the island's power system.

In Arizona, you will recall that Tucson Electric Power set a goal to deliver 30% renewable energy to its retail customers by 2030. We are proud that we're approaching this goal sooner than expected in 2021, almost 9 years ahead of schedule. We are now working with key community partners, including the University of Arizona, to develop new targets for the utility's 2020 Integrated Resource Plan.

Lastly, we are excited about the initiatives under way in British Columbia as part of its clean growth pathway. FortisBC has set a target to reduce GHG emissions associated with its customers' energy use by 30% by 2030 with gas business. With respect to FortisBC's electric business, 95% of the energy delivered to customers is sourced from renewable generation.

Turning to Slide 6., I want to spend some time this morning to review a few of the exciting initiatives our BC team is working on to achieve this 30% target.

FortisBC's Clean Growth Pathway is focused on 4 key quarter areas. First is energy efficiency. As you might recall, earlier this year, FortisBC announced a significant increase in its energy conservation and efficiency program expenditures over the next 4 years. The nearly $370 million program will be focused on customer initiatives to lower energy use and reduce energy bills. Clean conservation and efficiency enhancement are expected to decrease carbon dioxide emissions by 50,000 tons annually, which equates to taking close to 11,000 gasoline-powered cars off the road. Additionally, these expenditures will increase FortisBC's rate base for over 4 years.

Another key area of focus is renewable natural gas. FortisBC is at the forefront of using renewable natural gas from landfills and agricultural sources and has established a target to obtain 15% of its gas supply from renewable sources by 2030. We currently operate 5 R&D facilities in BC, and 2 of these facilities are owned by FortisBC.

Just last week, FortisBC announced it's received regulatory approval to produce renewable natural gas at the city of Vancouver's landfill site in Delta. This landfill will become FortisBC's largest RNG project to date, and the supply will support their cleaner energy goals.

The third key area includes expansion of our LNG facilities to lower greenhouse gas emissions, both locally and globally, including the establishment of the first ship-to-ship moving bunkering service on the West Coast of North America. Last week, the provincial government announced their support for the marine bunkering in British Columbia. Delivery of clean-burning LNG to vessels in the area will reduce greenhouse gas emissions due to replacement of diesel fuel.

Lastly, FortisBC is focused on the needed infrastructure to support the shift to lower-carbon transportation by investing in fast-charging stations across the province. Utility also owns and operates 5 compressed natural gas stations that approximately 25% of its fleet can be fueled with compressed natural gas.

These initiatives, along with progress at our other utilities, demonstrate our commitment to providing cleaner energy. Sustainability remains an important part of everything we do at Fortis.

At Investor Day, we rolled out our new 5-year capital plan of $18.3 billion. This new plan reflects a $1 billion increase from the prior year's plan. Driving this increase is the industry trend towards recognizing that renewables and natural gas are foundational energy sources.

Specifically, ITC's 5-year capital plan increased $400 million over the prior plan. About half of the incremental capital was driven by customer interconnections required to connect cleaner energy sources to the grid -- to grids.

Over the next 5 years, ITC is expects to connect approximately 2,000 megawatts of wind and another 600 megawatts of solar across its footprint. The balance of the increase was driven by changes in foreign exchange assumptions and infrastructure investments required to support reliability improvements.

At FortisBC, the 5-year capital plan increased $300 million over the prior plan and is largely driven by the expansion of the Tilbury LNG facility. This project supports BC's Clean Growth Pathway that I just discussed and includes additional liquefaction and piping to the marine jetty. As a regulated project, it already has an Order-in-Council approval from the BC government, and we are currently working through the environmental assessment process for the marine jetty.

Our business in Grand Cayman is growing nicely with $200 million of capital added to the 5-year plan. The Caribbean Utilities expects to invest $600 million over the next 5 years to enhance the grid and invest in alternative energy to utility-scale solar projects. These projects were outlined in the Integrated Resource Plan, which was approved by the regulator earlier this year.

The 5-year capital plan is virtually all regulated with 99% of the investments expected in our regulated businesses. The plan consists of a diverse mix of highly executable, low-risk projects. Only 20% or 10 projects have a total project cost of over $200 million. Geographically, the capital plan is weighted towards the U.S. with 54% to be spent at our U.S. utilities. This is followed by 41% in Canada and 5% in the Caribbean operation.

Turning to Slide 9. The capital plan will grow rate base by approximately $10 billion over the next 5 years or $1 billion every 6 months. The $28 billion of rate base in 2019 growing to $38 billion in 2024, this yields 3- and 5-year compound annual growth rates of approximately 7%.

In addition to announcing the fourth quarter dividend increase of 6.1% at Investor Day, we also announced that we extended our average annual dividend growth guidance of approximately 6% to 2024. Our steady growth profile, coupled with our highly regulated transmission and distribution businesses, gave us the confidence to extend our dividend guidance.

I'll now turn the call over to Jocelyn for an update on our third quarter results.

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

Thank you, Barry, and good morning, everyone. As Barry mentioned, third quarter results were in line with our expectations. Reported earnings for the quarter of $278 million or $0.64 per common share were comparable to earnings of $276 million or $0.65 per common share last year. On a year-to-date basis, reported earnings of approximately $1.3 billion or $3.02 per share were significantly higher than last year. You will recall that our second quarter 2019 earnings included a $484 million net gain on the sale of our 51% interest in the Bermuda expansion.

Adjusted EPS of $0.66 for the quarter was $0.01 higher compared to the previous year. This increase reflects rate base growth in our regulated businesses, partially offset by decreased production at the Belize hydro generating facilities due to lower rainfall and a higher weighted average number of common shares outstanding. On a year-to-date basis, adjusted EPS was $0.02 lower than the first 9 months of 2018.

Rate base growth, again driven by our regulated businesses, was offset by unfavorable weather impacts in Arizona and Belize as well as reduced earnings at Aitken Creek.

Turning to Slide 13, I'll walk through the EPS drivers for the quarter. Growth at our regulated utility businesses was led by ITC, which contributed a $0.02 increase in EPS during the quarter and largely reflects rate base growth. Next, UNS Energy increased EPS by $0.01 in the quarter, which reflects higher revenue due to operational regulatory recovery, offset by higher costs associated with rate base growth that are not yet included in rates due to their historical test year. Weather was not a significant driver of results for the third quarter.

At our nonregulated energy infrastructure businesses, EPS decreased by $0.01 for the quarter. This was mainly driven by lower production in Belize as the country continued to experience drought conditions. With the lower rainfall, production in the third quarter was 11 gigawatt hours to 59 gigawatt hours in the previous year.

Lastly, the $0.01 EPS decrease in the Corporate and Other segment was driven by a higher number of weighted average common shares, partially offset by lower corporate costs. Higher average common shares reflect the shares issued under the company's Dividend Reinvestment Plan and our at-the-market equity program or ATM.

The sale of the Waneta Expansion did not have an impact -- net impact on earnings during the quarter as the earnings loss from no longer having the Waneta Expansion was offset by reduced corporate finance charges.

Results of our other regulated utilities were comparable to last year. Rate base growth at those utilities was offset by timing differences in the quarter, including a $5 million favorable capital tracker true-up recognized at FortisAlberta in the third quarter of last year.

Moving to Slide 14. Adjusted year-to-date earnings per share for the first 9 months of 2019 decreased $0.02 compared to the same period in 2018. The key driver of this decrease was weather in Belize and Arizona, which I'll discuss shortly. ITC, our largest utility, improved EPS by $0.05 compared to last year, again driven by strong rate base growth, partially offset by the reduced independent incentive adder. A higher U.S. dollar-to-Canadian dollar foreign exchange rate for the first 9 months of 2019 resulted in a $0.04 EPS increase. The year-to-date average rate was $1.33 compared to $1.29 last year.

At Central Hudson, EPS increased $0.01 driven by higher delivery rates and lower storm restoration costs.

Our Western Canadian utilities improved EPS by $0.01, largely reflecting rate base growth at our gas business in BC.

The nonregulated energy infrastructure businesses reduced EPS by $0.06 year-to-date. Again, lower rainfall in Belize resulted in lower production reduced EPS by $0.04 for the first 9 months of the year. As I noted earlier, Belize has been experiencing drought conditions. Production for the first 9 months of 2019 was 50 gigawatt hours compared to 179 gigawatt hours in 2018. Lower realized margins in Aitken Creek in 2019 also negatively impacted EPS in for this segment.

EPS contribution from UNS was $0.05 lower for the first 9 months of 2019 compared to last year. This was largely driven by cooler temperatures in Arizona during the second quarter as well as higher costs associated with rate base growth not yet in rates, again due to their historical test year.

And lastly, EPS was lower by $0.02, reflecting a higher number of weighted average common shares, partially offset by lower corporate costs. And the decrease in corporate costs was mainly driven by lower financing costs and timing of tax expense.

Turning now to our regulatory outlook. At ITC, we have to wait a final decision from FERC on the MISO-based ROE and next steps on 2 notice of inquiry issued in March. The first NOI sought comment on FERC's policies for determining the ROEs in setting rates and the second on how to improve its transmission incentive policy to ensure it appropriately encourages the development of needed infrastructure for the benefit of our customers. You'll also recall FERC issued an order in 2018 which determined ITC was no longer fully independent and subsequently reduced the incentive adder included in rates of ITC's utilities operating in the MISO region to 25 basis point, down from the approximate 50 basis points that ITC was earning in rates. ITC has appealed this decision to the U.S. Court of Appeals, and there's no designated time for the court to decide on this matter.

Tucson Electric Power filed its rate case on April 1 using 2018 as a test year. TEP's current rates are based on a mid-2015 test year. And therefore, requested rates include approximately USD 700 million of additional rate base investments that have been made since then. Additional request in the rate filing include an ROE increase of 60 basis points to 10.35% and increased equity business to 53%.

Intervenor testimony, including the ACC staff testimony, was filed in October. Next steps in the rate case include TEP filing rebuttal testimony later this month, with hearings expected to commence in early 2020. And we anticipate a decision in the second quarter of next year.

As discussed during the last quarter, FortisBC filed its multiyear rate plan earlier this year as the current term expires at the end of 2019. The proposed plan seeks approval for a rate-setting framework for 2020 through 2024. As we do not anticipate a decision until next year, the utility has filed for interim rates to be effective January 1, 2020, and to remain in place until the rate plan is approved.

In September, the Alberta Utilities Commission issued an order proposing to change how the Alberta Electric System Operator's customer contribution policy is accounted for between distribution owners, including FortisAlberta, and transmission owners. The decision prevents these transmission-related investments by the utility in the future and directs that unamortized balance, which forms part of FortisAlberta's rate base, be transferred to the transmission facility owners. Currently, FortisAlberta has approximately $400 million of rate base associated with these investments. We were surprised and disappointed with the decision and immediately filed for a review and variance. The filing is currently being reviewed by the AUC, and we will continue to contest both the AUC's unprecedented treatment of the unamortized balance as well as future ongoing customer contributions.

Before concluding, I wanted to review the funding plan associated with the 5-year capital plan that Barry just discussed. Most of the required funding is coming from cash from operations and regulated debt of the subsidiary. A small portion of the funding or 3% will come from our ATM program. As you'll recall, we currently have a $500 million ATM program and commenced using the program in the second quarter to fund the increase in the 2019 capital.

So at the end of September, we have issued 3.5 million shares under the ATM program, equating to gross proceeds of approximately $181 million.

Fortis is well positioned to execute on the new 5-year capital plan and improve the credit profile of the company. Specifically, we expect to improve CFO/debt to an average of 12% over the next 5 years and decrease the ratio of total debt to total debt to low 30% by 2024. We remain committed to our investment-grade credit rating and are focused on improving our credit profile.

This concludes my remarks. I'll now turn the call back to Barry.

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

Thank you, Jocelyn.

We believe Fortis has a strong value proposition supported by our organic growth strategies, our improving credit profiles, unique business model and long track record of delivering on our plans. As another year wraps up and we look ahead to 2020, we are optimistic about our growth trajectory, the important role our businesses play in shifting to cleaner energy in the communities we serve. Sustainable practices have remained front and center, and we are committed to doing even more in the future.

Now I'll turn the call back over to Stephanie.

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

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Robert Kwan from RBC Capital Markets.

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

Great. Good morning. If I can maybe start with TEP. You had mentioned some of the other filings that have gone in, particularly the staff recommendation. I'm just wondering if you could give some kind of higher-level thoughts on what the staff put forward, particularly just on the cost of capital parameters, ROE, fair value return, equity fitness and the like.

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

Thank you, Robert. I will ask David to comment on that. David?

David Gerard Hutchens - *UNS Energy Corporation - CEO, President & Director*

Yes. This is Dave Hutchens. Good morning Robert. Yes, the -- without getting too much into the details of what we'll be putting in our rebuttals here at the end of the month, we are a little disappointed with the ROE that staff came out with as well as a little bit lower fair value increment than what we're expecting. But those are other things that we're going to address in our rebuttal testimony and obviously in the hearings itself. So we're generally pretty positive about, overall, where we're at from a process perspective, but we've got some work to do.

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

Maybe just turning to the Alberta side and the decision from the AUC. Just wondering, how are you accounting for this while you've got the R&V outstanding?

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

Jocelyn?

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

Robert, we've not done anything different with respect to recording these transmission investments. Until we get an order and further clarity, but particularly an order, we will not be making changes to how we account for our transmission investment.

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

Got it. And I guess maybe just to follow at a higher level on the asset side. It's obviously not good if you end up losing and having to transfer it, I guess, net book value. But in some ways, though, how would you look at this with respect to then effectively being an asset sale and boxing out common equity needs? Or another way to think about it is, you're reducing capital in a low-return and questionable regulatory jurisdiction and being able to redeploy that capital in the, say, U.S. utilities with better returns on invested capital.

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

Robert, seems like you can find a silver lining in anything. We can't, right now, on this decision, frankly. Clearly, yes, if the transfer did happen at book value, we kept the proceeds and that would create a dividend from FortisAlberta back up to Fortis. And we'd have to pay down some debt at FortisAlberta as well. It would probably make whole costs associated with it, and these are some of the things we've identified for the Commission to consider, that we're not part of their deliberations in making this decision. These issues generate other impacts.

And so our focus is to work to get this decision reversed, and we have filed, I think, some strong arguments to do that. So I -- we continue to look at our Canadian business in a positive light. We have work to do on the regulatory compact in Canada. I know that, but we're not redirecting capital from Canada to the U.S. We're not doing that.

Operator

And our next question comes from the line of Ben Pham from BMO.

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

Okay. I wanted to follow up on the customer contributions in FortisAlberta. And I wanted to clarify, isn't the $400 million -- that's always been a no cost of capital item for you guys. And really, this is really -- if you think about it really, it's just a CapEx recovery or depreciation recovery and maybe some cash tax impact.

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

So, no. But Ben, in the case of this investment, it's like any other rate-based investment. We actually fund it with equity and debt and earn on it. So it's not a no-cost investment or anything like that. So that's what's fairly unique about the decision to ask one utility to transfer its rate base to another utility at presumably book value, that's where we have the start. We're not -- this should never happen at book value. If it's going to happen, it's going to happen at fair market value. We pay 1.5, 1.6 rate base to buy FortisAlberta, and the regulator is asking us to transfer 12% of the rate base at book -- presumably book value. That's just not -- I think it's a precedent-setting kind of request, frankly, and one that we do have to challenge.

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

Okay. So this isn't though the one where you basically get some contributions from transmission customers and that cash goes in and as you see a deduction at CapEx when you book it, that's a separate item?

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

No, this is -- Ben, it's Jocelyn. No, this is rate based, similar to any other rate base that we have. So we earn a perfect return for it.

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

Okay. I got you. Okay. And then on the Belize hydro, thanks for providing some of the generation and whatnot. I can probably try to calculate the earnings impact. But can you share probably just the earnings impact on that for the quarter?

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

Yes. So BECOL, due to the low rainfall, was at $0.01 in the quarter, and we outlined that in the presentation. And to date, I mean, BECOL is down about $0.04 over last year for us, so -- and all attributable to the lower rainfall (inaudible) from last year as well.

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

Yes, I would say ...

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

Due to the lower rainfall in last year as well.

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

Yes. I would say, since I've been involved with Fortis, this is the driest year that we've had in that jurisdiction. They really have not had any rain, and we need to have a good tropical storm go through there to fill the reservoirs to do so.

Operator

Our next question comes from the line of Julien Dumoulin-Smith from Bank of America.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

So perhaps just to backfill on these AUC questions. Can you talk a little bit more about just the civil process that you've talked about with this appeal? I mean what kind of time line could we be looking at with which you would be making this decision ultimately taking out the 400 at net book or otherwise? Just understanding and thinking about how this could match with next year's update anyway.

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

So Julien, we have Michael Mosher on the phone, our CEO from Alberta. So I'm going to ask Michael to talk a little bit about the process from here. Michael? He is looking for his mute button. We've lost him. Okay.

Michael L. Mosher - *FortisAlberta Inc. - President, CEO & Director*

Ocean has granted that? And ...

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

Sorry, Mike, we're not hearing. You might want to start from the beginning.

Michael L. Mosher - *FortisAlberta Inc. - President, CEO & Director*

I'm sorry, Barry?

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

I think you might have -- it seemed like you cut in there. Maybe start again.

Michael L. Mosher - *FortisAlberta Inc. - President, CEO & Director*

Okay. Can you hear me?

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

Yes.

Michael L. Mosher - *FortisAlberta Inc. - President, CEO & Director*

Okay. Good morning Julien. Yes, as Barry said about the process, we filed for a review and variance as well as a requesting a stay of the order immediately upon receipt of the order. The Commission, on their own motion, has granted their review and variance and has set forth an expedited schedule which essentially has a closing of the record in their review by November 7. And they have indicated that it is their intent to issue a revised decision prior to year-end.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. So maybe just to think about it this way. I mean how does this measure to the longer-term update that you'll probably do as you roll forward next year anyway? I mean this isn't that material against the overall outlook across the range of utilities that you own, and especially if you have other moving factors in that rate base outlook already.

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

That's right, Julien. This is not really a material thing for Fortis. It's a disturbing thing but not material for the company. And, obviously, that's the benefit of Fortis in terms of being a diversified business that we are that not -- having a poor decision in any one jurisdiction really doesn't show up on a consolidated basis. But it doesn't lessen our resolve to work to get it reversed, that's for sure.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Well, and then if we can talk a little bit further about the comment made earlier around Canada just briefly. How do you think about further asset sales more broadly? You have some degree of future equity needs. I don't want to put a number out there per se, but certainly, it's pretty clear cut. How do you think about the fungibility in asset sales versus future equity and making decisions given this outcome and others?

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

Well, Julien, we're always looking at asset sales. It's part of any big public company's processes these days, and we're always open to folks who are interested in our -- in some of our assets. If they want to make us an offer, then go ahead, frankly, and we'll have to consider it. That being said, I think we do have a very effective funding strategy with our DRIP program, our ATMs. And we are showing pretty strong improvement in our balance sheet over the next number of years. And I think when you think about Fortis, and some of those folks would say, yes, you guys got a great WiRES business. And the only thing that rubs us a little badly is your -- maybe your credit side of things. But I can tell you that over the next number of years, that's going to go away as well. So you're going to see this company with adding $10 billion of rate base over the next few years with a very much improving balance sheet over that period. And if that generates more value, then we'll capture it.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. But nothing -- no commitment as of yet?

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

No.

Operator

Our next question comes from the line of David Quezada from Raymond James.

David Quezada - *Raymond James Ltd., Research Division - Equity Analyst*

My first question here is just FortisBC on the LNG marine bunkering topic. Does the most recent proposal, and I guess the government's apparent support of it, change your timing or maybe just color on the next steps for a decision on further expansion at Tilbury?

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

I'll just make a comment. I mean I'll have Roger, our CEO of BC, jump in. But I don't think it changes the timing. We do have it in our 5-year plan at the bunkering facility. I would say having the province issue a press release supporting the project was a very positive development, and we very much appreciated that and it gives us strong confidence that this project will move forward. Roger, maybe you can provide some more flavor on it.

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

Thanks, Barry. Not much more to add to what Barry has said. The timing hasn't changed to move the LNG bunkering business. It's going to need a number of layers of government support. Fortis in Vancouver is fairly regulated. Obviously, the province has a role in permitting things like that. So you've seen the BC government support it. It really helps us get the broader level support put in place, the various initiatives and approvals we need to get there. The timing hasn't changed, though, because the announcement is really just an indication of growing support for what is going to be hopefully an exciting part of the business.

David Quezada - *Raymond James Ltd., Research Division - Equity Analyst*

Great. I appreciate those comments. My other question here, just on the general topic of renewable natural gas. Some of it could be a really interesting opportunity for you guys. Any comments on the scope and scale of that opportunity? And if you could deploy it or kind of capitalize on that opportunity outside of BC at some point?

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

Well, I would say, from my perspective, it's big news and a big opportunity, and it takes a lot to get to 15%. And Roger, maybe you could comment on this ability to procure outside of British Columbia.

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

Yes. Thanks again, Barry. So the 15% target will be about 30 petajoules of natural gas displacement by 2030. The plan for us, we anticipate probably 1/3 of that in-province, 2/3 coming from either out-of-province contracts or other forms of renewable gas such as hydrogen.

The -- as far as what the shape of that portfolio looks like, it's still indeterminate. We plan to invest in facilities like we have already in the city of Vancouver landfill. But the way we envision the program is really going to be a supply purchase arrangement where offering long-term contracts for renewable natural gas will allow third parties such as agricultural site landfills to build a facility, and then we would enter into long-term contracts with those facilities, and those would be in BC but as well out of province.

Operator

Our next question comes from the line of Rob Hope from Scotia Bank.

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

Just one cleanup question. Just on the backdrop of Woodfibre inching forward as well as the government being more supportive of LNG bunkering specifically, can you update us on your talks with the regulator on kind of gas security in the Lower Mainland and if there is something FortisBC could do there longer term?

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

Well, Robert, we continue to work on that, and I think it will form a part of our plans going forward. We're not there yet in terms of that. But Roger, again, maybe you could update on exactly where we are at this point.

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

Thanks again, Barry. I appreciate the question, Robert. We are having high-level discussions on the issue driven, obviously, by the Enbridge situation a year or so ago. No specific plans. We are looking at various options. We're looking at additional sponsors and storage. We are looking at potential pipe expansion. It's one of those things where there are interest from the provincial government. We had some initial discussions with the regulator, but there's significant work that still needs to go before we have any kind of plans that we're sharing with the regulator. So it's an ongoing discussion, but it's a new topic or a new area of interest from the government regarding the resiliency of the system.

Operator

Our next question comes from the line of Mark Jarvi from CIBC Capital Markets.

Mark Thomas Jarvi - *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*

I just wanted to go back quickly to Alberta and just one kind of cleanup question was around what the expectation around rate base growth for that transmission business, whether it's going to grow in line with the broader expectation for Alberta? Any kind of commentary around how much capital you thought you could deploy there?

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

Rate base growth in Alberta is tracking around 4%, which is a little low, I think, compared to what the industry across North America is growing at right now. But (inaudible) the business that we've seen the strong growth over the years. But right now, we're looking at about 4% growth.

Mark Thomas Jarvi - *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*

I guess more specifically, I just wondered on those transmission assets that might be transferred. Would they grow in line with your broader expectations for Alberta? Or is there -- like how much kind of CapEx was expected to be invested in that transmission assets?

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

Yes. Mark, this is Jocelyn. There is actually minimal future in our next 5 years. We don't have a lot for transmission investments in our plan. It's actually less than $100 million.

Mark Thomas Jarvi - *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*

Okay. That's helpful. And then turning to ITC which has been performing really strong here. Anything you'd call out in terms of your short-term tailwinds or something that might be less recurring like one thing you flagged is the effective tax rate. Just trying to help us understand if this sort of pace here of earnings growth for ITC can be sustained or if there's anything that's kind of boosted it in the near term.

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

Well, I'll put Linda on the spot. And -- but no, I would say ITC is growing in sort of in relation to the investment that it's making in rate base. And yes, we do still see a strong 5 years for them in terms of the capital they've laid out.

Linda, you maybe could add some flavor, but they're still being driven by the renewables push in the Midwest and sort of the integrity of the infrastructure overall, I would think. But maybe you can add some comments.

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

Yes. Thanks, Barry. Yes, that is absolutely right. I mean primarily, our growth is being driven by a strong rate base growth certainly both in terms of last year, we had a strong rate base additions year. And obviously we're seeing the reflection of that in our earnings this year. And in addition to that, so far this year, we're continuing to have a strong year as it relates to capital additions. We also had the benefit this year. We acquired some assets from the Dearborn industrial generation facility. Those are now reflected in rates. We've also closed on the acquisition of assets from CMS

Energy as well as we acquired some assets from Jo Carroll Cooperative at ITC Midwest. So those are all helping our rate base growth. But I think more importantly, as Barry indicated, we are just continuing to see a lot of different need drivers on our system, both in terms of sort of baseline reliability projects, interconnections, both load interconnections that are primarily driven by our customers, particularly DTE Energy. We've got a lot of load interconnections to respond to the growth and shifting growth in the Southeast Michigan area. And then ultimately, the continued generator interconnections, both wind and solar. We're starting to see quite a large pick up in solar projects. And obviously, we are working with our -- the various developers and utilities to sort of work up the plans to build the needed transmission for the generator interconnections. And then I think long term, we just continue to see the ongoing shift to more and more renewables, which I think long term is going to continue to drive needed capital investment in transmission. So we're very optimistic.

Operator

Our next question comes from the line of Andrew Kuske from Crédit Suisse.

Andrew M. Kuske - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

Maybe to save Barry's voice, I'll ask Jocelyn a question just on the ITC adder.

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

Thank you, Andrew. I think you detected I have a very bad head cold.

Andrew M. Kuske - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

I can hear you're struggling, but I'll probably ask you something as a follow-up. But first with Jocelyn, just on the ITC adder. I think you mentioned there is no time line on the process and core processes are seldom quick. But if you look at past precedents, to what degree do you believe you'd get a decision with them? Is it a 2020 event? Late '20, 2021? What's kind of the ballpark do you think?

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

Yes. It's a very difficult question, Andrew. You never can pinpoint exactly when the regulators are going to offer these final decisions. And we're still hopeful we're going to get a decision on the ROE side of ITC by the end of the year.

On the independence adder, it's a tough call. There's been some noise and movements at FERC. And so again, that all adds to the uncertainty as when we're going to get it. So we're hopeful it's coming soon, but you never can tell with -- when things go to the U.S. Court of Appeals and with FERC, the uncertainty is obviously more.

Andrew M. Kuske - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

Okay. I appreciate the color. And then I will ask Barry the next question. And it's really just in the context of what we saw yesterday with the Encana announcement of redomiciling the company. When you look at the valuation delta across the border and then a lot of the questions on this call have been about what's happened in Alberta for you, what do you think about redomiciling the company at some point in time? Or is this effectively a move where you can actually push rate or regulatory change in Canada in a positive fashion because you've talked about that for multiple years now?

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

Great question, Andrew. We're not considering redomiciling the corporation. But I would say our focus, as you know, over the last couple of years has been reducing the discount that we trade at versus a typical U.S. utility, and I think we've had a lot of success at that. We'll probably trade today at the level of the average U.S. utility. I always kid my team a little bit and say we should trade at a premium given that we're a wires business, a T&D business, very diversified and all that. But we've made a lot of progress to close the gap.

Now listen, I have a lot of sympathy for the things that were outlined yesterday by the CEO of Encana in terms of some of the logic that they're using. There is a giant sucking sound of capital towards the U.S. It's -- this issue around passive investing, it's a big issue. Typically, U.S. utility has -- its top 4 shareholders are passive investors. They own about 30% of those businesses. In comparison, for us, we have about 15% maybe of our stock that's held by passive funds. So we have to go find more institutions to own our stock. So we have to almost be better than the typical U.S. utility.

I've said for some time that capital in our sector in North America, it flows from Canada to the U.S. There is no capital coming from U.S. up to Canada, and that's primarily because of Canadian regulation. And I think that, that is not sustainable over time. So we will have to have a change in some point in the quality of Canadian regulation. The Alberta situation here, I suppose, is an added item to that, that says geesh, that's another wrinkle now. And so that's not great.

Now I will say to you we have some positives but we have a good retail following in our stock in Canada. About 30% of our stock is held by retail shareholders. And in the U.S., a U.S. utility might only have 10% or 15%. So it's not all negative. But this issue around passive investing is a big issue.

I would say in Canada we also have another issue in some of our very large pension funds. And almost abandoned the Canadian capital markets. And they've used diversity as a reason. But if your -- one of your biggest pools of capital are not investing in Canadian stocks, then that's also a big headwind for Canadian public companies, right? So we have some problems at home that we can solve before we start focusing in other places frankly as well. So I think these issues will continue to be very much front and center in Canada, and we're going to have to figure them out to allow these great companies in Canada to prosper over time.

Now frankly, the other thing is strategy. Fortis has always had a good strategy, and I think fundamental to a business success is execution of strategy. So over the long term, we've done well by moving into the U.S. and we've executed well. So I can't argue that what we've created is wrong because it isn't, it is an amazing corporation that's on both sides of the border, listed on both places. So I don't think we should be tinkering with that. We should just be trying to fix some of these more macro issues that we have in Canada.

Operator

Our next question comes from the line of Patrick Kenny from National Bank Financial.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Just on TEP approaching 30% renewables by 2021. Obviously, that's a big accomplishment. But if we zone in specifically on coal as a percentage of TEP's generation mix. Correct me if I'm wrong here, but still over 40% or at least 1/3. Can you remind me if there is a goal to bring down the percentage of coal to a specific target at some point over the next 5 to 10 years?

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

David, will you want to just jump in on that one?

David Gerard Hutchens - *UNS Energy Corporation - CEO, President & Director*

Yes. There is not currently a goal for that. We're in the middle of doing our integrated resource plan. Some of those goals may come out of that process. But right now, the only -- actually the only state goal is to get to 15% renewables by 2025. We're obviously doubling that in our efforts. But a lot of that is still to be determined.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Okay. Great. And then just switching over to BC and the outlook here for your gas torch business up at Aitken Creek. I was just curious if the recent change from NGTL with respect to priority access into Alberta storage might have any impact on the outlook for the profitability of gas storage up in Northern BC at least on the 50% that isn't utilized by FortisBC.

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

I'm going to let Roger jump in, but I'll make a comment about generally that plant. I think as we think about all that's going to happen in that market in the next decade or so, on the LNG export and the amount of gas that's going to move through the system in BC and out, I think that asset just continues to get more and more valuable going forward, and we should see improving earnings from it over time. Roger, just -- that's a challenge, right? So maybe you can add some good color on that.

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

Yes. Thanks, Dave. Thanks, Patrick. The short answer is no real impact. I think that was addressing what's going on in the producer segment in Alberta. That decision really has support of the Alberta government from what I understand. From our perspective, given the nature of our business, we think it might help a little bit with activity but not sure it's going to make a big difference in the near term on profitability.

Operator

As there are no further questions, I'd like to turn the call back to Stephanie Amaimo for closing remarks.

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

Thank you, Lisa. We have nothing further at this time. Thank you, everyone, for participating in our third quarter 2019 results call. Please contact Investor Relations should you need anything further. Thank you for your time and have a great day.

Operator

Thank you for participating. Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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