

## 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 U.S. Private Securities Litigation Reform Act of 1995, collectively referred to as "forward-looking information". Forward-looking information included in this presentation 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 include, without limitation: the Corporation's forecast gross consolidated and segmented capital expenditures for 2018 and for the period 2018 through 2022; the nature, timing and expected costs of certain capital projects including, without limitation, the ITC Multi-Value Regional Transmission Projects and 34.6 to 69 kV Conversion Project, UNS Energy flexible generation reciprocating engines investment and Gila River Generating Station Unit 2, FortisBC Lower Mainland System Upgrade, Eagle Mountain Woodfibre Gas Pipeline Project and Pipeline Integrity Management Program and additional opportunities beyond the base capital plan including, among others, the Wataynikaneyap Power Project; targeted average annual dividend growth through 2022; the impact of US tax reform on the Corporation's near-term cash flows, earnings, credit metrics, financing structures and EBITDA; statements related to the at-the-market equity program, including the timing, the receipt of regulatory approvals and the Corporation's expected use of the net proceeds; the Corporation's forecast consolidated and segmented rate base for 2018 and for the period 2018 through 2022; and the expected timing of fil

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. 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 information. 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; no significant changes in laws and regulations that may materially negatively affect the Corporation and its subsidiaries; and currency exchange rates. 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 Fortis with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information in this presentation is given as of the date of this presentation and Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result o

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



## Executed Well in 2017

### Reinforcing the Strength of Fortis as a North American Utility Leader



Safe and timely restoration of electricity on Turks and Caicos following Hurricane Irma

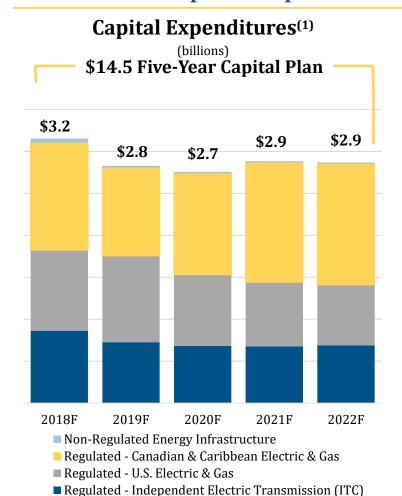






# Highly-Executable Capital Plan 2018-2022 Capital Expenditure Program of ~\$14.5 F

### 2018-2022 Capital Expenditure Program of ~\$14.5 Billion Reaffirmed



Significant Projects <sup>(2)</sup> (\$millions) <sup>(1)</sup>	Forecast 2018	Forecast 2019- 2022	Forecast Total 2018- 2022
ITC Multi-Value Regional Transmission Projects <sup>(3)</sup>	169	194	363
ITC 34.5 kV to 69 kV Conversion Project	111	369	480
UNS Flexible Generation – Reciprocating Engines	150	45	195
UNS Gila River Generating Station Unit 2	-	211	211
FortisBC Lower Mainland System Upgrade	177	55	232
FortisBC Eagle Mountain Woodfibre Gas Pipeline Project	-	350	350
FortisBC Pipeline Integrity Management Program	-	312	312

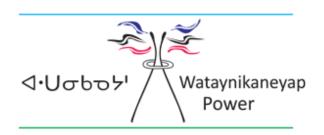
<sup>(3)</sup> Consists of four regional electric transmission projects that have been identified by MISO to address system capacity needs and reliability in several states.



US dollar denominated capital expenditures are translated at a forecast USD/CAD foreign exchange rate of \$1.28.
 Major capital projects are identified as those with a total project cost of \$150 million or greater and exclude ongoing capital maintenance projects. Total project costs include forecasted capitalized interest and non-cash equity component of allowance for funds used during construction, where applicable.

# Additional Opportunities Beyond the Forecast

Continuing to Advance the Wataynikaneyap Transmission Power Project







Wataynikaneyap Power Project

- Partnership with First Nations to connect remote communities in Northern Ontario to the grid via 1,800 kilometers of transmission line
- Estimated total capital project cost of ~\$1.35B, subject to final cost estimation
- Fortis has a 49% ownership interest
- Federal Government announced in August 2017 up to \$60 million in funding for the Pikangikum First Nation connection to Ontario's power grid
- Remaining Milestones
  - Completion of environmental assessments
  - Funding agreement with federal and provincial governments
  - Filing the Leave to Construct application with the OEB, which is expected in Q1 2018
  - Construction to begin once final approvals and receipt of permits are complete

## Additional Opportunities Beyond the Forecast



# Strong Track Record of Rate Base and EPS Growth

Historical Rate Base Growth Aligned with EPS Growth Over the Past 5 Years

#### **2012 - 2017 Rate Base**

(\$ billions)<sup>(1)</sup>

#### 5-Year \$25.4 3-Year \$24.3 CAGR **CAGR** Rate base ~22% ~24% Rate base excluding ~8% ~7% acquisitions of U.S. subsidiaries \$16.4 \$6.2 \$14.0 \$6.1 \$10.2 \$8.7 \$12.0 \$11.3 \$10.9 \$9.5 \$9.2 \$8.7 2013 2015 2017 2012 2014 2016 Regulated - Independent Electric Transmission (ITC)

#### **Adjusted Earnings Per Share**



<sup>(1)</sup> US dollar-denominated rate base converted at the historical USD/CAD exchange rates as reported in the respective filed annual reports.

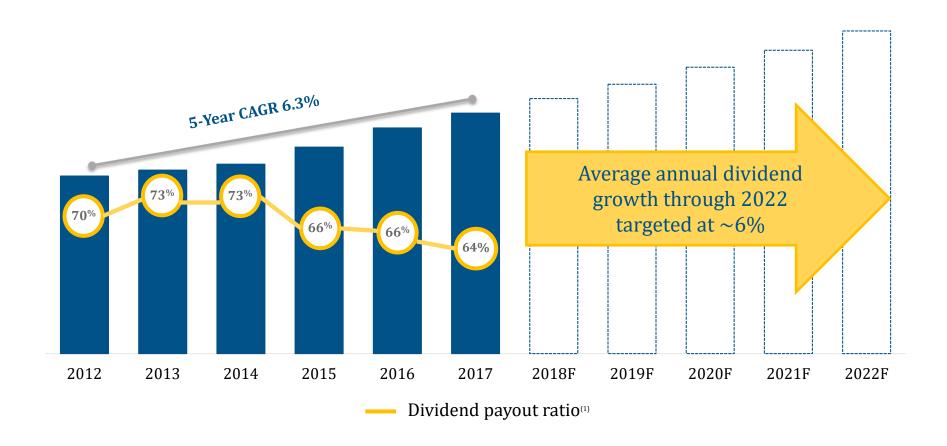
■ Regulated - Canadian & Caribbean Electric & Gas (2)

■ Regulated - U.S. Electric & Gas



<sup>(2)</sup> Includes 100% of the Waneta Expansion, of which Fortis has a 51% controlling ownership interest.

### 44 Years of Consecutive Annual Dividend Growth

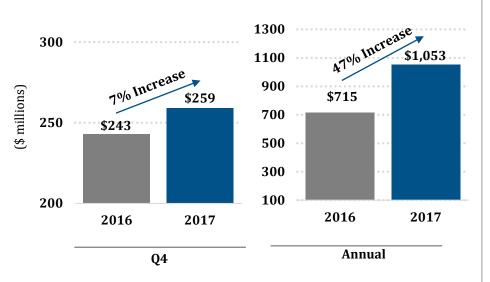


(1) Dividend payout ratio adjusted for non-operating items.

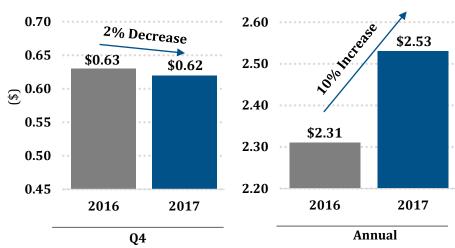


## Fortis Delivers Strong Results in 2017

#### **Adjusted Earnings**

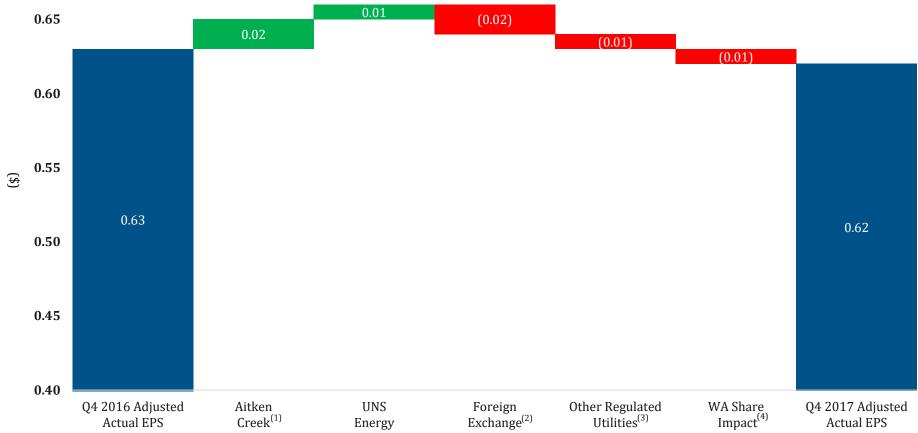


#### **Adjusted EPS**



## EPS Variances – Q4

 $0.\overline{70}$ 



(1) Includes variance related to unrealized gains associated with mark-to-market of natural gas hedges.

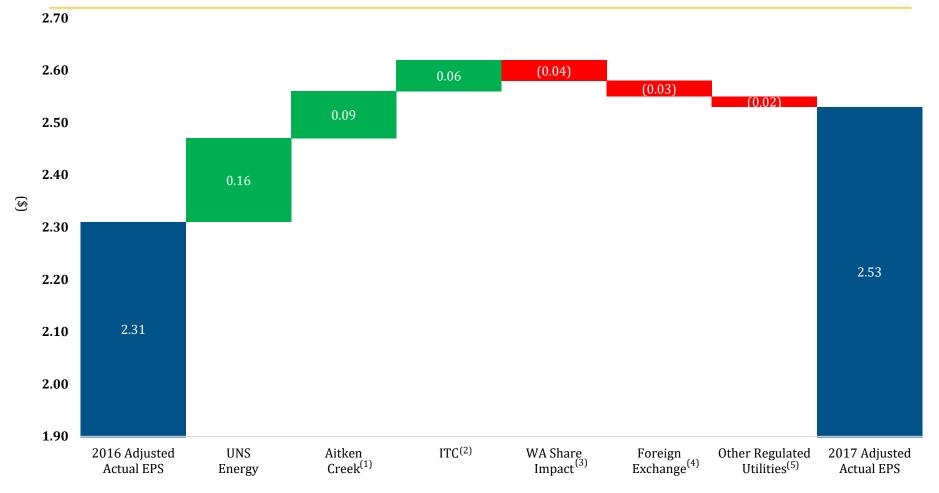
(2) Due to lower average U.S. dollar to Canadian dollar foreign exchange rate of \$1.27 in Q4 2017 versus \$1.33 in Q4 2016.

(3) Includes ITC, Central Hudson, FortisAlberta, FortisBC Energy, FortisBC Electric, Eastern Canadian and Caribbean. Impact primarily attributable to Caribbean operations and FortisBC Energy, partially offset by Central Hudson.

(4) Reflects increase in the number of shares issued and outstanding through normal course of business but excludes the common shares issued to finance a portion of the ITC acquisition.



## Multiple Drivers of EPS Growth – Full Year 2017



- (1) Variance mainly driven by unrealized gains associated with mark-to-market of natural gas hedges.
- (2) Inclusive of finance charges and common share issuance related to ITC acquisition.
- (3) Reflects increase in the number of shares issued and outstanding through normal course of business but excludes the common shares issued to finance a portion of the ITC acquisition.
- (4) Due to lower average U.S. dollar to Canadian dollar foreign exchange rate of \$1.30 in 2017 versus \$1.33 in 2016.
- (5) Includes Central Hudson, FortisBC Energy, FortisAlberta, FortisBC Electric, Eastern Canadian and Caribbean. Impact primarily attributable to Caribbean operations, partially offset by Central Hudson and FortisBC Energy.



# U.S. Tax Reform Benefits Customers Immediately and Shareholders Over the Long Term

# Lower Corporate Tax Rate (From 35% to 21%)

- One-time remeasurement of deferred tax assets resulted in non-cash write down of \$146M in 2017
- Expected to lower EPS by ~3% resulting from interest deduction at lower tax rate
- Provides opportunity to reduce customer rates

#### Bonus Depreciation Exemption

- Regulated utilities exempt from the immediate expensing of capital investments
- Positive for rate base growth

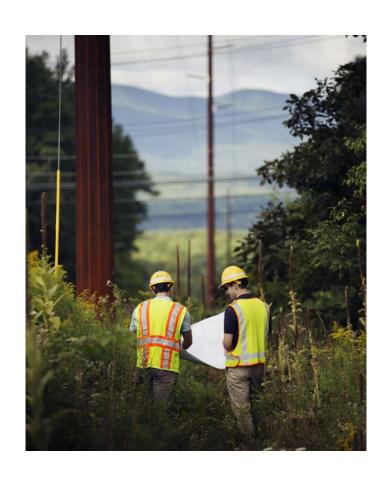
#### Interest Expense Deductibility Preserved

- Fortis view: U.S. utility business maintains interest deductibility
- Fortis U.S. interest expense within 30% EBITDA cap

## U.S. Tax Reform Affects Near-Term Cash Flow

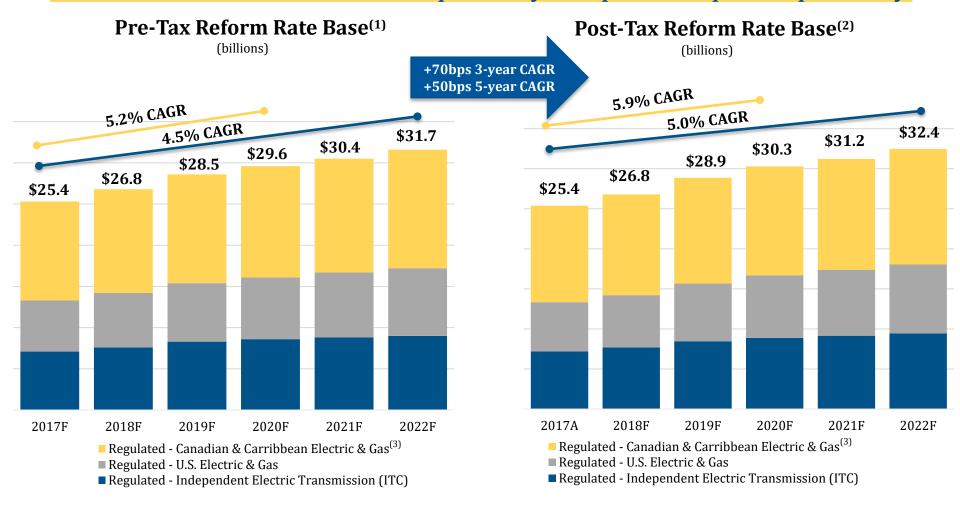
# U.S. Tax Reform Cash Flow Impacts

- Provides opportunity to reduce customer rates at ITC, UNS Energy and Central Hudson
- Lower corporate tax rate reduces cash from operations from U.S. utilities in the near-term
- Provides opportunity to invest further to deliver safe and reliable energy
- Committed to preserving our investment-grade credit ratings



# U.S. Tax Reform Improves Rate Base Growth

3 & 5-Year Rate Base CAGRs Improve by 70bps & 50bps, Respectively



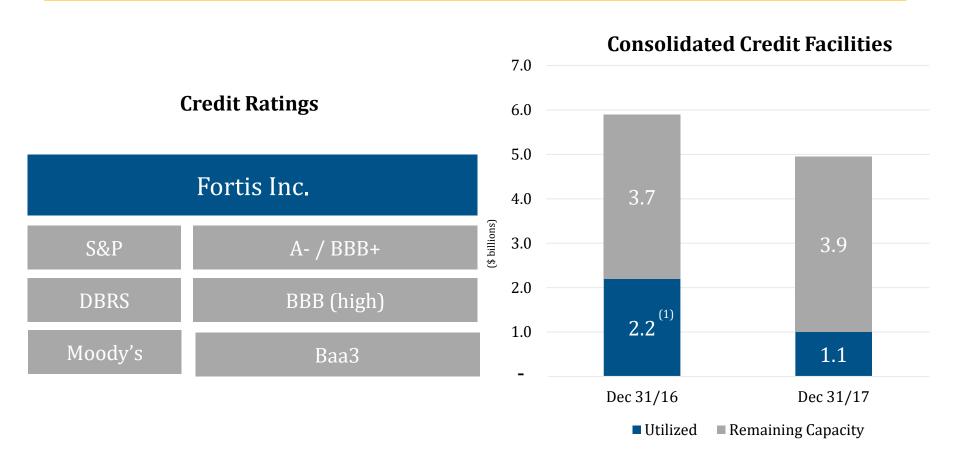
<sup>(1)</sup> Pre-tax reform rate base reflects rate base as previously disclosed in Q3 2017 earnings presentation. US dollar-denominated rate base is translated at a forecast USD/CAD foreign exchange rate of \$1.28. (2) US dollar-denominated rate base for 2018 to 2022 is based on \$1.28. Holding foreign exchange

constant, rate base CAGR would be 5.2% for 5-year CAGR and 6.2% for 3-year CAGR.



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

## Investment-Grade Credit Ratings and Ample Liquidity



<sup>(1)</sup> Included \$500 million non-revolving term senior unsecured equity bridge credit facility used to finance a portion of the cash purchase price of the acquisition of ITC. The facility was repaid in March 2017.



# Regulatory Stability

### Recent regulatory outcomes

Regulated Utility	Application/Proceeding	Outcome	Agreement/ Decision Timing
TEP	2017 General Rate Application	<ul> <li>Decision issued approving settlement agreement on revenue requirement</li> <li>9.75% ROE and common equity thickness of 50%</li> </ul>	February 2017

#### Remaining significant regulatory proceedings

Regulated Utility	Application/Proceeding	Filing Date	Expected Decision
ITC	MISO Base ROE	<ul> <li>Not applicable</li> </ul>	To be determined
Central Hudson	General Rate Application	- July 2017	August 2018

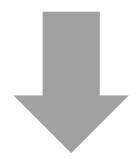


## Our Strategy - Simple, Effective, Proven

## **Strategy**

Leverage the operating model, footprint of our utilities, operating expertise, reputation and financial strength to develop growth opportunities







## Strategic Initiatives

Execute Utility CAPEX Plan ITC Transmission Growth

Deliver Cleaner Energy Enhance Customer & Regulatory Relationships Unlock LNG Value Pursue Energy
Infrastructure
in and Near
Existing Service
Territories

# **Expected Upcoming Events**

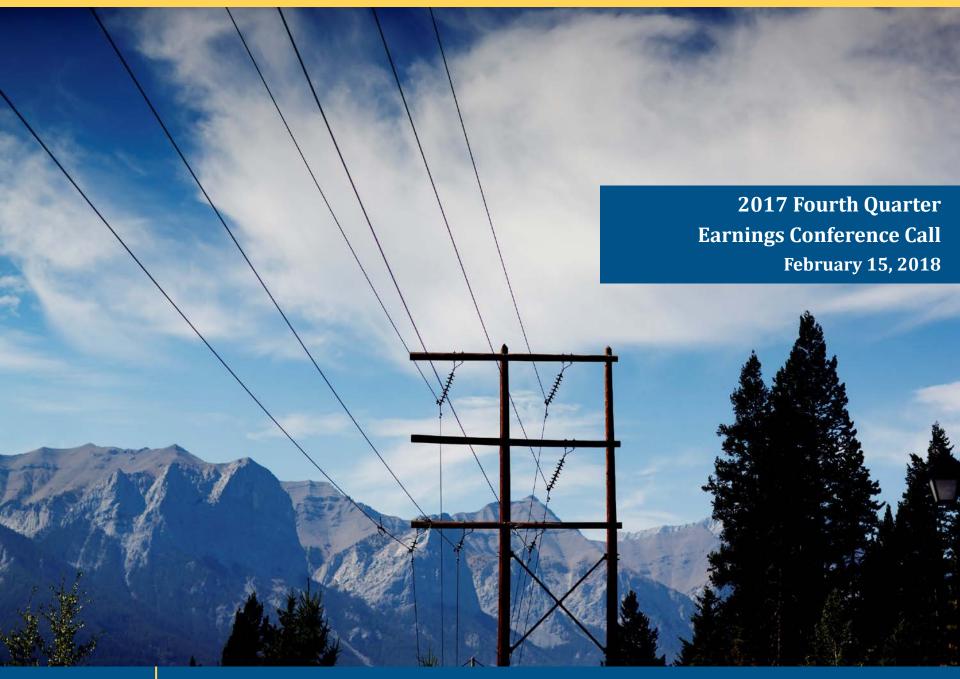


#### **Expected Upcoming Earnings Release Dates**

Q1 - 2018	May 1, 2018
Q2 - 2018	July 31, 2018
Q3 - 2018	November 2, 2018
Q4 - 2018	February 14, 2019

#### **Save the Date - 2018 Investor Days**

Toronto	October 15, 2018
New York	October 16, 2018



# Q4 2017 Results by Segment

Fourth Quarter Variance Analysis by Segment								
(\$ in millions, excluding EPS)	Q4 2017	Adjustment	Q4 2017 (Adjusted)		Q4 2016	Adjustment	Q4 2016 (Adjusted)	Q4 (Adjusted) Variance
Regulated – Independent Electric Transmission								
ITC Holdings Corp.	(1)	91	90		59	22	81	9
Regulated - US Electric & Gas								
UNS Energy	28	5	33		29	-	29	4
Central Hudson	<u>22</u>	<u>2</u>	<u>24</u>		<u>20</u>	=	<u>20</u>	<u>4</u>
	50	7	57		49	-	49	8
Regulated Canadian & Caribbean Electric & Gas								
FortisBC Gas	66	-	66		70	-	70	(4)
FortisAlberta	29	-	29		30	-	30	(1)
FortisBC Electric	13	-	13		13	-	13	-
Eastern Canadian & Caribbean	<u>25</u>	Ξ	<u>25</u>		<u>28</u>	Ξ	<u>28</u>	(3)
	133	-	133	Г	141	-	141	(8)
Other Energy Infrastructure	25	-	25		15	-	15	10
Corporate and Other	(73)	27	(46)		(75)	32	(43)	(3)
Net Earnings	\$134	\$125	\$259		\$189	\$54	\$243	\$16
Weighted Average Shares	420.1		420.1		384.6		384.6	35.5
EPS	\$0.32		\$0.62		\$0.49		\$0.63	\$(0.01)

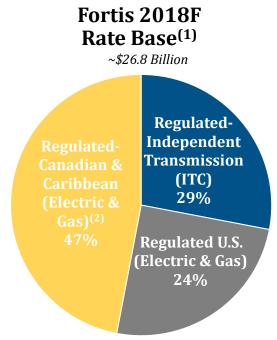
# Annual 2017 Results by Segment

Annual Variance Analysis by Segment									
(\$ in millions, excluding EPS)	Annual 2017	Adjustment	Annual 2017 (Adjusted)		Annual 2016	Adjustment	Annual 2016 (Adjusted)		Annual (Adjusted) Variance
Regulated – Independent Electric Transmission									
ITC Holdings Corp.	272	91	363		59	22	81		282
Regulated - US Electric & Gas				Н				+	
UNS Energy	270	(6)	264	П	199	18	217	П	47
Central Hudson	<u>70</u>	<u>2</u>	<u>72</u>		<u>70</u>	Ξ.	<u>70</u>		<u>2</u>
	340	(4)	336		269	18	287	П	49
Regulated Canadian & Caribbean Electric & Gas									
FortisBC Gas	154	-	154	П	151	-	151	Т	3
FortisAlberta	120	-	120		121	-	121	П	(1)
FortisBC Electric	55	-	55	П	54	-	54	Т	1
Eastern Canadian & Caribbean	<u>98</u>	_	98	Ī	110	_	110	1	(12)
	427	<u>-</u> -	427	Н	436	<u>-</u> -	436	+	(9)
Other Energy Infrastructure	94	-	94	П	60	-	60	7	34
Corporate and Other	(170)	3	(167)		(239)	90	(149)	1	(18)
Net Earnings	\$963		<b>\$1,05</b> 3		\$585		\$715		\$338
Weighted Average Shares	415.5		415.5		308.9		308.9		106.6
EPS	\$2.32		\$2.53		\$1.89		\$2.31		\$0.22



## 2018-2022 Capital Forecast by Segment

2018 Capital Forecast (1)	(\$ millions)
Regulated-Independent Transmission (ITC)	
ITC	863
Regulated-U.S. Electric & Gas	
UNS Energy	686
Central Hudson	275
Regulated-Canadian & Caribbean Electric & Gas	
FortisBC Gas	462
FortisAlberta	407
FortisBC Electric	104
Eastern Canadian	155
Caribbean	152
Other Energy Infrastructure	49
Total Capital Expenditures	\$3,153



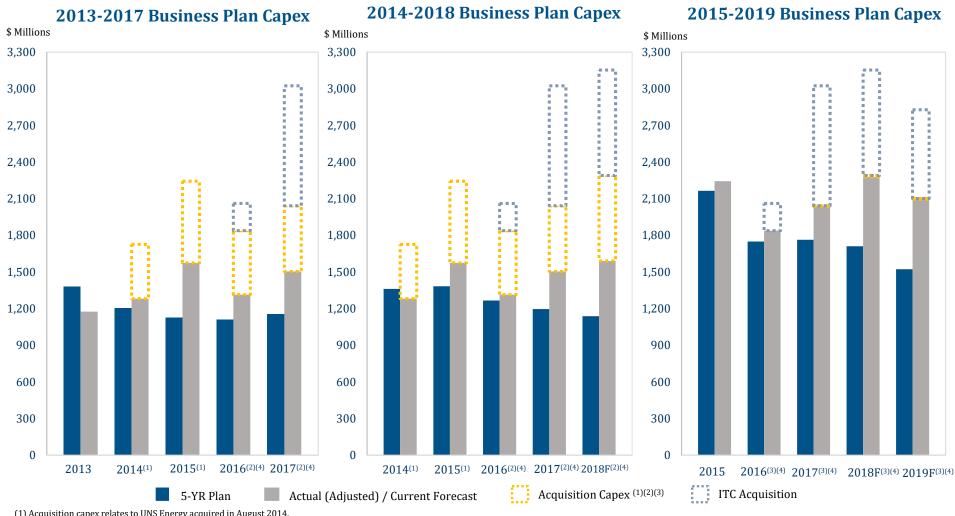
(\$billions) (1)	2018F	2019F	2020F	2021F	2022F
Regulated - Independent Transmission (ITC)	0.9	0.7	0.7	0.7	0.7
Regulated – U.S. Electric & Gas	1.0	1.0	0.8	0.8	0.7
Regulated - Canadian & Caribbean Electric & Gas	1.3	1.1	1.2	1.4	1.5
Other Energy Infrastructure		-	-	-	<u>-</u>
Total Capital Expenditures	\$3.2	<b>\$2.8</b>	\$2.7	\$2.9	\$2.9

<sup>(1)</sup> US dollar-denominated rate base for 2018 to 2022 is based on the forecast average USD/CAD foreign exchange rate of \$1.28.

 $<sup>(2) \</sup> Includes \ 100\% \ of the \ Waneta \ Hydroelectric \ Expansion \ of \ which \ Fortis \ has \ a \ 51\% \ controlling \ ownership \ interest.$ 



# Capital Expenditures Exceeding Expectations



<sup>(1)</sup> Acquisition capex relates to UNS Energy acquired in August 2014.

<sup>(2)</sup> Acquisition capex relates to UNS Energy acquired in August 2014 and capex from Aitken Creek effective April 1, 2016.

<sup>(3)</sup> Acquisition capex relates to Aitken Creek acquired April 1, 2016.

<sup>(4)</sup> ITC capex relates to capex contribution from ITC following acquisition in October 2016.