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PRESENTATION

Operator

Welcome to the Fortis Q3 2016 conference call and webcast.

(Operator Instructions)

At this time, I would like to turn the conference over to Janet Craig, Vice President Investor Relations, Fortis Incorporated. Please go ahead, Ms. Craig.

Janet Craig - *Fortis Inc - VP of IR*

Thanks, Chris, and good morning, everyone, and welcome to Fortis's third-quarter results conference call. I'm joined by Barry Perry, President and CEO, and Karl Smith, Executive VP and CFO, other members of the senior management team, as well as various CEOs of our certain subsidiaries, or actually all of our subsidiaries today.

Before we begin today's call, I want to remind you that the discussion will include forward-looking information, which is subject to the forward-looking statement contained in the supporting slide show. All non-GAAP financial measures referenced in our prepared remarks are reconciled to the related US GAAP financial measures in our Q3 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 Perry - *Fortis Inc - President & CEO*

Thank you, Janet, and good morning, everyone. We have accomplished a lot this quarter and so far this year.

On February 9, we announced the acquisition of ITC, and 248 days later we closed the ITC acquisition on October 14. In fact, we closed the transaction just 132 days after all state regulatory filings were made. This transaction further diversifies our Business and positions us for continued growth.

The acquisition of ITC is the largest in the history of Fortis, dramatically increasing our North American footprint. We remain confident that the transaction will be nicely accretive to earnings per share in 2017.

I have been asked lately about the timing of another acquisition. We are proud of our acquisition record and the value creation it has brought to our shareholders. We have a well-accepted business model and strong acquisition framework, and will consider and pursue utilities that align with this.

Having said that, you shouldn't expect another acquisition anytime soon. We need to integrate ITC and have a full year of earnings to illustrate the benefits of the transaction. M&A activity in the medium to long term will need, of course, to complement our portfolio and be accretive to earnings per share.

A condition in our agreement to acquire ITC was to list our shares on the New York Stock Exchange. We had been considering listing on the New York Stock Exchange for some time, and the structure of this transaction, with shares forming a portion of the consideration, gave us that opportunity.

On October 14, under the ticker symbol, FTS, Fortis listed on NYSE. It was the largest international listing by market cap on the Exchange, and the second-largest listing overall so far this year. We did hold a number of activities around our listing with a few different objectives, including: creating some excitement within our own Organization for this very important milestone which was the result of long-term success and growth of Fortis; increasing mindshare and brand with the media; and continuing our broadened engagement strategy with the investment community.

Today, our footprint in North America extends to nine US states, five Canadian provinces, and three Caribbean countries, with over 8,000 employees, positioning Fortis as a leader in the North American regulated electric and gas utility business with a focus primarily on transmission and distribution. The addition of ITC to our portfolio of utilities provides a strong platform in the electric transmission sector in North America. And we are extremely well positioned to capitalize on and contribute to the infrastructure investment required to maintain, improve, and secure the transmission grid in the United States.

Our acquisition track record speaks for itself. Our Business has grown from under CAD5 billion in assets in 2004 to almost CAD47 billion today with the acquisitions of our FortisBC, FortisAlberta, Central Hudson, UNS Energy Corporation, and ITC Utilities. We have created a Company with tremendous economic, geographic, and regulatory diversity, while at the same time delivering superior shareholder returns.

We always seek to maintain constructive regulatory relationships. We believe this is a key strength. Over the past year, we have successfully navigated a number of significant regulatory proceedings, providing regulatory stability in the near term.

Our base capital program will be approximately CAD8 billion over the next three years, and approximately CAD13 billion over the five-year period to 2021. Additionally, we will continue to pursue opportunities beyond our base capital program, with each of our utilities seeking incremental opportunities within their franchise regions.

Our base capital program allows us to continue to target 6% average annual dividend growth through 2021, and continue our record for the longest consecutive dividend increases for a public company in Canada. In September, our Board of Directors declared a fourth-quarter 2016 dividend of CAD0.40 per common share, an increase of approximately 7% from CAD0.375 paid in the third quarter of 2016.

Turning to Q3, we are pleased to report another quarter of strong performance. We made significant progress on key regulatory proceedings, advanced our capital projects, and had strong financial results. Today, we are going to spend some time discussing our new five-year capital forecast, including ITC, to provide visibility on our growth through 2021.

Capital expenditures over the forecast period totals approximately CAD13 billion, consisting of highly executable, low-risk, and diversified projects. Our five-year capital program consists of several major capital projects, including regional transmission projects at ITC, and system capacity and pipeline upgrades at FortisBC Energy. Capital spending at ITC is expected to be approximately CAD3.6 billion, or 28% of the consolidated five-year capital program.

Fortis, like most utilities, has a declining capital budget curve in the outer years of its five-year capital program. This reflects the inherent challenges with projecting capital projects over a five-year horizon. So while we have rolled out our five-year forecast, as we have traditionally done in the past, we are focused on measuring ourselves against and delivering on the three-year capital forecast and rate base growth. Overall, our capital program is largely focused on transmission and distribution across our utilities, and is reflective of our ongoing capital needs in each business to continue to provide safe, reliable, and cost-effective energy service to our customers.

For 2016, consolidated mid-year rate base is expected to increase by nearly CAD7 billion to over CAD24 billion due to the acquisition of ITC. Consolidated mid-year rate base is projected to approach nearly CAD30 billion in 2021. The three-year outlook supports a mid-year rate base CAGR of 5.3%; rate base grows from CAD24 billion in 2016, including ITC, to CAD28 billion in 2019. As a result of the declining capital spend, the five-year mid-year rate base CAGR is 4.1%.

If we were to sustain our current base capital annual program at a run rate of approximately CAD2.9 billion annually, the three-year mid-year rate base CAGR through 2019 would increase by approximately 40 basis points to 5.7%, and the five-year mid-year rate base CAGR through 2021 would increase by approximately 100 basis points to 5.1%.

Our consolidated mid-year rate base does not include construction work in progress, or CWIP. Previously, ITC had included CWIP in their calculation of mid-year rate base, but Fortis does not, so we have aligned the methodology.

Through September 30, 2016, we have invested CAD1.4 billion in capital projects. Capital expenditures for the full year of 2016 are forecast to be approximately CAD2.1 billion, an increase of CAD200 million from the original forecast of CAD1.9 billion. The increase is primarily due to expected capital investments at ITC from the date of acquisition.

Capital expenditures at FortisAlberta for 2016 are expected to be approximately CAD40 million lower than the original forecast of CAD441 million, primarily due to lower Alberta Electric System Operator contributions and as a result of the current economic downturn in Alberta. However, capital expenditures for 2016 at UNS Energy are expected to be higher than the original forecast, primarily due to the purchase of remaining interest in Springerville Unit 1 for $85 million in September 2016 as part of the settlement agreement with the third-party owners.

While not included in our base plan, we are pursuing additional investment opportunities within our existing service territories. Major opportunities include LNG and transmission, among others.

FortisBC Energy's proposed pipeline expansion project for Woodfibre LNG continues to progress. The project is conditional on Woodfibre LNG proceeding with its LNG export facility. The potential pipeline expansion has an estimated total project cost of up to CAD600 million and is not currently reflected in our base capital plan. Woodfibre is expected to make a final investment decision this year; and assuming a positive decision, it will be completed in 2020. If this project proceeds, it could increase our three-year rate base growth rate closer to 6%.

We are also pursuing the ITC Lake Erie Connector Project, which is a proposed long-term contracted transmission line that would link the Ontario and PJM grids. We are currently in the process of engaging with potential offtakers to secure transmission service agreement.

We also have other significant opportunities, including our transmission investment opportunities at ITC, investment at New York Transco to address electric transmission constraints in New York, and the Wataynikaneyap transmission line to connect remote First Nation[-led] communities in Ontario. I will now turn the call over to Karl for an update on our Q3 performance and outlook.

Karl Smith - *Fortis Inc - EVP and CFO*

Thanks, Barry. Good morning, everyone. As Barry mentioned, our third-quarter 2016 financial results were strong and also in line with our expectations.

Adjusted earnings for the quarter of CAD154 million was higher by CAD9 million, or 6%, compared to the same quarter last year. Adjusted earnings per share of CAD0.54 for the quarter was higher by CAD0.02, or nearly 4%.

On a year-to-date basis, adjusted earnings of CAD475 million was higher by CAD28 million, or over 6%, and earnings per share was higher by CAD0.06, reaching CAD1.67. Cash flow from operations of CAD1.4 billion year to date increased approximately 10% over the same period in 2015 due to higher cash earnings and favorable changes in working capital.

During the quarter, our subsidiaries raised CAD225 million of long-term debt, including CAD150 million of unsecured debentures at FortisAlberta at a rate of 3.34%. In October, we issued approximately 114 million Fortis common shares in connection with the ITC acquisition, and now have approximately 400 million common shares outstanding. Debt financing for the transaction included $2 billion of unsecured notes, issued in October, comprised of $500 million of five-year notes at 2.1% and $1.5 billion of 10-year notes at 3.055%.

As you can see from the waterfall chart, adjusted earnings per share for the quarter reflect strong performance from most of our regulated utilities and contribution from Aitken Creek. Performance was driven by favorable contribution from UNS, largely due to the settlement of Springerville Unit 1 matters in the third quarter that resulted in CAD10 million in after-tax operating cost reimbursements, which equate to about CAD0.03 per common share. These operating costs had been expensed in prior quarters.

Earnings were tempered this quarter at FortisAlberta, reflecting the economic downturn in that province and a CAD2 million negative adjustment related to the recent Generic Cost of Capital decision. The elimination of the contribution of operating earnings from the commercial real estate and hotel assets, due to their sale in 2015, dampened earnings growth this quarter compared to last year, and impacted earnings per share by about CAD0.02. Corporate cost and an increase in the weighted average number of common shares outstanding each had a CAD0.01 negative impact on earnings per share for the quarter.

Moving on to the next slide, a somewhat similar story plays out for the nine months ended September 30. On a year-to-date basis, results were favorably impacted by foreign exchange. Other factors that contributed to growth in adjusted earnings per share were higher earnings at our regulated utilities, driven by UNS mainly as a result of the Springerville Unit 1 settlement; contributions from Aitken Creek; and from the Waneta expansion.

Earnings were tempered year to date at FortisAlberta due to the economic downturn in that province and the CAD2 million negative adjustment related to the GCOC decision. Additionally, the sale of commercial real estate and hotel assets in 2015 tempered earnings-per-share growth year over year. The utilization of the Dividend Reinvestment Plan program increased the number of outstanding common shares and reduced earnings per share by CAD0.04 for the year-to-date period.

I wanted to briefly go through the highlights of ITC's third-quarter results, which were also filed this morning. For the three months ended September 30, 2016, net income at ITC was approximately $50 million. This is $16 million lower compared to the same period in 2015, and is largely driven by additional after-tax impacts related to the MISO base ROE refund liability and transaction-related expenses. Absent these items, net income at ITC would have increased approximately $13 million quarter over quarter, primarily as a result of higher rate base.

For the nine months ended September 30, net income at ITC was approximately $185 million. This is $20 million lower compared to the same period in 2015, and is largely driven by additional after-tax impacts related to the MISO base ROE refund liability and transaction-related expenses. Absent these items, net income at ITC would have increased approximately $34 million over the nine-month period last year, primarily as a result of higher rate base.

In October, subsequent to the completion of the acquisition, Standard & Poor's reaffirmed the credit ratings of ITC Holdings and its operating companies, and revised the outlook to stable from negative. Capital investments for 2016 are on track and reflect $561 million invested through September 30, 2016.

Our improving cash flow metrics, driven by increasing earnings and our current capital structure, continue to support our financial capacity and our investment-grade credit ratings. Our consolidated credit facilities totaled CAD3.8 billion, excluding ITC, of which CAD2.2 billion was unused at the end of the third quarter. On a pro forma basis, our consolidated credit facilities totaled CAD5.1 billion, including ITC, of which CAD3.2 billion was unused at the end of the third quarter. Our financial strength and borrowing capacity positions us well to fund both new investment opportunities and organic growth.

As expected, in October 2016, following the completion of the acquisition of ITC, DBRS revised our unsecured debt credit rating to BBB high, from A low, and revised this outlook to stable from under review with negative implications. In addition, S&P affirmed our long-term corporate rating at A- and unsecured debt credit rating at BBB+, and revised its outlook to stable from negative. In September, Moody's initiated coverage of Fortis and assigned an issuer credit rating of Baa3 and an unsecured debt credit rating of Baa3, both with a stable outlook.

Turning to regulatory matters, in August, Tucson Electric Power reached a settlement agreement regarding the revenue requirement of its general rate application, which included an allowed ROE of 9.75% and common equity thickness of 50%. A final order from the Arizona Corporation Commission is expected in the fourth quarter.

FortisBC Energy received a BCUC decision in August regarding the 2016 generic cost of capital proceeding, which maintain the allowed ROE of 8.75% and common equity thickness of 38.5%. In September, ITC received an order from FERC regarding the initial MISO based ROE complaint, setting the base ROE at 10.32% with a high end of the zone of reasonableness of 11.35%, aligned with the Administrative Law Judge's initial decision.

Lastly, FortisAlberta received an Alberta Utilities Commission decision in October regarding the 2016/2017 generic cost of capital proceeding, which maintained the ROE of 8.3% for 2016 and increased the ROE to 8.5% for 2017, while decreasing the common equity thickness from 40% to 37% for 2016 and 2017. These key regulatory decisions received in 2016 provide regulatory stability in the near term.

As you can see on this chart, we have outlined the five-year forecast highlights. While we have discussed many of the items listed, we'd like to point out that, from a liquidity perspective, we expect consolidated unused credit facilities to be CAD3.4 billion on average over the forecast period, and fixed-term debt maturities and repayments averaging CAD450 million annually.

In terms of capital structure, our forecast supports investment-grade credit ratings, with equity levels averaging 36%. Additionally, in terms of foreign exchange, the forecast assumes a US dollar to Canadian dollar exchange rate of CAD1.30.

Given the size and scale of the Business today, we have segmented CAD13 billion of capital expenditures into the following segments for the period 2017 to 2021: Regulated Independent Transmission, which is ITC; Regulated US Electric and Gas Utilities; Regulated Canadian and Caribbean Utilities; and finally, Other Energy Infrastructure. Over the five-year period, on average, the approximate breakdown of the total capital spending is expected to be 58% in sustaining capital expenditures; 30% to meet customer growth; and 12% for general plant and other assets.

ITC's mid-year rate base is forecasted to increase from CAD6.9 billion in 2016 to CAD8.4 billion in 2019, reflecting a three-year CAGR of 6.8%. For reference, the slide illustrates the impact of bonus depreciation on mid-year rate base at ITC, which reduces mid-year rate base by approximately CAD400 million on average, annually over the five-year forecast period. This concludes my remarks and I will now turn the call back to Barry.

Barry Perry - *Fortis Inc - President & CEO*

Thank you, Karl. While we are very pleased with our progress this year, we remain firmly focused on continuing to achieve strong operational and financial performance in 2016, and we will continue to execute on our strategy, integrate ITC, and maintain investment-grade credit ratings.

In closing, Fortis is well positioned to deliver on our commitments to customers and shareholders, given our highly diversified, virtually 100% regulated Business. We will continue to advance our highly executable base capital program, against a backdrop of a period of regulatory stability. This, coupled with our 6% average annual dividend growth guidance through 2021, and strong track record of growth, both organically and by acquisition, will position Fortis to maintain its track record of superior returns to shareholders. Now, I'll turn the call back over to Janet.

Janet Craig - *Fortis Inc - VP of IR*

Thanks, Barry. This concludes the presentation. At this time, we'd like to open the call to address questions from the investment community. So, Chris?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ben Pham of BMO Capital Markets.

Ben Pham - *BMO Capital Markets - Analyst*

I wanted to ask about your commentary on acquisitions and your focus on ITC integration. It seems like, unless something really compelling comes up, we won't be seeing anything for at least a year. I'm just wondering, in terms of potential acquisitions, other than EPS accretion, are you thinking about something maybe more strategic that could benefit you? Or do you think, when you look at your footprint today, from a strategic perspective, you're well-positioned going forward?

Barry Perry - *Fortis Inc - President & CEO*

I think we are well-positioned, Ben. We've created a very diversified Company, with primarily a wired business plus a big gas LDC business; that's what we have done here. But there's obviously in the future, once we're comfortable with the ITC transaction opportunities, to continue to grow the Company. Our model is pretty scalable model, where we have this very small head office, and substantial autonomous subsidiaries. So I would think that we would start to look at the regions that we already have businesses. In an ideal world, that's where you would focus your attention. It's not necessary, but just from a simplicity perspective, that's where we would look initially.

But there are very few opportunities remaining. I continue to stress that. There's less than 40 investor-owned utilities remaining in the United States. Some of them are very large; some are very small; so there's only a handful that make some sense for Fortis. We're not going to be spending a whole lot of time on that in the next little while, but people have to keep that in context, that there are not a lot of opportunities remaining in North America.

Ben Pham - *BMO Capital Markets - Analyst*

Okay. You mentioned [T&D], the focus and really limited commentary on generation, other than maybe some rate based opportunities. Is that more the returns aren't as attractive or different risk profiles? Or is it maybe perhaps more of a competitive issue that could come up later on, when you're looking at additional acquisitions in the future?

Karl Smith - *Fortis Inc - EVP and CFO*

I just think we -- Fortis has started with a distribution business and Newfoundland Power Electricity Business; clearly, our Canadian utilities are mostly wired businesses, and we have our large gas LDC in British Columbia, obviously. So a lot of it's the history of the Company and our expertise in that area. We like being close to the customer, frankly, and the wired business gets you a little closer to the customer.

That doesn't mean that we won't look at a vertically integrated utility in the future that has generation and better than rate base. But if we had a choice, I think we would be buying a wired business or a gas LDC. Those are the businesses that attract the highest valuation in our sector, so they're the most expensive to buy; that's the downside of that. But it also shows the value of what we already own at Fortis as well.

Ben Pham - *BMO Capital Markets - Analyst*

Okay, thanks. Thank you. That is helpful.

Operator

Robert Kwan of RBC Capital Markets.

Robert Kwan - *RBC Capital Markets - Analyst*

Just with respect to this future growth and citing things like the various infrastructure opportunities across North America, outside of some of the things that you have listed, can you just talk about maybe the top three most likely things, taking into account also your ability to compete and execute?

Barry Perry - *Fortis Inc - President & CEO*

Well, Rob, I really just want to focus on the things that we are focused on. I'm not out running after every opportunity in North America. We've got lots going in our service territory: work at ITC is doing around Erie Connector; some other work in the Midwest; a lot of new wind generation is being installed. I would expect we will have incremental growth that will come from transmission perspective on that.

We are very excited about our BC business, both the Woodfibre opportunity as well as our Tilbury site there. We were unsuccessful with Hawaii, obviously, because of the NextEra deal falling apart there and the governor not wanting LNG in Hawaii. But we are having conversation with a number of parties to look at expansion of our Tilbury site in BC. And over the next number of years, I could see us putting some significant capital to work there. And finally, the other project I would highlight is the Wataynikaneyap project in Ontario. This is a CAD1.2 billion, approximately, project. It's a partnership between the First Nations, ourselves, and another party and we are very optimistic about that project proceeding to go through with various steps. So we've got lots of our plate. We're running a good base business, good capital project, but also pursuing these other opportunities that could add to our overall growth rate.

So I really say that's where our focus is. Clearly, pushing our Arizona team. We continue to look at solar, utility-scale solar, and hopefully, we'll get some positive progress there in the future as well. But other than that, we are just hunkered down.

Robert Kwan - *RBC Capital Markets - Analyst*

So it's fair to say, Barry, outside of things that you've identified on the map, obviously, the world can change as we go forward here, but it's unlikely that there is something that is going to be particularly material that would come up outside of --?

Barry Perry - *Fortis Inc - President & CEO*

Unless there's something that happens, Robert, in one of our service territories that is exciting to us, that maybe governments privatize assets and we compete for those within the service territories that we operate in: maybe regulated pipelines become available in BC, for example, that would be interesting to us on the gas side, these are things that we will pursue that within our footprint of the utilities that we already own. So it's very unlikely that we go to another jurisdiction to buy a pipeline that we don't have already an existing franchise in, for example, right?

Robert Kwan - *RBC Capital Markets - Analyst*

For sure, okay. And if I can finish on acquisitions broadly, whether it's of utility assets or contracted-type assets. Just as you get larger, though, it becomes harder to grow; and with ITC, especially with the strong ROE, even with some of the MISO changes and the equity thickness, with all of that being so high, it's also tough to improve the return on invested capital. So I'm just wondering, is there any thought of recycling capital, i.e., monetizing, say, slower-growing assets in your total portfolio?

Barry Perry - *Fortis Inc - President & CEO*

No, no, we like the utilities that we own. Clearly, if anyone were now to make an offer for any part of our business, we're a big public company; we've got to consider these things. But we won't be listing for sale any of our utility businesses. It's hard enough to buy utility these days; I can't imagine selling one. But again, there are acquirers out there. We're out looking for businesses and I'm sure there are other utilities that are looking for businesses as well. So I wouldn't be surprised if someone makes us an offer at some point in time and we will have to consider, but it won't be initiated by Fortis.

Robert Kwan - *RBC Capital Markets - Analyst*

Maybe a minority interest selldown? Would that be of interest? (multiple speakers) Would it help create some capital?

Barry Perry - *Fortis Inc - President & CEO*

I don't think so. It would have to be part of some larger transaction that we would like to do in the future, beyond the integration of ITC. If a transaction was of a size that we needed to bring in a minority partner to make it work, we would consider that. Again, our experience with GIC so far has been fabulous, so I will tell you we're very impressed by those folks. So, that model could be employed again in the future if the transaction required it.

Robert Kwan - *RBC Capital Markets - Analyst*

That's great. Thank you very much.

Operator

Linda Ezergailis of TD Securities.

Linda Ezergailis - *TD Securities - Analyst*

I have a bit of a more specific question this morning, with respect to one of your existing jurisdictions: Alberta. As you are probably aware, the first renewable procurement details have now been released. And instead of including some merchant component, it is a contract for differences. So effectively, there would be contracted power. Is that something that, at first blush, Fortis might be interested in? And can you just comment on your appetite for participating in that in Alberta?

Barry Perry - *Fortis Inc - President & CEO*

Well, I will say that, Linda, renewable generation, for example, is something that we'd like to do a little more of. It's not going to be a large part of our portfolio because of the focus on wires and gas LDC, but it would be an area that we would like to go. So, for example, with contracted gas generation in Alberta, it's not something we would likely would do. But if we could find a way to do contracted wind, for example, we would have a look at it, although, I would say it's very competitive. And getting into that business initially, given how mature it's become, it's going to be tough for a company like ourselves to be competitive in that area.

Linda Ezergailis - *TD Securities - Analyst*

So would you consider then buying or partnering? Or I'm assuming you don't have a --

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Barry Perry - *Fortis Inc - President & CEO*

I would say it's not a big part of our strategy, Linda. We will look at things, but our primary strategy, really, is around the regulated utility business; and yes, we like to see some progress on our renewable portfolio, things like the Waneta hydroelectric plant. Those kind of things, we'll run at pretty hard, if they could come up in our service territory. But we are spending a little time exploring the possibilities in Alberta, I will say that, so --.

Linda Ezergailis - *TD Securities - Analyst*

Okay, great. Thank you.

Operator

Robert Catellier of CIBC World Markets.

Robert Catellier - *CIBC World Markets - Analyst*

I'd just like a little bit more clarity on the messaging surrounding your rate based growth rates. On Page 20, you've illustrated that your three- and five-year CAGRs, but you also have comments that are about holding base capital steady and what impact that has on listing your CAGR. So my question really is, if you can help quantify how much of the projects that aren't included already in your rate base you'd have to secure to achieve those higher numbers, and some of the key sensitivities in actually getting there? I know larger projects are lumpy and maybe have a little more subjectivity to them. But can you just help us to get from the existing CAGRs to maybe the upper end?

Barry Perry - *Fortis Inc - President & CEO*

Yes, I will take a stab initially and Karl can jump in behind me.

If you look at our capital chart on slide 9, it shows a five-year bar chart on CapEx and the first two years are at CAD2.9 billion and then we drop off to CAD2.4 million in year three; so that 5.3% CAGR is reflective of what the impact of that CapEx is on our rate base, okay?

All we are saying is, if that curve was held for the three years, if the bars were all showing CAD2.9 million, so an additional CAD500 million of CapEx essentially in year three, then that 5.3% would be 5.7%. And I pointed out in my notes that, for example, if we secure the Woodfibre opportunity, the pipeline expansion, that's a CAD600 million project. So if that was completed, for example, or mostly completed by the end of 2019, that would mean that our rate base growth for the three years would be 5.7% approximately, close to 6%.

Robert Catellier - *CIBC World Markets - Analyst*

I think we're talking the same language here, but that's actually what I'm getting at. You identify the capital associated with one project, but I wondered if there was an aggregate on risk bucket, or bucket of capital (multiple speakers) --

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Barry Perry - *Fortis Inc - President & CEO*

Well, we're not there; we're like some other companies put all the list of CapEx down of all the potential projects we're pursuing and then do a probability-weighted outcome. We tend to just say, this is our CapEx that our utilities are telling us; that's the base program that shows 5.3% growth in the next three years, and then we work hard on other projects and that would add to that.

So this base program is highly executable. It's very unlikely that it comes in any less than that; and then, hopefully, we can secure some of these other projects, and as we get out to the other years, our utilities will also be re-forecasting and likely there's going to be an increase in their CapEx because if you look historically, we've always underestimated our capital forecast in both outer years, because of the nature of planning and how the budgets all come together. So base plan: it's low risk. So almost count-on-able numbers; then you add to it the re-forecasting plus the new projects that we secure.

Karl Smith - *Fortis Inc - EVP and CFO*

So Robert, once you get a chance to sit down and do the math, you will find it's relatively straightforward; and this is our attempt to assist you with some sensitivities around our rate based growth. That's why we're giving you some impression of the size of these other potential projects: the Woodfibre; we've got the CAD600 million number. Barry mentioned Wataynikaneyap at CAD1.2 billion; Lake Erie ITC approximately something in the area of CAD1 billion. So rather than get into the probabilistic approach that some others use, we are just attempting to help you with the math a little bit.

Robert Catellier - *CIBC World Markets - Analyst*

Fair enough. It does seem, though, like, clearly, the base plan is highly executable but it also doesn't seem like much of a stretch to get to that CAD2.9 billion further out in the planning horizon.

Barry Perry - *Fortis Inc - President & CEO*

Well, you said it.

Karl Smith - *Fortis Inc - EVP and CFO*

We will let you draw your own conclusions there.

Robert Catellier - *CIBC World Markets - Analyst*

And then just a housekeeping thing here: I didn't quite catch the sustaining capital percentage of your capital plan. Was it 58%?

Karl Smith - *Fortis Inc - EVP and CFO*

58%; it was, yes.

Robert Catellier - *CIBC World Markets - Analyst*

Okay, thank you.

Operator

Rob Hope of Scotiabank.

Rob Hope - *Scotiabank - Analyst*

Just two questions. First, a little housekeeping.

Your rate base forecast showed the election of bonus depreciation. Is this something that you would look to potentially challenge? And if so, what are the steps there?

Barry Perry - *Fortis Inc - President & CEO*

We are looking at it. Yes, most of the utilities in the US have elected to do it. Some have not, but we wanted to show you the conservative position clearly, and that's what we've shown there.

Rob Hope - *Scotiabank - Analyst*

All right. Thank you; and as a follow-up, just back on the M&A theme. If there was a municipally-owned utility that could sell potentially a minority stake, would you look to, potentially look, at that rather than a whole stake? Toronto Hydro, if you will?

Barry Perry - *Fortis Inc - President & CEO*

Highly unlikely. I think the bigger they are, it would be very unlikely that we would look at a minority position. Smaller utilities in our footprint that we already have in Ontario, I think we would be open to it; but if you're looking at something like a large city-owned utility, you would like to have control to move forward with that.

Rob Hope - *Scotiabank - Analyst*

And then if you were able to have control, would that be something you would be interested in?

Barry Perry - *Fortis Inc - President & CEO*

I wouldn't want to say at this point.

Rob Hope - *Scotiabank - Analyst*

All right. That's it for me. Thank you.

Operator

David Quezada of Raymond James.

David Quezada - *Raymond James - Analyst*

Just at FortisAlberta, I think there is mention of higher operating expenses in the quarter. Just wondering if you could provide any color on what drove that? And if that's something we should expect going forward?

Karl Smith - *Fortis Inc - EVP and CFO*

There is no one item that stands out, David, to be honest with you. It's in context, because the revenue was flatlining. Generally speaking, in the last several years, the increases in revenue and operating costs would have been in tandem, but it's not significant. They continue to focus on -- because they are in the PBR regime, they keep their costs well-managed and they are doing that. And the amount in the quarter is not that significant year over year in terms of decline, anyway.

David Quezada - *Raymond James - Analyst*

Okay, great. That's helpful. Thank you.

And then I guess maybe a follow-up to the renewable procurement going on in Alberta right now. Appreciate that you're largely a distribution in Alberta right now, I think, entirely. Do you see any opportunities there outside of the generation aspect of it, connecting those renewable sources into the grid? And how do you envision the increased variability from those renewable sources impacting your business there?

Barry Perry - *Fortis Inc - President & CEO*

I think there's a little bit. Maybe Phonse -- are you on the line, Phonse, so you just can comment on that?

Phonse Delaney - *Fortis Inc - President & CEO, FortisAlberta*

Yes, hi. I can give two comments on that.

Just a little bit of color to the first question, with respect to operating costs: a good portion of the third quarter operating cost being over last year was driven by -- and we had a pretty bad lightning season out here through the summer, so it drove up some of our overtime cost. As well, the timing in our vegetation management program this year lumped a fair amount of our vegetation management expense into the third quarter. So these things will even out over the course of the year.

With respect to the renewables in Alberta, we are pursuing a few opportunities, mostly on the distribution end. Principally, we are working with the government to the micro-gen regulation ends this year. And under that regulation, distribution companies are to invest in new renewable generating sources that are less than 1 megawatt. We do full investment, so we are working with the government to look at that micro-gen regulation for renewables and see whether it can be extended to a larger renewable sources, something up to, say, around 5 megawatts. As well, we're working with some of the wind turbine companies and looking at the distribution systems that they have on their sites and whether we can partner with them to operate those systems or perhaps, even, eventually, own those systems.

As well on the energy efficiency side of the government's initiatives here in Alberta, we have a fairly extensive LED street lighting program happening right now. We see it extending into the future. So those are the angles we're coming at.

David Quezada - *Raymond James - Analyst*

Okay, great. That's very helpful. Thank you. That's all I had.

Operator

Jeremy Rosenfield of Industrial Alliance.

Jeremy Rosenfield - *Industrial Alliance Securities - Analyst*

I think the question that, Barry, you've addressed previously, just off the top though, you mentioned about the limited number of future M&A opportunities in North America. And so I'm thinking you now have a very big financial partner with GIC has interests globally. Do you think that there is an opportunity or a play for Fortis to become more of a global utility holding company and looking for opportunities outside of North America and any other jurisdictions?

Barry Perry - *Fortis Inc - President & CEO*

Yes, there probably is, but it's not one that I'm taking, frankly. We believe over the near/medium-term, we are going to continue to be able to execute our model in North America, despite the fact that there is only a handful of opportunities. But, frankly, I think we believe our model will be able to track a couple more of those opportunities going forward. So I'm not averse to doing more business with a GIC or other firms like that. Some of the large Canadian pension funds are also good partners to have, and that's a possibility. But I don't think at this point we need to extend our reach beyond North America.

Jeremy Rosenfield - *Industrial Alliance Securities - Analyst*

Okay, great. Thanks.

Operator

(Operator Instructions)

Andrew Kuske of Credit Suisse.

Andrew Kuske - *Credit Suisse - Analyst*

I guess the question is to Barry, and just ahead of Edison next week, how do you think about your profile, given the magnitude of the ITC deal, when you look year over year, the level of interest you anticipate next week versus, say, what you've seen in past years?

Barry Perry - *Fortis Inc - President & CEO*

Yes, I think we have dramatically increased our profile. Having CAD5 billion of common equity put into the market related to the share exchange with ITC has been significant. We are having a lot of good discussions with ITC shareholders. We are all anxious, obviously, to see the shareholders come out, post the transaction; and one thing is in the US, it's a much more visible approach than we have in Canada. It's hard to know who owns your stock in Canada but the US model is much more transparent and we're looking forward to seeing that data. But we have a good slate of meetings set up and, really, kudos to Janet and her team, frankly, for increasing our exposure on the IR side in North America. And we're going to continue doing that going forward and I think ITC helps that tremendously, frankly.

Andrew Kuske - *Credit Suisse - Analyst*

Okay. That's helpful.

And then maybe a question for Karl. Could you maybe give us a bit of a breakdown on your debt, on the fixed versus floating? And then, the amount of the debt that's just passed through, by way of your regulated asset basis and return on --.

Karl Smith - *Fortis Inc - EVP and CFO*

Yes, the vast majority of our debt is fixed term and that has always been our approach. Obviously, scale matters when it comes to when you translate your variable debt into your fixed debt. And again, with respect to the regulated nature of that, other than the holding company level, practically all of our debt is a flow-through for regulator rate purposes. And the timing in terms of the true-up and the catch-up maybe take a year or that much longer to actually get trued-up by the regulators. And we will continue down that path. We have to do a little bit of financing over the next year, I suspect, cleaning a few things up, but it won't be material and our approach will always be to have the fixed as much as we possibly can.

Barry Perry - *Fortis Inc - President & CEO*

I would say, Andrew, just our maturity schedule should give you a sense that we're in really good shape, because on average, and this is consolidated, entire Company regulated and non-regulated debt, I will call it at $450 million a year for the next five years. So we're in a really good place in terms of our maturity schedule on our long-term debt. And we tend to not wait with our short-term debt; we push it out the doors certainly quickly once we get it up to a certain level that we can get a sizable economic transaction out there.

Andrew Kuske - *Credit Suisse - Analyst*

Okay, that's great. Thank you.

Operator

Thank you. As there are no further questions, I would like to turn the call back to Mr. Perry for any closing remarks.

Barry Perry - *Fortis Inc - President & CEO*

I just want to say thank you for everyone for participating today and we will talk to you on the next call. Thank you.

Operator

Thank you for participating, ladies and gentlemen. This concludes today's conference. You may now disconnect.
