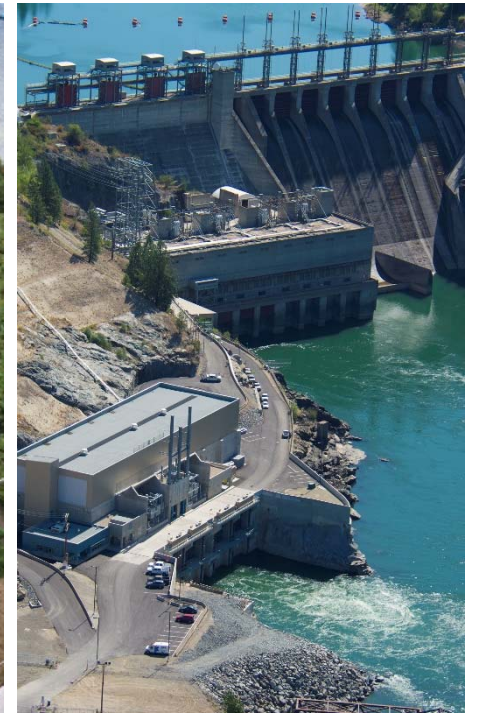




**FORTIS**



## Third Quarter 2015 Earnings Call

November 6, 2015

# Forward-Looking Statement

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Fortis Inc. (the “Corporation”) includes forward-looking information in this presentation within the meaning of applicable securities laws in Canada. The purpose of the forward-looking information is to provide management’s expectations regarding the Corporation’s future growth, results of operations, performance, business prospects and opportunities, and it may not be appropriate for other purposes. All forward-looking information is given pursuant to the safe harbour provisions of applicable Canadian securities legislation. Forward-looking statements are typically identified by words such as “anticipates”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “may”, “opportunity”, “projects”, “pending”, “schedule”, “should”, “target”, “would” and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements included in the MD&A include, but are not limited to, statements related to the Corporation’s forecast gross consolidated capital expenditures for 2015 and the total capital spending for the five-year period 2016 through 2020; additional opportunities including natural gas related infrastructure and generation; targeted annual dividend growth through 2020; the expectation that midyear rate base will increase from 2015 through 2020; the nature, timing, and expected costs of certain capital projects including, without limitation, the Tilbury liquefied natural gas (“LNG”) facility expansion and the pipeline expansion to the Woodfibre LNG site; and the expected timing of filing of regulatory applications and receipt and outcome of regulatory decisions.

Forward-looking statements involve significant risk, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. Such risk factors or assumptions include, but are not limited to, reasonable decisions by utility regulators, the implementation of the Corporation’s five-year capital plan, no material capital project and financing cost overrun related to any of the Corporation’s capital projects, the realization of additional opportunities including natural gas related infrastructure and generation, the Board exercising its discretion to declare dividends, taking into account the business performance and financial conditions of the Corporation, and fluctuating foreign exchange. Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Corporation’s continuous disclosure materials filed from time to time with Canadian securities regulatory authorities. Except as required by law, the Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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



# Barry Perry

President and CEO

**FORTIS**

# Transformation and Growth Continue

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- Focus on core utility business
  - Sale of Fortis Properties complete
  - Settlement of Belize expropriation matters
  - Regulatory calendar
  - Operational excellence
- Focus on total shareholder return
  - Introduction of dividend guidance
  - Second dividend increase in 2015
  - Successful expansion into U.S. regulated utility market driving earnings growth
- Focused strategy for growth
  - Capital plan on track: ~\$1.7B invested YTD
  - Continued pursuit of opportunities in existing franchise areas, including LNG
  - Management of large capital projects reinforced by Waneta Expansion
  - Disciplined utility acquisitions

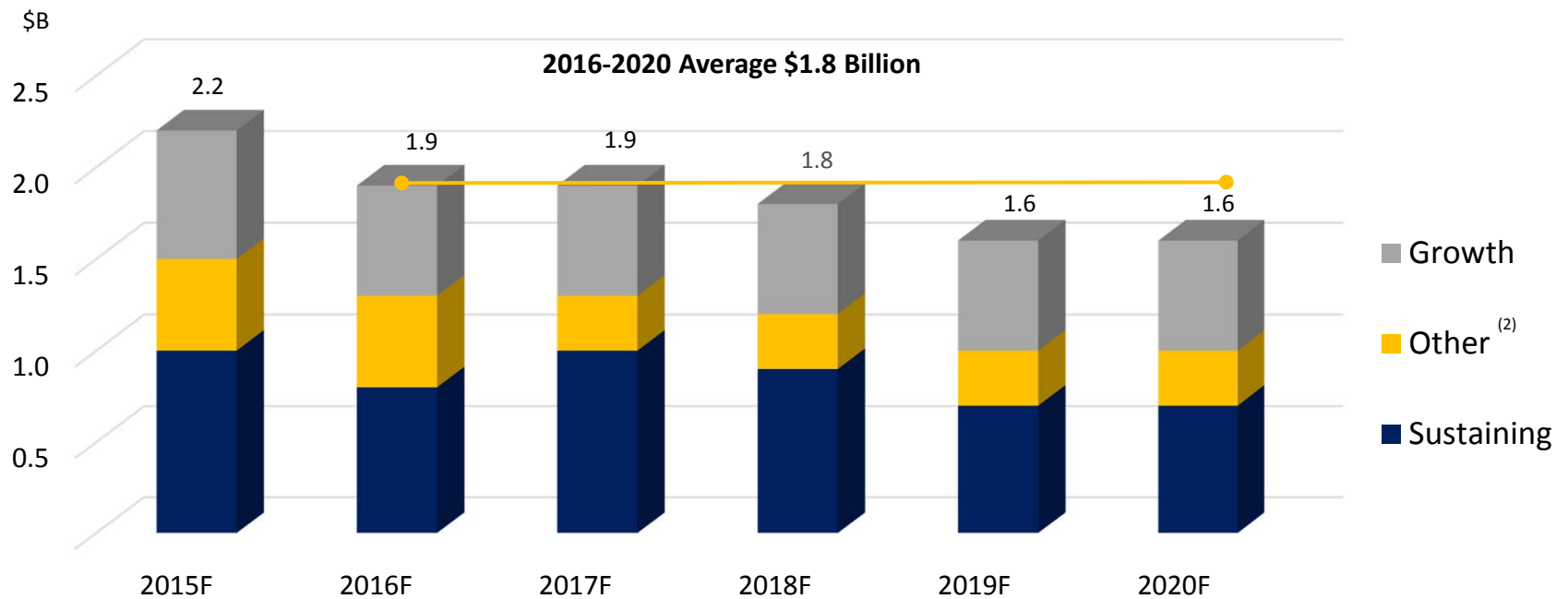
# 2015 Underscores the Strength of our Strategy

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- Significant EPS growth relative to 2014 mostly due to UNS acquisition and strong U.S. dollar
- Contribution from Waneta Expansion
- FortisAlberta growth and capital tracker resolution
- New rates at Central Hudson
- FortisBC Gas – operational efficiencies



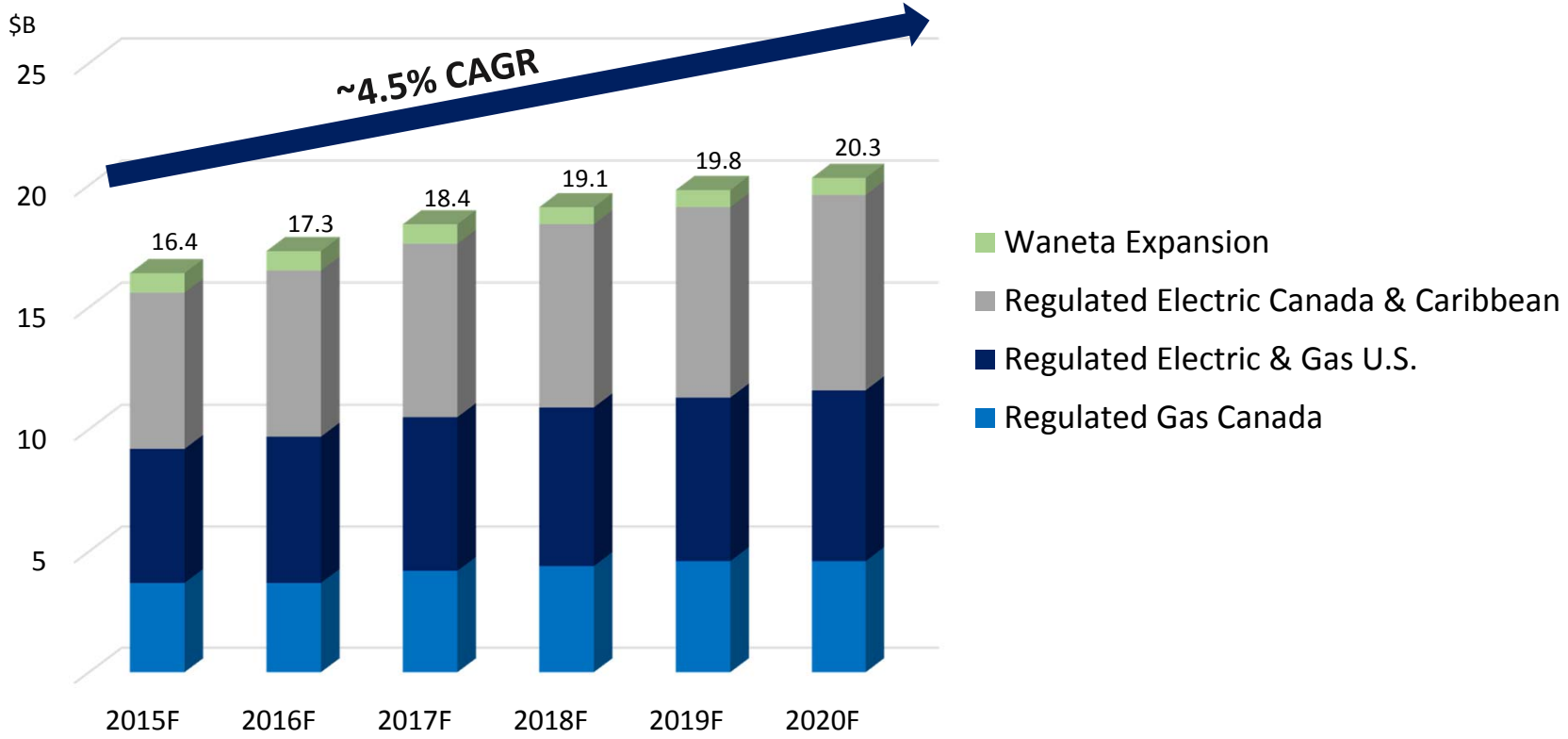
# \$9 Billion Capital Program Drives Rate Base Growth <sup>(1)</sup>



<sup>(1)</sup> US dollar denominated CAPEX converted at a USD/CAD exchange rate of 1.30

<sup>(2)</sup> Capital expenditures related to facilities, equipment, vehicles, information technology systems and other assets

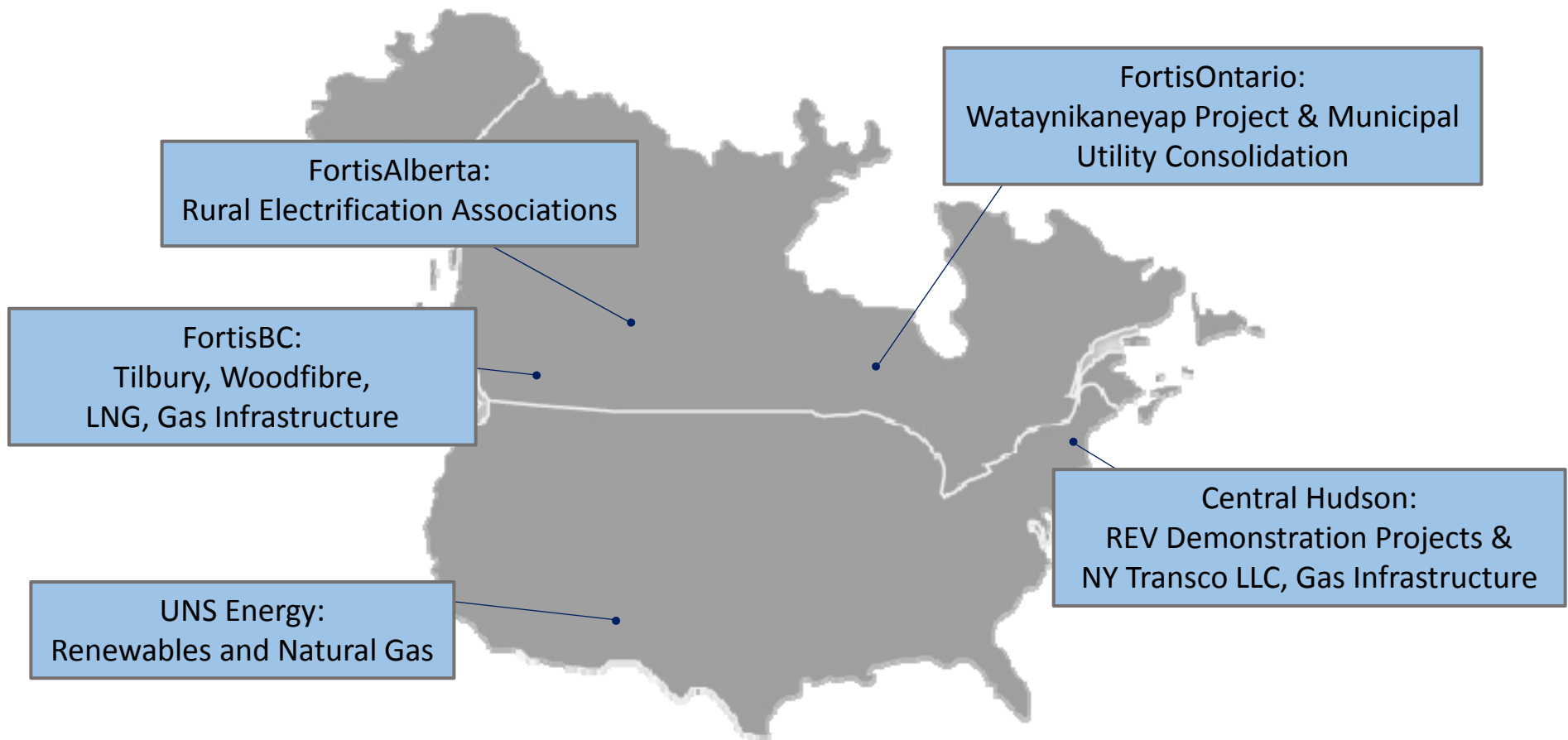
# Rate Base Growth Comes from All Areas of Business <sup>(1)</sup>



<sup>(1)</sup> Midyear Rate Base

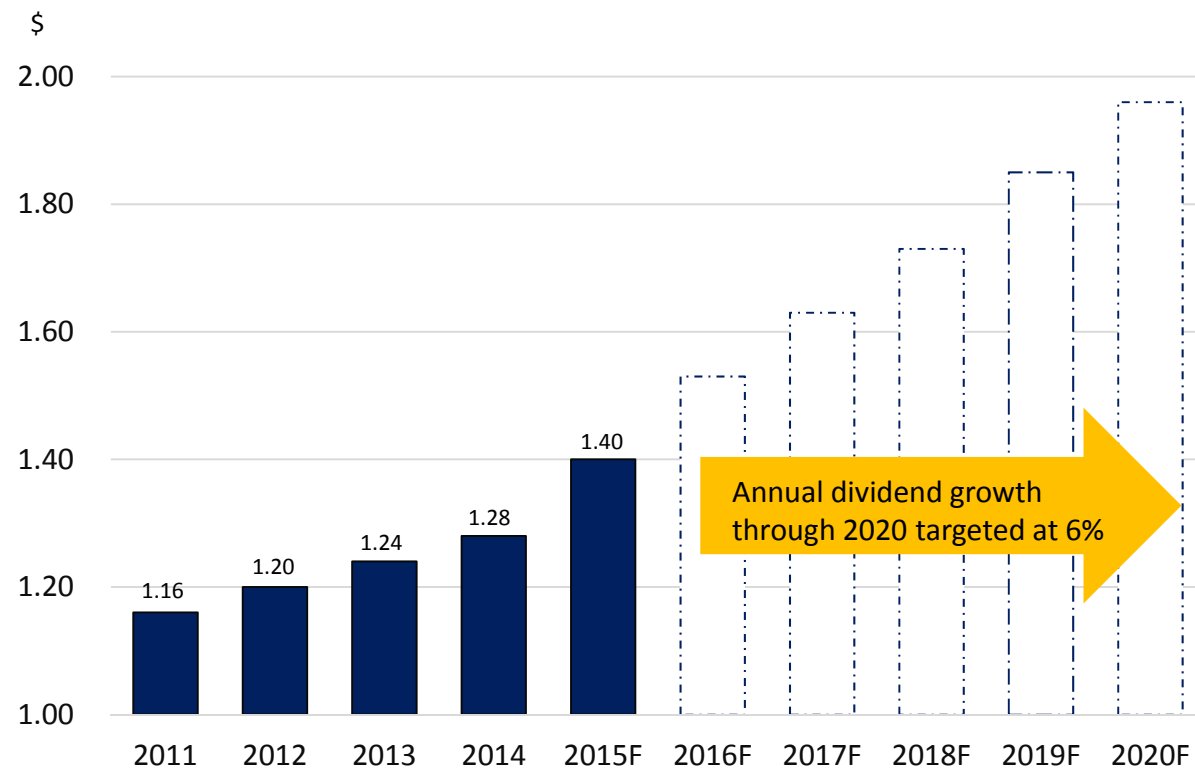
# Many Opportunities for Upside to Rate Base Growth

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# Dividend Guidance Supported by Confidence in Business



- A record 42 consecutive years of annual dividend increases
- Two dividend increases in 2015

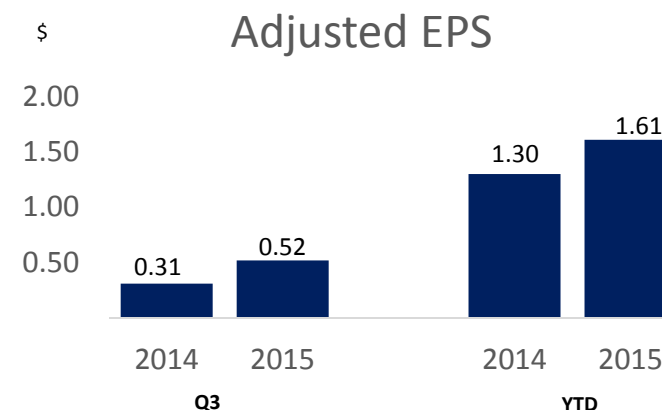
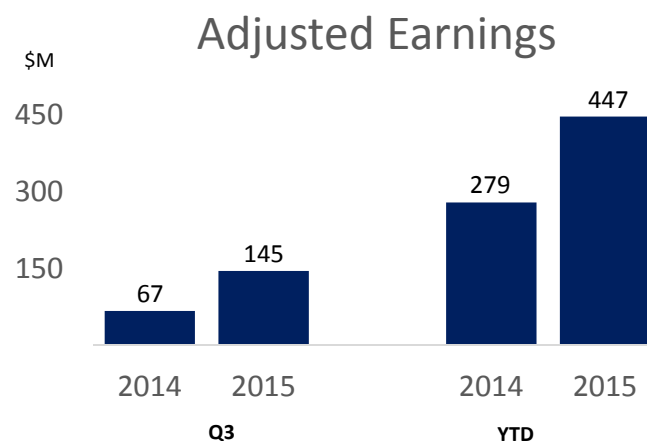


**Karl Smith**  
Executive VP, Chief Financial Officer

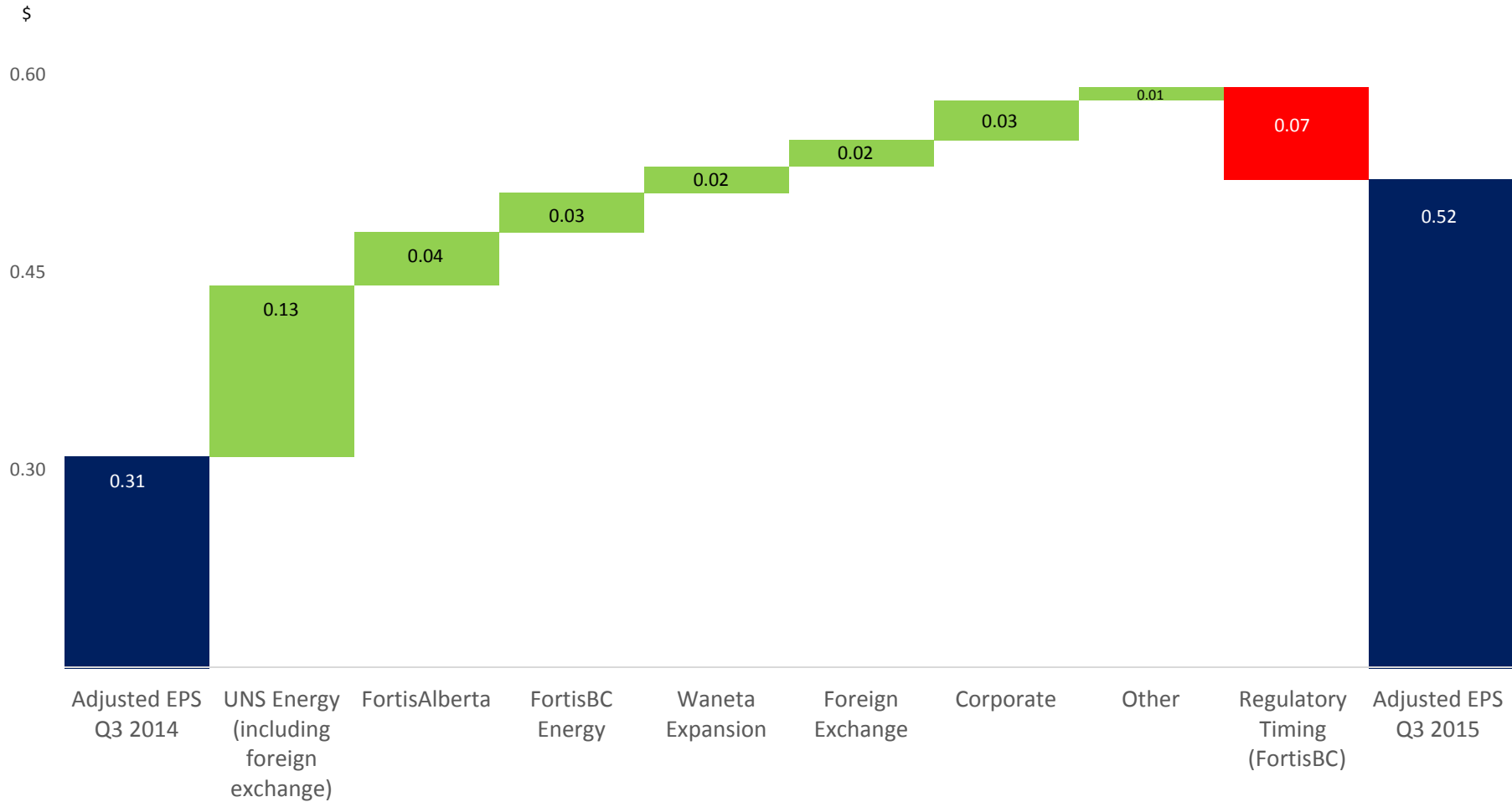
# Q3 Results Driven by Strong Performance of all Utilities

- Q3 Highlights

- Adjusted earnings doubled compared to last year
- EPS increased by two-thirds
- Cash flow from operations \$358M
- Capital expenditures on track; \$500M for quarter
- Almost \$400M in debt raised at the regulated utilities in Q3
- Today unused credit facilities are approximately \$2.4B



# Multiple Drivers of EPS Growth



# Ample Liquidity and Strong Credit Ratings

## Strong Credit Ratings

Fortis Inc.

S&P

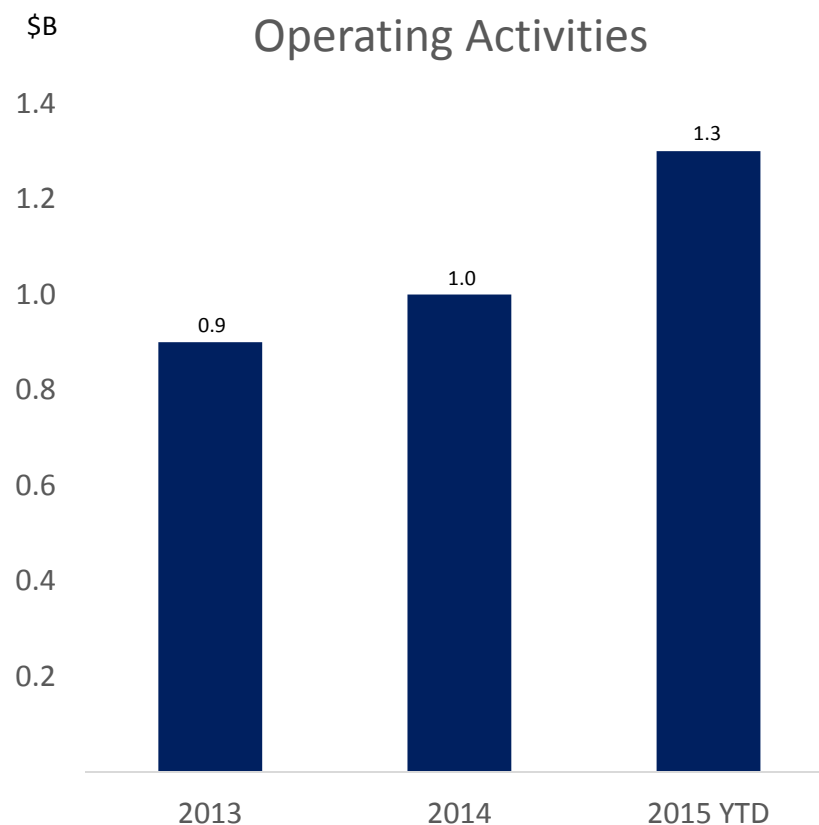
A-

DBRS

A(low)

Outlook: Stable

## Cash Flow from Operating Activities



# Regulatory Update

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## Decisions Received in 2015

- UNS Energy: Clean Power Plan finalized. On track with compliance
  - Central Hudson: 3-year rate plan commenced July 1, 2015
    - FortisAlberta: Capital Tracker resolution

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## Significant Filings and Applications

Regulated Utility	Application/Proceeding	2015 Filing Date
TEP	2017 General Rate Application	Q4
Central Hudson	Reforming the Energy Vision	Not applicable
FEI	2016 Cost of Capital Application	Q4
FortisAlberta	2016/2017 GCOC Proceedings	Q2
Newfoundland Power	2016/2017 General Rate Application	Q4
Maritime Electric	2016 General Rate Application	Q4

# Tucson Electric Power General Rate Application

(\$US)	2012 Rate Case 12/31/2011 Test Year		2015 Rate Case 6/30/2015 Test Year
	Requested	Approved	Requested
Increase in Non-Fuel Revenue Requirement	\$128 million	\$84 million	\$110 million
Original Cost Rate Base	\$1.5 billion	\$1.5 billion	\$2.1 billion
Capital Structure	46% Equity 54% Debt (pro forma)	43.5% Equity 57.5% Debt (actual)	50% Equity 50% Debt (actual)
Return on Equity	10.75%	10.00%	10.35%
Average Cost of Debt	5.18%	5.18%	4.32%
Weighted Avg. Cost of Capital	7.74%	7.26%	7.34%
New Rates Effective	7/1/2013	7/1/2013	1/1/2017

# Strong Platform for Sustained Growth

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- Well-Run Utilities
- Low Risk and Diversified
- Financial Strength
- Predictable Dividend Growth







# Leader in Electric and Gas Utilities in North America

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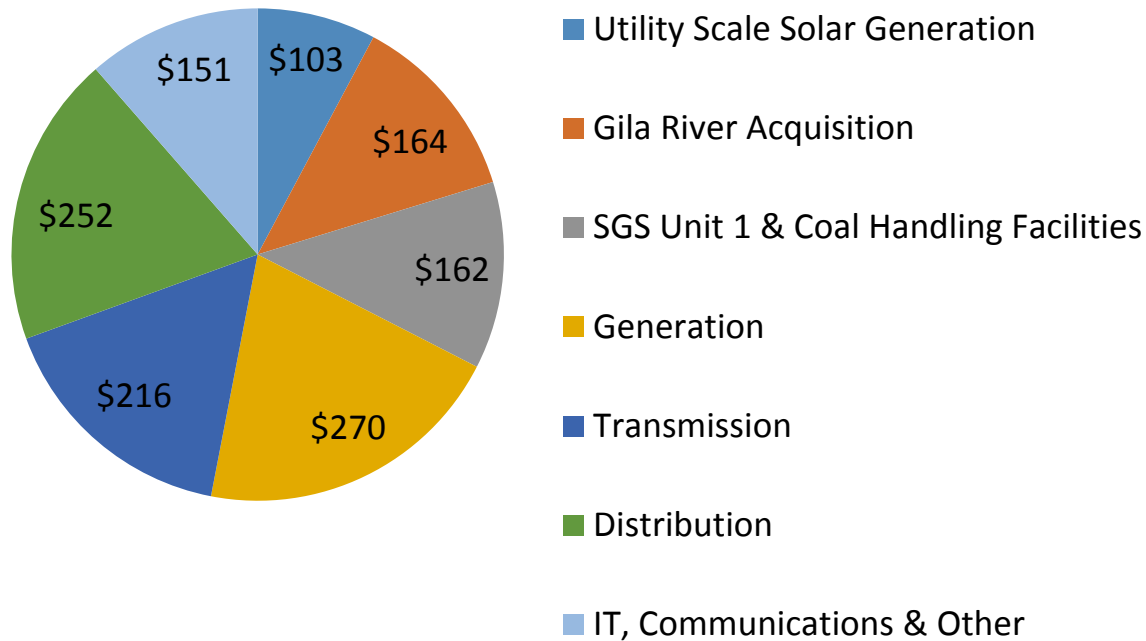


# Appendix

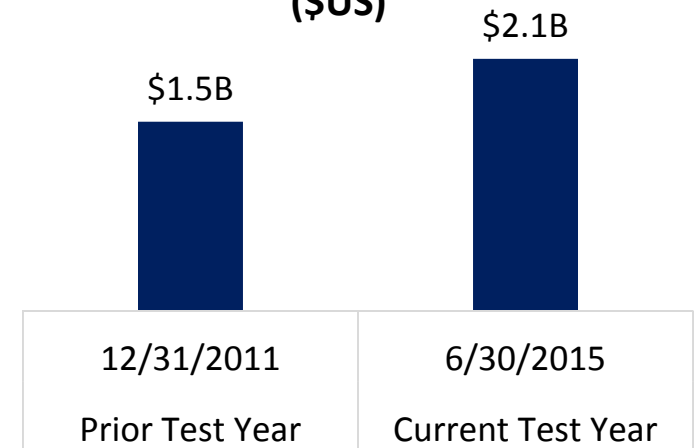
**FORTIS**

# TEP Rate Filing; Capital Investments and Rate Base Growth

**TEP Cumulative Capital Investment by Category**  
**US\$1.3 Billion from 1/1/2012 to 6/30/2015**  
 (\$US millions)



**Original Cost Rate Base**  
 (\$US)



# TEP Rate Case; Rate Design & New/Modified Tariffs

## Rate Design Changes

- **Reduce reliance on volumetric rates for fixed cost recovery**
  - Increase basic service charge (residential charge from \$10/month to \$20/month)
  - Eliminate 3<sup>rd</sup> and 4<sup>th</sup> inclining price blocks for standard residential rates
- **Net Metering Tariff**
  - Eliminate banking of excess kWh
  - Excess hourly DG kWh purchased by TEP at avoided cost of solar (based on most recent applicable solar PPA rate)
- **Mandatory 3-part rate design for net metering customers (post June 1, 2015)**
  - Basic service charge, demand charge, energy charge
  - Optional for all residential and small commercial customers

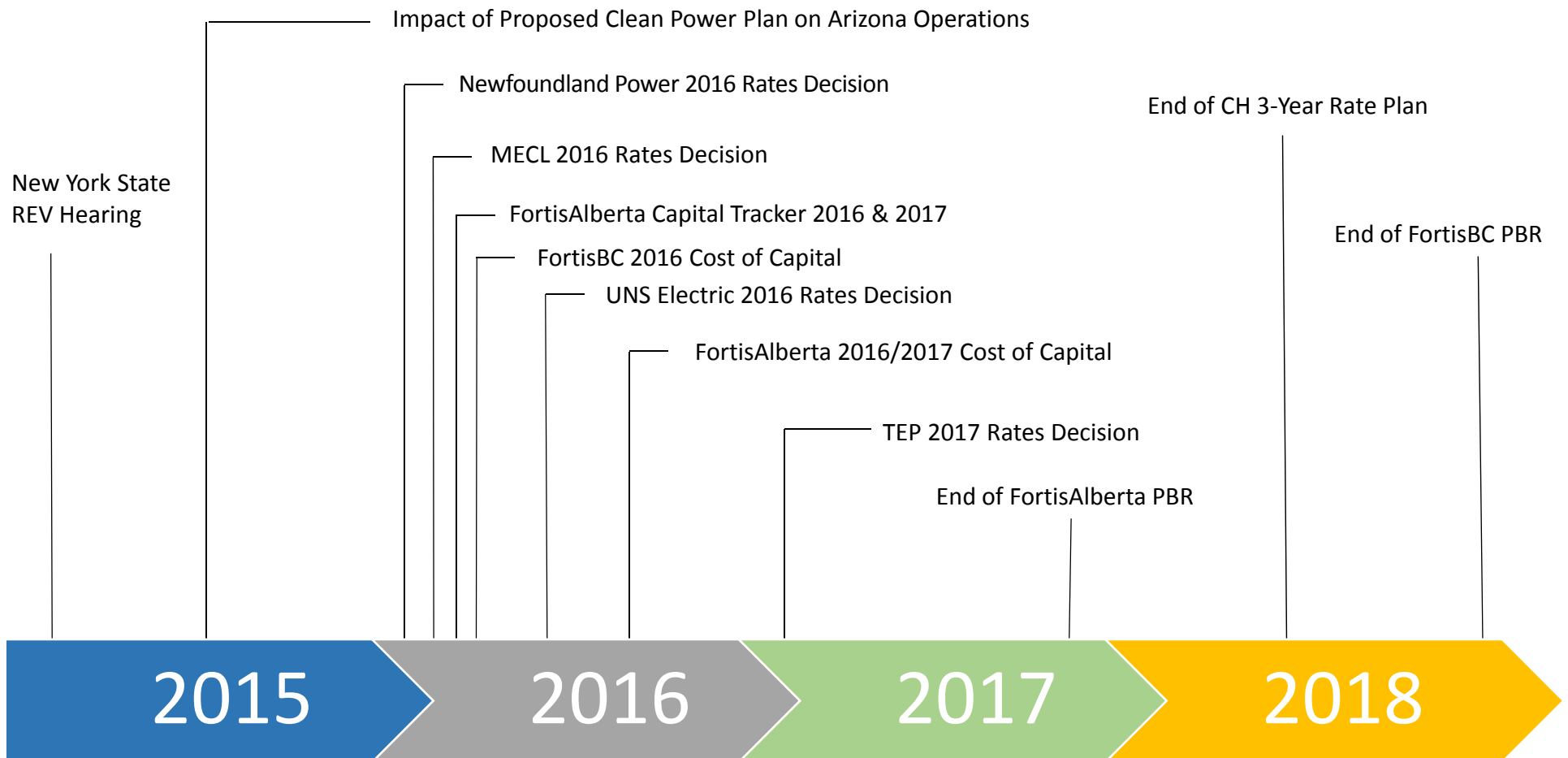
## Other Tariffs and Adjustor Mechanisms

- **Economic Development Rate**
  - Rate discounts for qualifying new customers or customer expansions
- **Prepaid Energy**
  - Pay as you go residential billing option
- **Purchased Power and Fuel Adjustment Clause**
  - 12-month rolling average and charged on a percentage basis (not per kWh)
- **Lost Fixed Cost Recovery Mechanism**
  - Include recovery of generation costs
- **Environmental Cost Adjustment Mechanism**
  - Increase cap to 2% of annual retail revenues

# Regulatory Overview

Company	Jurisdiction	Rate Methodology	Test Year	Equity in Capital (%)	Allowed 2015 ROE (%)	Comments
UNS Energy	Arizona	COS	Historic	43.5-52.6	9.50-10.0	No earnings cap, Jurisdiction supports 50% equity thickness
Central Hudson	New York	COS (3-yr Rate Order)	Future	48	9.00	Earnings sharing above 9.50%
FortisBC	British Columbia	COS (PBR 2014-2019)	Future	38.5-40	8.75-9.15	2015-2019 revenue requirement set by formula with earnings sharing above allowed ROE
FortisAlberta	Alberta	COS (PBR 2013-2017)	Future	40	8.30	No earnings cap, revenue requirement set by formula with adjustments for capex
Newfoundland Power	Newfoundland	COS	Future	45	8.80	Earnings capped at 9.30%

# Significant Regulatory Proceedings



# Utility Credit Ratings

Company	S&P	DBRS	Moody's
Tucson Electric Power <sup>(1)</sup>	BBB+	n/a	A3
Central Hudson	A	n/a	A2
FortisBC (Gas)	n/a	A	A3
FortisAlberta	A-	A (low)	n/a
FortisBC (Electric)	n/a	A (low)	Baa1
Newfoundland Power	n/a	A	A2

<sup>(1)</sup> Fitch rating A-; S&P Positive Outlook

# Operational Highlights

## REGULATED

UTILITY	(as at September 30, 2015)				2014				2015F		
	Customers			Total Assets (\$B)	Peak Demand		Volumes Gas (PJ)	Sales Electric (GWh)	Operating Earnings (\$M)	Midyear Rate Base (\$B)	Capital Program (\$M)
	Electric (#)	Gas (#)	Employees (#)		Gas (TJ)	Electric (MW)					
UNS Energy <sup>(1)</sup>	511,000	152,000	2,032	8.7	95	3,293	5	5,646	60	4.2	687
Central Hudson	300,000	77,000	947	3.1	138	1,060	23	5,075	37	1.4	185
FortisBC	167,000	970,000	2,118	8.0	1,324	684	195	3,179	173	4.9	535
FortisAlberta	536,000	-	1,166	3.8	-	2,648	-	17,372	103	2.7	412
Newfoundland Power	261,000	-	658	1.5	-	1,398	-	5,899	37	1.0	106
Maritime Electric	78,000	-	181	0.4	-	256	-	1,168	12	0.3	30
FortisOntario	65,000	-	196	0.3	-	264	-	1,309	11	0.3	29
Caribbean Utilities <sup>(2)</sup>	28,000	-	204	0.8	-	100	-	564	13	0.5	98
Fortis Turks and Caicos	14,000	-	156	0.4	-	37	-	207	14	0.3	42
<b>Total Regulated</b>	<b>1,960,000</b>	<b>1,199,000</b>	<b>7,658</b>	<b>27.0</b>	<b>1,557</b>	<b>9,740</b>	<b>223</b>	<b>40,419</b>	<b>460</b>	<b>15.6</b>	<b>2,124</b>

<sup>(1)</sup> UNS Energy Corporation ("UNS Energy") was acquired by Fortis on August 15, 2014. Electric sales, gas volumes and earnings are from August 15, 2014, the date of acquisition.

<sup>(2)</sup> Data represents 100% of Caribbean Utilities' operations except for earnings, which represent Caribbean Utilities' contribution to consolidated earnings of Fortis based on the Corporation's approximate 60% ownership interest.

## NON-REGULATED

	(as at September 30, 2015)			2014		2015F
	Generating Capacity (MW)	Employees (#)	Total Assets (\$B)	Energy Sales (GWh)	Earnings (\$M)	Capital Program (\$M)
Fortis Generation	407	34	1.0	407	20	51