FORTIS INC.

St. John's, NL - May 4, 2022

FORTIS INC. RELEASES FIRST QUARTER 2022 RESULTS AND ANNOUNCES NET-ZERO TARGET

Fortis Inc. ("Fortis" or the "Corporation") (TSX/NYSE: FTS), a well-diversified leader in the North American regulated electric and gas utility industry, released its first quarter results[1] and announced a 2050 net-zero target.

Highlights

- First quarter net earnings of $350 million, or $0.74 per common share
- Adjusted net earnings[2] of $0.78 per common share, up from $0.77 in the first quarter of 2021
- Capital expenditures[2] of $1.0 billion in the first quarter; $4.0 billion annual capital plan on track
- 2050 net-zero direct GHG emissions target announced, building on Fortis' commitment to a clean energy future
- First TCFD and Climate Assessment Report issued during the quarter
- Notice of intent submitted with respect to Tucson Electric Power's next general rate application to be filed in June 2022

"Our first quarter results reflect the stability of our transmission and distribution business," said David Hutchens, President and Chief Executive Officer, Fortis. "With capital investments on track for 2022 and recent progress made on incremental growth opportunities at ITC, we remain confident in our growth outlook."

"We are pleased to take the next step on our ESG journey by committing to a 2050 net-zero direct GHG emissions target, which builds on our mid-term target to reduce GHG emissions 75% by 2035," said Mr. Hutchens. "The net-zero target and TCFD and climate assessment report issued in March align with our focus on operational excellence, sustainable growth and a clean energy future."

Net Earnings

The Corporation reported net earnings attributable to common equity shareholders ("Net Earnings") of $350 million for the first quarter, or $0.74 per common share, compared to $355 million, or $0.76 per common share in the first quarter of 2021. Results for the quarter reflected higher unrealized losses of $14 million on the mark-to-market accounting of natural gas derivatives at Aitken Creek. Excluding this impact, the Corporation delivered earnings growth driven by rate base growth at ITC and the western Canadian utilities, and higher sales in the Caribbean. Growth was partially offset by lower hydroelectric production in Belize, and lower earnings at Central Hudson mainly due to the costs of implementing a new customer information system.

Earnings in Arizona were broadly consistent with the first quarter of 2021. The impact of higher electricity sales and lower planned generation maintenance costs was offset by the timing of earnings related to the Oso Grande wind generating facility, as expected. Losses on retirement investments also unfavourably impacted earnings at UNS Energy in the quarter.

Net earnings per common share also reflected an increase in the weighted average number of common shares outstanding largely associated with the Corporation's dividend reinvestment plan.

Adjusted Net Earnings[2]

Adjusted net earnings attributable to common equity shareholders ("Adjusted Net Earnings") excludes the impact of mark-to-market accounting of natural gas derivatives at Aitken Creek. Adjusted Net Earnings of $369 million for the first quarter, or $0.78 per common share, were $9 million, or $0.01 per common share higher than the same period in 2021. The increase reflected growth as described for Net Earnings.

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[1] Financial information is presented in Canadian dollars unless otherwise specified.

[2] Non-U.S. GAAP Measures - Fortis uses financial measures that do not have a standardized meaning under generally accepted accounting principles in the United States of America and may not be comparable to similar measures presented by other entities. Fortis presents these non-U.S. GAAP measures because management and external stakeholders use them in evaluating the Corporation's financial performance and prospects. Refer to the Non-U.S. GAAP Reconciliation provided herein.

Non-U.S. GAAP Reconciliation

Quarter ended March 31 *($ millions, except earnings per share)*	**2022**	2021	Variance
Adjusted Net Earnings			
Net Earnings	**350**	355	(5)
Adjusting item:			
Unrealized loss on mark-to-market of derivatives[3]	**19**	5	14
Adjusted Net Earnings	**369**	360	9
Adjusted net earnings per share *($)*	**0.78**	0.77	0.01
Capital Expenditures:			
Additions to property, plant and equipment	**866**	764	102
Additions to intangible assets	**49**	40	9
Adjusting item:			
Wataynikaneyap Transmission Power Project[4]	**49**	76	(27)
Capital Expenditures	**964**	880	84

Sustainability

In March 2022, the Corporation made significant progress on its commitment as a Task Force for Climate-Related Financial Disclosures ("TCFD") supporter, with the release of its first TCFD and Climate Assessment Report.

Today Fortis further demonstrated its commitment to build a clean energy future by announcing a 2050 net-zero direct greenhouse gas ("GHG") emissions target. With a clear path to achieve the Corporation's mid-term target of reducing GHG emissions 75% by 2035 compared to 2019 levels without the use of carbon offsets, the Corporation has established this additional target to reinforce its commitment to decarbonize over the long-term, while preserving customer reliability and affordability.

Capital Expenditures

Fortis' $4.0 billion annual capital plan remains on track with approximately $1.0 billion invested during the first quarter.

In April 2022, Woodfibre LNG Limited ("Woodfibre LNG") issued a Notice to Proceed to its prime contractor for the proposed liquefied natural gas site in Squamish, British Columbia. This announcement brings FortisBC's Eagle Mountain Woodfibre Gas Line project one step closer to construction, though the project remains contingent on Woodfibre LNG making a final investment decision.

During the quarter, progress continued on incremental opportunities not included in the Corporation's $20.0 billion 2022-2026 capital plan. In March 2022, the Province of Ontario issued an Order in Council and Ministerial Directive from the Minister of Energy, instructing the Independent Electricity System Operator ("IESO") to negotiate and, if certain conditions are met, enter into a procurement contract on or before August 15, 2022, for the transmission capabilities of the Lake Erie Connector project. The proposed 1,000 megawatt, bi-directional, high-voltage direct current underwater transmission line will provide the first direct interconnection between the wholesale electricity markets operated by the IESO in Ontario and the PJM Interconnection in the United States.

Also during the quarter, the Midwest Independent System Operator ("MISO") advanced its long-range transmission plan ("LRTP"), announcing the first tranche of projects across the MISO Midwest subregion comprised of 18 transmission projects with total associated costs estimated at US$10 billion. These projects require MISO board approval which is currently anticipated in July 2022. Six of these projects run through ITC's MISO operating companies' service territories, including Michigan and Iowa, where right of first refusal provisions exist for incumbent transmission owners. Other projects within this portfolio may be subject to competitive bidding, depending on the state in which they are located. Based on this preliminary information, ITC estimates transmission investments of US$1 billion to US$1.5 billion through 2030 associated with these projects. Given the preliminary analysis around the transmission investment, at this time Fortis cannot state with certainty the impact of the estimated capital expenditures in connection with the LRTP on the Corporation's five-year capital plan.

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3 Represents timing differences related to the accounting of natural gas derivatives at Aitken Creek, net of income tax recovery of $7 million for the three months ended March 31, 2022 (net of income tax recovery of $2 million for the three months ended March 31, 2021)

4 Represents Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project

Credit Ratings

In March 2022, Standard & Poor's Financial Services confirmed the Corporation's 'A-' issuer and 'BBB+' senior unsecured debt credit ratings and stable outlook.

Regulatory Updates

In March 2022, the Alberta Utilities Commission issued a decision extending the existing allowed rate of return on common equity ("ROE") of 8.5% using a 37% equity component of capital structure through 2023.

In March 2022, the Federal Energy Regulatory Commission approved the settlement agreement for formula transmission rates at Tucson Electric Power ("TEP"), including an ROE of 9.79%.

On May 2, 2022, TEP submitted a notice of intent with the Arizona Corporation Commission to file a general rate application in June 2022. TEP will request that new rates become effective no later than September 1, 2023. TEP's proposed rates will be based on a 2021 test year and will include infrastructure investments made since the last rate case, as well as changes in fuel and non-fuel operating expenses. The filing will also include proposals to eliminate certain adjustor mechanisms, as well as modify an existing adjustor to provide more timely recovery of clean energy investments.

Outlook

The Corporation's long-term outlook remains unchanged. Fortis continues to enhance shareholder value through the execution of its capital plan, the balance and strength of its diversified portfolio of utility businesses, and growth opportunities within and proximate to its service territories. While energy price volatility, global supply chain constraints and rising inflation are issues of potential concern that continue to evolve, including from the effects of the COVID-19 pandemic, war in Eastern Europe, economic sanctions and geopolitical tensions, the Corporation does not currently expect there to be a material impact on operations or financial results in 2022.

Fortis is executing on the transition to a clean energy future and is on track to achieve its corporate-wide target to reduce GHG emissions by 75% by 2035. Upon achieving this target, 99% of the Corporation's assets will be focused on energy delivery and renewable, carbon-free generation. The Corporation's additional 2050 net-zero direct GHG emissions target reinforces Fortis' commitment to decarbonize over the long-term, while preserving customer reliability and affordability.

The Corporation's $20 billion five-year capital plan is expected to increase midyear rate base from $31.1 billion in 2021 to $41.6 billion by 2026, translating into a five-year compound annual growth rate of approximately 6%. Above and beyond the five-year capital plan, Fortis continues to pursue additional energy infrastructure opportunities.

Additional opportunities to expand and extend growth include: further expansion of the electric transmission grid in the United States to facilitate the interconnection of cleaner energy including infrastructure investments associated with MISO's LRTP; natural gas resiliency investments in pipelines and liquefied natural gas infrastructure in British Columbia; the fully permitted, cross-border, Lake Erie Connector electric transmission project in Ontario; and the acceleration of cleaner energy infrastructure investments across our jurisdictions.

Fortis expects long-term growth in rate base will support earnings and dividend growth. Fortis is targeting average annual dividend growth of approximately 6% through 2025. This dividend growth guidance is premised on the assumptions listed under "Forward-Looking Information".

About Fortis

Fortis is a well-diversified leader in the North American regulated electric and gas utility industry with 2021 revenue of $9.4 billion and total assets of $58 billion as at March 31, 2022. The Corporation's 9,100 employees serve utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

Forward-Looking Information

Fortis includes forward-looking information in this media release 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 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 includes, without limitation: forecast capital expenditures for 2022 and 2022-2026; targeted average annual dividend growth through 2025; the 2050 net-zero direct GHG emissions target; the 2035 GHG emissions reduction target and projected asset mix; the expected timing, outcomes and impacts of regulatory proceedings; the nature, timing, benefits and expected costs of certain capital projects, including FortisBC's Eagle Mountain Woodfibre Gas Line project, and additional opportunities beyond the capital plan, including the Lake Erie Connector Project and the MISO LRTP; the expected sources of funding for the 2022-2026 capital plan; the expectation that volatility in energy prices, global supply chain constraints and rising inflation will not have a material impact on operations or financial results in 2022; forecast rate base and rate base growth rate; additional growth and expansion opportunities beyond the capital plan; and the expectation that long-term growth in rate base will support earnings and dividend growth.

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, including, without limitation: no material impact from volatility in energy prices, global supply chain constraints and rising inflation; reasonable outcomes for regulatory proceedings and the expectation of regulatory stability; the successful execution of the five-year capital plan; no material capital project and financing cost overrun; sufficient human resources to deliver service and execute the capital plan; the realization of additional opportunities; the impact of fluctuations in foreign exchange; no significant variability in interest rates; and the Board exercising its discretion to declare dividends, taking into account the business performance and financial condition of the Corporation. 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. For additional information with respect to certain risk factors, reference should be made to the continuous disclosure materials filed from time to time by the Corporation with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information herein is given as of the date of this media release. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Teleconference to Discuss First Quarter 2022 Results

A teleconference and webcast will be held on May 4, 2022 at 8:30 a.m. (Eastern). David Hutchens, President and Chief Executive Officer and Jocelyn Perry, Executive Vice President and Chief Financial Officer, will discuss the Corporation's first quarter results.

Shareholders, analysts, members of the media and other interested parties in North America are invited to participate by calling 1.877.223.4471. International participants may participate by calling 647.788.4922. Please dial in 10 minutes prior to the start of the call. No passcode is required.

A live and archived audio webcast of the teleconference will be available on the Corporation's website, www.fortisinc.com. A replay of the teleconference will be available two hours after the conclusion of the call until June 5, 2022. Please call 1.800.585.8367 or 416.621.4642 and enter passcode 3996811.

Additional Information

This media release should be read in conjunction with the Corporation's March 31, 2022 Interim Management Discussion and Analysis and Condensed Consolidated Financial Statements. This and additional information can be accessed at www.fortisinc.com, www.sedar.com, or www.sec.gov.

For more information, please contact:

Investor Enquiries

Ms. Stephanie Amaimo
Vice President, Investor Relations
Fortis Inc.
248.946.3572
investorrelations@fortisinc.com

Media Enquiries

Ms. Karen McCarthy
Vice President, Communications & Corporate Affairs
Fortis Inc.
709.737.5323
media@fortisinc.com

Interim Management Discussion and Analysis

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Dated May 3, 2022

This Interim MD&A has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*. It should be read in conjunction with the Interim Financial Statements, the 2021 Annual Financial Statements and the 2021 Annual MD&A and is subject to the cautionary statement and disclaimer provided under "Forward-Looking Information" on page 16. Further information about Fortis, including its Annual Information Form filed on SEDAR, can be accessed at www.fortisinc.com, www.sedar.com, or www.sec.gov.

Financial information herein has been prepared in accordance with U.S. GAAP (except for indicated Non-U.S. GAAP Financial Measures) and, unless otherwise specified, is presented in Canadian dollars based, as applicable, on the following U.S. dollar-to-Canadian dollar exchange rates: (i) average of 1.26 and 1.27 for the quarters ended March 31, 2022 and 2021, respectively; (ii) 1.25 and 1.26 as at March 31, 2022 and 2021, respectively; (iii) 1.26 as at December 31, 2021; and (iv) 1.25 for all forecast periods. Certain terms used in this Interim MD&A are defined in the "Glossary" on page 17.

ABOUT FORTIS

Fortis (TSX/NYSE: FTS) is a well-diversified leader in the North American regulated electric and gas utility industry, with 2021 revenue of $9.4 billion and total assets of $58 billion as at March 31, 2022. The Corporation's 9,100 employees serve 3.4 million utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

For additional information on the Corporation's operations, reportable segments and strategy, refer to the "About Fortis" section of the 2021 Annual MD&A and Note 1 to the Interim Financial Statements.

PERFORMANCE AT A GLANCE

Key Financial Metrics

Quarter ended March 31

($ millions, except as indicated)	**2022**	2021	Variance
Revenue	**2,835**	2,539	296
Common Equity Earnings			
Actual	**350**	355	(5)
Adjusted [(1)]	**369**	360	9
Basic EPS *($)*			
Actual	**0.74**	0.76	(0.02)
Adjusted [(1)]	**0.78**	0.77	0.01
Dividends paid per common share *($)*	**0.535**	0.505	0.030
Weighted average number of common shares outstanding *(# millions)*	**475.7**	467.8	7.9
Operating Cash Flow	**813**	739	74
Capital Expenditures [(1)]	**964**	880	84

[(1)] *See "Non-U.S. GAAP Financial Measures" on page 7*

Revenue

The increase in revenue was due primarily to: (i) higher flow-through costs in customer rates, driven by higher commodity prices; (ii) Rate Base growth and (iii) higher retail and wholesale electricity sales, particularly in the Other Electric and UNS Energy segments.

Earnings and EPS

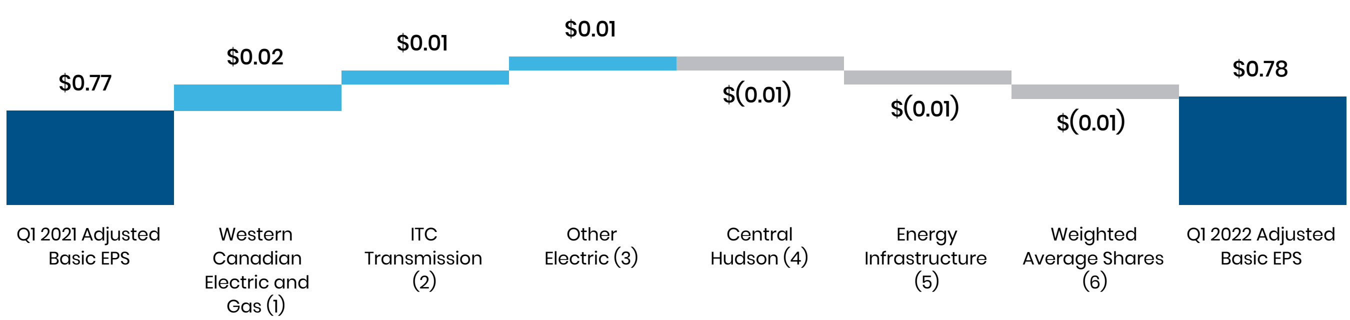
Common Equity Earnings decreased by $5 million in comparison to the first quarter of 2021 due to higher unrealized losses of $14 million on the mark-to-market accounting of natural gas derivatives at Aitken Creek. Excluding this impact, the Corporation delivered earnings growth driven by Rate Base growth at ITC and the western Canadian utilities, and higher sales in the Caribbean. Growth was partially offset by lower hydroelectric production in Belize, and lower earnings at Central Hudson mainly due to the costs of implementing a new customer information system.

Earnings in Arizona were broadly consistent with the first quarter of 2021. The impact of higher electricity sales and lower planned generation maintenance costs was offset by the timing of earnings related to the Oso Grande generating facility, as expected. Losses on retirement investments also unfavourably impacted earnings at UNS Energy in the quarter.

The change in EPS also reflected an increase in the weighted average number of common shares outstanding, largely associated with the Corporation's DRIP.

Adjusted Common Equity Earnings and Adjusted Basic EPS increased by $9 million and $0.01, respectively. Refer to "Non-U.S. GAAP Financial Measures" on page 7 for a reconciliation of these measures. The changes in Adjusted Basic EPS are illustrated in the chart below.

CHANGES IN ADJUSTED BASIC EPS



[(1)] *Primarily reflects Rate Base growth*
[(2)] *Reflects Rate Base growth, partially offset by losses on investments that support retirement benefits*
[(3)] *Primarily reflects higher sales in the Caribbean related to the tourism industry*
[(4)] *Primarily reflects higher operating expenses associated with the implementation of a new customer information system, partially offset by new customer rates following the conclusion of Central Hudson's general rate application in the fourth quarter of 2021*
[(5)] *Reflects lower hydroelectric production in Belize associated with rainfall levels*
[(6)] *Weighted average shares of 475.7 million in 2022 compared to 467.8 million in 2021*

Dividends and TSR

Fortis paid a dividend of $0.535 in the first quarter of 2022, up 5.9% from the first quarter of 2021.

Fortis has increased its common share dividend for 48 consecutive years. In 2021, Fortis reaffirmed its targeted average annual dividend growth of approximately 6% through 2025.

Growth of dividends and the market price of the Corporation's common shares have together yielded the following TSR.

TSR [1] (%)	1-Year	5-Year	10-Year	20-Year
Fortis	17.6	11.0	10.8	12.5

(1) *Annualized TSR per Bloomberg as at March 31, 2022*

Operating Cash Flow

The $74 million increase in Operating Cash Flow was due to higher cash earnings, largely reflecting Rate Base growth, as well as favourable changes in working capital due to the timing of flow-through costs in customer rates, and lower inventory levels reflecting natural gas at Aiken Creek and lower planned maintenance at UNS Energy. The increase was partially offset by lower Operating Cash Flow at Central Hudson due to higher accounts receivable, as well as storm restoration costs incurred in the first quarter of 2022.

Capital Expenditures

Capital Expenditures were approximately $1.0 billion for the first quarter of 2022, representing 24% of the Corporation's annual $4.0 billion Capital Plan, and up $0.1 billion compared to the first quarter of 2021.

While global supply chain constraints and rising inflation are issues of potential concern that continue to evolve, the Corporation does not expect a material impact on its 2022 or overall five-year Capital Plan, although certain planned expenditures may shift within the five years. See "Capital Plan" on page 13.

Capital Expenditures and Capital Plan reflect Non-U.S. GAAP Financial Measures. Refer to "Non-U.S. GAAP Financial Measures" on page 7.

BUSINESS UNIT PERFORMANCE

Common Equity Earnings

Quarter ended March 31

($ millions)	2022	2021	Variance
Regulated Utilities [1]			
ITC	**109**	103	6
UNS Energy	**43**	45	(2)
Central Hudson	**32**	39	(7)
FortisBC Energy	**119**	111	8
FortisAlberta	**36**	35	1
FortisBC Electric	**18**	16	2
Other Electric [2]	**26**	20	6
	383	369	14
Non-Regulated			
Energy Infrastructure [3]	**(6)**	14	(20)
Corporate and Other [4]	**(27)**	(28)	1
Common Equity Earnings	**350**	355	(5)

(1) *The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI and BECOL is the U.S. dollar. The reporting currency of Belize Electricity is the Belizean dollar, which is pegged to the U.S. dollar at BZ$2.00=US$1.00. The Corporate and Other segment includes certain transactions denominated in U.S. dollars.*
(2) *Consists of the utility operations in eastern Canada and the Caribbean: Newfoundland Power; Maritime Electric; FortisOntario; Caribbean Utilities; FortisTCI; and Belize Electricity*
(3) *Primarily consists of long-term contracted generation assets in Belize and Aitken Creek in British Columbia*
(4) *Includes Fortis net corporate expenses and non-regulated holding company expenses*

ITC

Quarter ended March 31			Variance	
($ millions)	**2022**	2021	FX	Other
Revenue [1]	**460**	426	(2)	36
Earnings [1]	**109**	103	(1)	7

[1] *Revenue represents 100% of ITC. Earnings represent the Corporation's 80.1% controlling ownership interest in ITC and reflect consolidated purchase price accounting adjustments*

Revenue

The increase in revenue, net of foreign exchange, was due primarily to higher flow-through costs in customer rates and Rate Base growth.

Earnings

The increase in earnings, net of foreign exchange, was due to Rate Base growth, partially offset by losses on certain investments that support retirement benefits.

UNS Energy

Quarter ended March 31			Variance	
($ millions, except as indicated)	**2022**	2021	FX	Other
Retail electricity sales *(GWh)*	**2,175**	2,150	—	25
Wholesale electricity sales *(GWh)* [1]	**1,393**	1,727	—	(334)
Gas sales *(PJ)*	**7**	7	—	—
Revenue	**538**	522	(2)	18
Earnings	**43**	45	—	(2)

[1] *Primarily short-term wholesale sales*

Sales

The increase in retail electricity sales was largely due to higher average consumption by industrial customers and customer growth.

The decrease in wholesale electricity sales was driven by lower short-term wholesale sales. Revenue from short-term wholesale electricity sales is primarily credited to customers through regulatory deferral mechanisms and, therefore, does not materially impact earnings. The decrease was partially offset by higher long-term wholesale sales.

Gas sales were consistent with the first quarter of 2021.

Revenue

The increase in revenue, net of foreign exchange, was due primarily to: (i) higher long-term wholesale electricity sales, discussed above; (ii) the recovery of overall higher fuel and non-fuel costs through the normal operation of regulatory mechanisms; (iii) higher retail electricity sales; and (iv) higher transmission revenue related to the finalization of the FERC rate case (see "Regulatory Highlights" on page 8). The increase was partially offset by lower short-term wholesale electricity sales.

Earnings

The decrease in earnings was due primarily to: (i) the timing of quarterly earnings, as expected, associated with AFUDC recognized during the construction of the Oso Grande generating facility in the first quarter of 2021; (ii) losses on certain investments that support retirement benefits as compared to gains in the first quarter of 2021; and (iii) higher costs associated with Rate Base growth not yet reflected in customer rates. The decrease was largely offset by higher long-term wholesale and retail electricity sales, as well as higher transmission revenue, discussed above. Lower operating costs related to planned generation maintenance in 2021 also favourably impacted earnings.

The Oso Grande generating facility was completed in May 2021, and as 2022 is the first full year of operations for the facility, there is an impact on the timing of quarterly earnings. While the costs associated with operating the facility are recorded throughout the year, the benefit related to production tax credits is recognized through the effective tax rate provision and is primarily recognized in the third quarter, reflecting the seasonality of sales and earnings. In comparison to the first quarter of 2021, the timing of earnings also reflects the recognition of AFUDC during the construction of the facility in that period.

Central Hudson

Quarter ended March 31			Variance	
($ millions, except as indicated)	**2022**	2021	FX	Other
Electricity sales *(GWh)*	**1,256**	1,290	—	(34)
Gas sales *(PJ)*	**10**	9	—	1
Revenue	**375**	285	(1)	91
Earnings	**32**	39	—	(7)

Sales

The decrease in electricity sales was due primarily to lower average consumption by residential customers.

Gas sales were consistent with the first quarter of 2021.

Changes in electricity and gas sales at Central Hudson are subject to regulatory revenue decoupling mechanisms and, therefore, do not materially impact revenue and earnings.

Revenue

The increase in revenue, net of foreign exchange, was due primarily to: (i) the flow through of higher energy supply costs driven by commodity prices, and (ii) an increase in gas and electricity delivery rates, reflecting a return on increased Rate Base assets and the recovery of higher operating and finance expenses, associated with the conclusion of Central Hudson's general rate application in the fourth quarter of 2021.

Earnings

The decrease in earnings was due primarily to higher operating expenses associated with the implementation of a new customer information system, as well as restoration and other costs due to significant storms in the winter of 2022, partially offset by new customer rates approved in Central Hudson's general rate application, discussed above.

FortisBC Energy

Quarter ended March 31 *($ millions, except as indicated)*	**2022**	2021	Variance
Gas sales *(PJ)*	**81**	80	1
Revenue	**694**	586	108
Earnings	**119**	111	8

Sales

Gas sales were relatively consistent with the first quarter of 2021.

Revenue

The increase in revenue was due primarily to a higher cost of natural gas recovered from customers and Rate Base growth, partially offset by the normal operation of regulatory deferrals.

Earnings

The increase in earnings was due primarily to Rate Base growth and lower operating costs.

FortisBC Energy earns approximately the same margin regardless of whether a customer contracts for the purchase and delivery of natural gas or only for delivery. Due to regulatory deferral mechanisms, changes in consumption levels and commodity costs do not materially impact earnings.

FortisAlberta

Quarter ended March 31 *($ millions, except as indicated)*	**2022**	2021	Variance
Electricity deliveries *(GWh)*	**4,584**	4,412	172
Revenue	**167**	158	9
Earnings	**36**	35	1

Deliveries

The increase in electricity deliveries was due to higher load from industrial customers and higher average consumption by residential and commercial customers due mainly to cooler weather and customer additions.

As approximately 85% of FortisAlberta's revenue is derived from fixed or largely fixed billing determinants, changes in quantities of energy delivered are not entirely correlated with changes in revenue. Revenue is a function of numerous variables, many of which are independent of actual energy deliveries. Significant variations in weather conditions, however, can impact revenue and earnings.

Revenue and Earnings

The increase in revenue and earnings was due to Rate Base growth as well as higher electricity deliveries due to cooler weather and customer additions, discussed above. The increase in earnings was partially offset by the timing of operating costs and a higher effective income tax rate.

FortisBC Electric

Quarter ended March 31

($ millions, except as indicated)	**2022**	2021	Variance
Electricity sales *(GWh)*	**968**	933	35
Revenue	**129**	120	9
Earnings	**18**	16	2

Sales

The increase in electricity sales was due primarily to higher average consumption by industrial and commercial customers.

Revenue

The increase in revenue was due to higher electricity sales, an increase in third-party contract work and Rate Base growth.

Earnings

The increase in earnings was due primarily to Rate Base growth and the timing of operating costs.

Due to regulatory deferral mechanisms, changes in consumption levels do not materially impact earnings.

Other Electric

Quarter ended March 31

($ millions, except as indicated)	**2022**	2021	Variance
Electricity sales *(GWh)*	**3,006**	2,842	164
Revenue	**459**	413	46
Earnings	**26**	20	6

Sales

The increase in electricity sales was due to higher average consumption by residential and commercial customers in Eastern Canada, as well as higher sales in the Caribbean due to increased tourism-related activities.

Revenue

The increase in revenue was due primarily to higher sales, discussed above, the flow through of higher energy supply costs, and the normal operation of regulatory mechanisms at Newfoundland Power.

Earnings

The increase in earnings was due primarily to higher sales, discussed above, partially offset by higher operating costs at Newfoundland Power.

Energy Infrastructure

Quarter ended March 31

($ millions, except as indicated)	**2022**	2021	Variance
Electricity sales *(GWh)*	**17**	53	(36)
Revenue	**13**	29	(16)
Earnings	**(6)**	14	(20)

Sales

The change in electricity sales reflected variations in hydroelectric production in Belize associated with rainfall levels.

Revenue and Earnings

Revenue and earnings decreased due to the unfavourable impact of mark-to-market accounting of natural gas derivatives at Aitken Creek, which resulted in unrealized losses of $19 million in the first quarter of 2022 compared to $5 million for the same period in 2021, and lower hydroelectric production in Belize. The decrease in revenue and earnings was partially offset by higher margins and volumes of gas sold at Aitken Creek.

Aitken Creek is subject to commodity price risk, as it purchases and holds natural gas in storage to earn a profit margin from its ultimate sale. Aitken Creek mitigates this risk by using derivatives to materially lock in the profit margin that will be realized upon the sale of natural gas. The fair value accounting of these derivatives creates timing differences and the resultant earnings volatility can be significant.

Corporate and Other

Quarter ended March 31

($ millions)	**2022**	2021	Variance
Net expenses	**(27)**	(28)	1

Net expenses were relatively consistent with the first quarter of 2021. The decrease in net expenses due to the timing of recognition of income tax as well as lower operating expenses was largely offset by lower mark-to-market gains on total returns swaps.

NON-U.S. GAAP FINANCIAL MEASURES

Adjusted Common Equity Earnings, Adjusted Basic EPS and Capital Expenditures are Non-U.S. GAAP Financial Measures and may not be comparable with similar measures used by other entities. They are presented because management and external stakeholders use them in evaluating the Corporation's financial performance and prospects.

Net earnings attributable to common equity shareholders (i.e., Common Equity Earnings) and basic EPS are the most directly comparable U.S. GAAP measures to Adjusted Common Equity Earnings and Adjusted Basic EPS, respectively. These adjusted measures reflect the removal of items that management excludes in its key decision-making processes and evaluation of operating results.

Capital Expenditures include additions to property, plant and equipment and additions to intangible assets, as shown on the condensed consolidated statements of cash flows. It also includes Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project, consistent with Fortis' evaluation of operating results and its role as project manager during the construction of this Major Capital Project.

Non-U.S. GAAP Reconciliation

Quarter ended March 31

($ millions, except as indicated)	**2022**	2021	Variance
Adjusted Common Equity Earnings and Adjusted Basic EPS			
Common Equity Earnings	**350**	355	(5)
Adjusting item:			
Unrealized loss on mark-to-market of derivatives [(1)]	**19**	5	14
Adjusted Common Equity Earnings	**369**	360	9
Adjusted Basic EPS *($)*	**0.78**	0.77	0.01
Capital Expenditures			
Additions to property, plant and equipment	**866**	764	102
Additions to intangible assets	**49**	40	9
Adjusting item:			
Wataynikaneyap Transmission Power Project [(2)]	**49**	76	(27)
Capital Expenditures	**964**	880	84

(1) *Represents timing differences related to the accounting of natural gas derivatives at Aitken Creek, net of income tax recovery of $7 million for the three months ended March 31, 2022 (three months ended March 31, 2021 - net of income tax recovery of $2 million), included in the Energy Infrastructure segment*

(2) *Represents Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project, included in the Other Electric segment*

FOCUS ON SUSTAINABILITY

The Corporation's focus on sustainability is outlined in its 2021 Annual MD&A. There have been no significant updates to Fortis' sustainability initiatives in 2022 except that, in March 2022, the Corporation made progress on its commitment as a TCFD supporter, with the release of its first TCFD and Climate Assessment Report. As well, in May 2022, Fortis set a 2050 net-zero direct GHG emissions target. The establishment of this additional target reinforces the Corporation's commitment to decarbonize over the long-term, while preserving customer reliability and affordability.

REGULATORY HIGHLIGHTS

ITC

Transmission Incentives: In 2021, FERC issued a supplemental NOPR on transmission incentives modifying the proposal in the initial NOPR released by FERC in 2020. The supplemental NOPR proposes to eliminate the 50-basis point RTO ROE incentive adder for RTO members that have been members for longer than 3 years. The timeline for FERC to issue a final rule in this proceeding as well as the likely outcome and potential impacts to Fortis continue to be indeterminable. Although any potential impact to Fortis remains uncertain, every 10-basis point change in ROE at ITC impacts Fortis' annual EPS by approximately $0.01.

UNS Energy

FERC Rate Case: In March 2022, FERC approved the settlement agreement for formula transmission rates at TEP, including an ROE of 9.79%.

PPFAC Mechanism: TEP's PPFAC mechanism allows for the timely recovery or return of purchased power and fuel costs as compared to that collected in customer rates. TEP's purchased power and fuel costs increased in 2021, reflecting higher commodity prices. On April 13, 2022, the ACC approved a rate adjustment to recover a PPFAC balance of US$108 million over an 18-month period.

TEP Rate Case: On May 2, 2022, TEP submitted a notice of intent with the ACC to file a general rate application in June 2022. TEP will request that new rates become effective no later than September 1, 2023. TEP's proposed rates will be based on a 2021 test year and will include infrastructure investments made since the last rate case, as well as changes in fuel and non-fuel operating expenses. The filing will also include proposals to eliminate certain adjustor mechanisms, as well as modify an existing adjustor to provide more timely recovery of clean energy investments.

FortisBC Energy and FortisBC Electric

GCOC Proceeding: The BCUC has initiated a proceeding including a review of the common equity component of capital structure and the allowed ROE. FortisBC filed evidence with the BCUC in the first quarter of 2022 and the proceeding remains ongoing. The timing and outcome of this proceeding, including the effective date of any change in the cost of capital for 2022 or beyond, remains unknown.

FortisAlberta

2023 GCOC Proceeding: In March 2022, the AUC issued a decision extending the existing allowed ROE of 8.5% using a 37% equity component of capital structure through 2023.

2023 COS Application: FortisAlberta filed its 2023 COS application in 2021 and the proceeding remains ongoing. A decision from the AUC is expected in the third quarter of 2022.

FINANCIAL POSITION

Significant Changes between March 31, 2022 and December 31, 2021

Balance Sheet Account	**Increase (Decrease)**		
($ millions)	**FX**	**Other**	**Explanation**
Cash and cash equivalents	(1)	235	Reflects the timing of debt issuances and the related reinvestment in capital and operating requirements, primarily at UNS Energy.
Accounts receivable and other current assets	(8)	190	Due to the flow through of higher energy supply costs, an increase in the fair value of energy contracts at UNS Energy, and the seasonality of sales in Canada and at Central Hudson.
Property, plant and equipment, net	(248)	421	Due to capital expenditures, partially offset by depreciation.
Goodwill	(107)	—	
Regulatory liabilities (current and long-term)	(23)	201	Reflects unrealized gains on energy contracts at UNS Energy, which are utilized to reduce exposure to changes in energy prices, and the normal operation of the rate stabilization account at FortisBC Energy.
Long-term debt (including current portion)	(171)	424	Reflects debt issuances, partially offset by debt repayments, at the regulated utilities, as well as lower borrowings under committed credit facilities.
Shareholders' equity	(144)	226	Due primarily to: (i) Common Equity Earnings for the three months ended March 31, 2022, less dividends declared on common shares; and (ii) the issuance of common shares, largely under the DRIP.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Requirements

At the subsidiary level, it is expected that operating expenses and interest costs will be paid from Operating Cash Flow, with varying levels of residual cash flow available for capital expenditures and/or dividend payments to Fortis. Remaining capital expenditures are expected to be financed primarily from borrowings under credit facilities, long-term debt offerings and equity injections from Fortis. Borrowings under credit facilities may be required periodically to support seasonal working capital requirements.

Cash required of Fortis to support subsidiary growth is generally derived from borrowings under the Corporation's committed credit facility, the operation of the DRIP and issuances of common shares, preference equity and long-term debt. The subsidiaries pay dividends to Fortis and receive equity injections from Fortis when required. Both Fortis and its subsidiaries initially borrow through their committed credit facilities and periodically replace these borrowings with long-term financing. Financing needs also arise to refinance maturing debt.

Credit facilities are syndicated primarily with large banks in Canada and the U.S., with no one bank holding more than approximately 20% of the total facilities. Approximately $4.6 billion of the total credit facilities are committed with maturities ranging from 2022 through 2026. Available credit facilities are summarized in the following table.

Credit Facilities

As at ($ millions)	Regulated Utilities	Corporate and Other	**March 31, 2022**	December 31, 2021
Total credit facilities (1)	3,444	1,377	**4,821**	4,846
Credit facilities utilized:				
Short-term borrowings	(320)	—	**(320)**	(247)
Long-term debt (including current portion)	(703)	(417)	**(1,120)**	(1,305)
Letters of credit outstanding	(70)	(42)	**(112)**	(115)
Credit facilities unutilized	2,351	918	**3,269**	3,179

(1) *See Note 14 in the 2021 Annual Financial Statements for a description of the credit facilities as at December 31, 2021.*

In April 2022, Central Hudson increased its total credit facilities available from US$200 million to US$250 million.

The Corporation's ability to service debt and pay dividends is dependent on the financial results of, and the related cash payments from, its subsidiaries. Certain regulated subsidiaries are subject to restrictions that limit their ability to distribute cash to Fortis, including restrictions by certain regulators limiting annual dividends and restrictions by certain lenders limiting debt to total capitalization. There are also practical limitations on using the net assets of the regulated subsidiaries to pay dividends, based on management's intent to maintain the subsidiaries' regulator-approved capital structures. Fortis does not expect that maintaining such capital structures will impact its ability to pay dividends in the foreseeable future.

As at March 31, 2022, consolidated fixed-term debt maturities/repayments are expected to average $1,210 million annually over the next five years and approximately 75% of the Corporation's consolidated long-term debt, excluding credit facility borrowings, had maturities beyond five years.

In December 2020, Fortis filed a short-form base shelf prospectus with a 25-month life under which it may issue common or preference shares, subscription receipts or debt securities in an aggregate principal amount of up to $2.0 billion. As at March 31, 2022, $1.5 billion remained available under the short-form base shelf prospectus.

Fortis is well positioned with strong liquidity. This combination of available credit facilities and manageable annual debt maturities/repayments provides flexibility in the timing of access to capital markets. Given current credit ratings and capital structures, the Corporation and its subsidiaries currently expect to continue to have reasonable access to long-term capital in 2022.

Fortis and its subsidiaries were in compliance with debt covenants as at March 31, 2022 and are expected to remain compliant in 2022.

Cash Flow Summary

Summary of Cash Flows

Quarter ended March 31 ($ millions)	**2022**	2021	Variance
Cash and cash equivalents, beginning of quarter	**131**	249	(118)
Cash from (used in):			
Operating activities	**813**	739	74
Investing activities	**(916)**	(838)	(78)
Financing activities	**337**	169	168
Effect of exchange rate changes on cash and cash equivalents	**—**	(2)	2
Cash and cash equivalents, end of quarter	**365**	317	48

Operating Activities

See "Performance at a Glance - Operating Cash Flow" on page 3.

Investing Activities

The Corporation's Capital Plan for 2022 is estimated to be $4.0 billion, an increase of 11% from $3.6 billion in 2021. The increase in cash used in investing activities in the first quarter of 2022 reflects higher capital investments planned for 2022. See "Performance at a Glance - Capital Expenditures" on page 3 and "Capital Plan" on page 13.

Financing Activities

Cash flows related to financing activities will fluctuate largely as a result of changes in the subsidiaries' capital expenditures and the amount of Operating Cash Flow available to fund those capital expenditures, which together impact the amount of funding required from debt and common equity issuances. The increase in cash provided by financing activities in the first quarter of 2022 also reflects the advancement of planned debt issuances in consideration of anticipated increases in interest rates. See "Cash Flow Requirements" on page 9.

Debt Financing

Long-Term Debt Issuances

Year-to-date March 31, 2022 *($ millions, except as noted)*	Month Issued	Interest Rate *(%)*	Maturity		**Amount**	Use of Proceeds
ITC						
Secured first mortgage bonds	January	2.93	2052	**US**	**150**	(1) (2) (3) (4)
UNS Energy						
Unsecured senior notes	February	3.25	2032	**US**	**325**	(4) (5)
Central Hudson						
Unsecured senior notes	January	2.37	2027	**US**	**50**	(4) (5)
Unsecured senior notes	January	2.59	2029	**US**	**60**	(4) (5)
FortisBC Electric						
Unsecured debentures	March	4.16	2052		**100**	(1)

(1) *Repay credit facility borrowings*
(2) *US$20 million to fund or refinance a portfolio of eligible green projects*
(3) *Fund capital expenditures*
(4) *General corporate purposes*
(5) *Repay maturing long-term debt*

In April 2022, Newfoundland Power issued 30-year $75 million first mortgage sinking fund bonds at 4.20%. The net proceeds are expected to be used to repay credit facility borrowings, repay maturing long-term debt and for general corporate purposes.

Common Equity Financing

Common Equity Issuances and Dividends Paid

Quarter ended March 31 *($ millions, except as indicated)*	**2022**	2021	Variance
Common shares issued:			
Cash (1)	**22**	35	(13)
Non-cash (2)	**95**	90	5
Total common shares issued	**117**	125	(8)
Number of common shares issued *(# millions)*	**2.1**	2.6	(0.5)
Common share dividends paid:			
Cash	**(160)**	(147)	(13)
Non-cash (3)	**(94)**	(89)	(5)
Total common share dividends paid	**(254)**	(236)	(18)
Dividends paid per common share *($)*	**0.535**	0.505	0.030

(1) *Includes common shares issued under stock option and employee share purchase plans*
(2) *Common shares issued under the DRIP and stock option plan*
(3) *Common share dividends reinvested under the DRIP*

On February 10, 2022, Fortis declared a dividend of $0.535 per common share payable on June 1, 2022. The payment of dividends is at the discretion of the board of directors and depends on the Corporation's financial condition and other factors.

Contractual Obligations

There were no material changes to the contractual obligations disclosed in the 2021 Annual MD&A, except issuances of long-term debt and credit facility utilization (see "Cash Flow Summary" on page 10) and a new gas purchase obligation at FortisBC Energy.

During the first quarter of 2022, FortisBC Energy signed a long-term biomethane purchase agreement to acquire renewable natural gas. The 20-year agreement allows FortisBC Energy to purchase renewable natural gas from a portfolio of landfill sites, up to a maximum annual volume of 8 PJs, and has increased gas purchase obligations from those disclosed as at December 31, 2021 as follows.

As at March 31, 2022 *($ millions)*	**Total**	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Gas purchase obligations	**2,510**	6	28	63	115	140	2,158

Off-Balance Sheet Arrangements

There were no material changes to off-balance sheet arrangements from those disclosed in the 2021 Annual MD&A.

Capital Structure and Credit Ratings

Fortis requires ongoing access to capital and, therefore, targets a consolidated long-term capital structure that will enable it to maintain investment-grade credit ratings. The regulated utilities maintain their own capital structures in line with those reflected in customer rates.

Consolidated Capital Structure

As at	**March 31, 2022** *($ millions)*	*(%)*	December 31, 2021 *($ millions)*	*(%)*
Debt [1]	**25,883**	**55.2**	25,784	55.2
Preference shares	**1,623**	**3.5**	1,623	3.5
Common shareholders' equity and non-controlling interests [2]	**19,371**	**41.3**	19,293	41.3
	46,877	**100.0**	46,700	100.0

(1) *Includes long-term debt and finance leases, including current portion, and short-term borrowings, net of cash*

(2) *Includes shareholders' equity, net of preference shares, and non-controlling interests. Non-controlling interests represented 3.5% as at March 31, 2022 (December 31, 2021 - 3.5%)*

Outstanding Share Data

As at May 3, 2022, the Corporation had issued and outstanding 477.1 million common shares and the following First Preference Shares: 5.0 million Series F; 9.2 million Series G; 7.7 million Series H; 2.3 million Series I; 8.0 million Series J; 10.0 million Series K; and 24.0 million Series M.

Only the common shares of the Corporation have voting rights. The Corporation's first preference shares do not have voting rights unless and until Fortis fails to pay eight quarterly dividends, whether or not consecutive or declared.

If all outstanding stock options were converted as at May 3, 2022, an additional 2.4 million common shares would be issued and outstanding.

Credit Ratings

The Corporation's credit ratings shown below reflect its low risk profile, diversity of operations, the stand-alone nature and financial separation of each regulated subsidiary, and the level of holding company debt.

As at March 31, 2022	**Rating**	Type	Outlook
S&P	A-	Corporate	Stable
	BBB+	Unsecured debt	
DBRS Morningstar	A (low)	Corporate	Stable
	A (low)	Unsecured debt	
Moody's	Baa3	Issuer	Stable
	Baa3	Unsecured debt	

In January 2022, S&P revised Central Hudson's outlook to negative from stable in consideration of the PSC's order in December 2021 on the company's general rate application, projected elevated capital expenditures, and the resulting impact on the company's financial measures.

In March 2022, S&P confirmed the Corporation's 'A-' issuer and 'BBB+' senior unsecured debt credit ratings and stable outlook.

Capital Plan

Capital Expenditures of $1.0 billion for the first quarter of 2022 are consistent with expectations and on track with the Corporation's annual $4.0 billion Capital Plan.

While global supply chain constraints and rising inflation are issues of potential concern that continue to evolve, the Corporation does not expect a material impact on its 2022 or overall five-year Capital Plan, although certain planned expenditures may shift within the five years.

Capital Expenditures [1]

Quarter ended March 31, 2022	Regulated Utilities									
($ millions, except as indicated)	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Total Regulated Utilities**	**Non-Regulated** [2]	**Total**
Total	335	162	64	130	111	30	127	**959**	**5**	**964**

(1) *See "Non-U.S. GAAP Financial Measures" on page 7*
(2) *Energy Infrastructure segment*

Five-Year Capital Plan

The Corporation's five-year 2022-2026 Capital Plan is targeted at $20.0 billion, reflecting an average of $4.0 billion of Capital Expenditures annually. The Capital Plan is low risk and highly executable, with 99% of planned expenditures to occur at the regulated utilities and only 15% relating to Major Capital Projects.

Planned Capital Expenditures are based on detailed forecasts of energy demand, labour and material costs, supply chain availability, general economic conditions, foreign exchange rates and other factors. These could change and cause actual expenditures to differ from forecast.

Major Capital Project Update

Eagle Mountain Woodfibre Gas Line Project

In April 2022, Woodfibre LNG Limited issued a Notice to Proceed to its prime contractor for the proposed LNG site in Squamish, British Columbia. This announcement brings FortisBC Energy's Eagle Mountain Woodfibre Gas Line project one step closer to construction, though the project remains contingent on Woodfibre LNG making a final investment decision.

Additional Investment Opportunities

During the first quarter of 2022, progress continued on incremental opportunities not included in the Corporation's $20.0 billion 2022-2026 capital plan. In March 2022, the Province of Ontario issued an Order in Council and Ministerial Directive from the Minister of Energy, instructing the IESO to negotiate and, if certain conditions are met, enter into a procurement contract on or before August 15, 2022, for the transmission capabilities of the Lake Erie Connector project. The proposed 1,000 megawatt, bi-directional, high-voltage direct current underwater transmission line will provide the first direct interconnection between the wholesale electricity markets operated by the IESO in Ontario and the PJM Interconnection in the United States.

Also during the quarter, the MISO advanced its LRTP, announcing the first tranche of projects across the MISO Midwest subregion comprised of 18 transmission projects with total associated costs estimated at US$10 billion. These projects require MISO board approval which is currently anticipated in July 2022. Six of these projects run through ITC's MISO operating companies' service territories, including Michigan and Iowa, where right of first refusal provisions exist for incumbent transmission owners. Other projects within this portfolio may be subject to competitive bidding, depending on the state in which they are located. Based on this preliminary information, ITC estimates transmission investments of US$1 billion to US$1.5 billion through 2030 associated with these projects. Given the preliminary analysis around the transmission investment, at this time Fortis cannot state with certainty the impact of the estimated capital expenditures in connection with the LRTP on the Corporation's five-year capital plan.

BUSINESS RISKS

The Corporation's business risks remain substantially unchanged from those disclosed in its 2021 Annual MD&A. See "Regulatory Highlights" on page 8 and "Outlook" on page 16 for applicable updates.

ACCOUNTING MATTERS

Accounting Policies

The Interim Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the 2021 Annual Financial Statements.

Critical Accounting Estimates

The preparation of the Interim Financial Statements required management to make estimates and judgments, including those related to regulatory decisions, that affect the reported amounts of, and disclosures related to, assets, liabilities, revenues, expenses, gains, losses and contingencies. Actual results could differ materially from estimates.
There were no material changes to the nature of the Corporation's critical accounting estimates or contingencies from that disclosed in the 2021 Annual MD&A.

FINANCIAL INSTRUMENTS

Long-Term Debt and Other

As at March 31, 2022, the carrying value of long-term debt, including the current portion, was $25.7 billion (December 31, 2021 - $25.5 billion) compared to an estimated fair value of $26.4 billion (December 31, 2021 - $28.8 billion). Since Fortis does not intend to settle long-term debt prior to maturity, the excess of fair value over carrying value does not represent an actual liability.

The consolidated carrying value of the remaining financial instruments, other than derivatives, approximates fair value, reflecting their short-term maturity, normal trade credit terms and/or nature.

Derivatives

Derivatives are recorded at fair value with certain exceptions including those derivatives that qualify for the normal purchase and normal sale exception.

There were no material changes with respect to the nature and purpose, methodologies for fair value determination, and carrying values of the Corporation's derivatives from that disclosed in the 2021 Annual MD&A. Additional details are provided in Note 12 to the Interim Financial Statements.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue ($ millions)	Common Equity Earnings ($ millions)	Basic EPS ($)	Diluted EPS ($)
March 31, 2022	**2,835**	**350**	**0.74**	**0.74**
December 31, 2021	2,583	328	0.69	0.69
September 30, 2021	2,196	295	0.63	0.62
June 30, 2021	2,130	253	0.54	0.54
March 31, 2021	2,539	355	0.76	0.76
December 31, 2020	2,346	331	0.71	0.71
September 30, 2020	2,121	292	0.63	0.63
June 30, 2020	2,077	274	0.59	0.59

Generally, within each calendar year, quarterly results fluctuate primarily in accordance with seasonality. Given the diversified nature of the Corporation's subsidiaries, seasonality varies. Most of the annual earnings of the gas utilities are realized in the first and fourth quarters due to space-heating requirements. Earnings for the electric distribution utilities in the U.S. are generally highest in the second and third quarters due to the use of air conditioning and other cooling equipment.

Generally, from one calendar year to the next, quarterly results reflect: (i) continued organic growth driven by the Corporation's Capital Plan; (ii) any significant temperature fluctuations from seasonal norms; (iii) the timing and significance of any regulatory decisions; (iv) changes in the U.S.-to-Canadian dollar exchange rate; (v) for revenue, the flow through in customer rates of commodity costs; and (vi) for EPS, increases in the weighted average number of common shares outstanding.

March 2022/March 2021

See "Performance at a Glance" on page 2.

December 2021/December 2020

Common Equity Earnings decreased by $3 million and basic EPS decreased by $0.02 due primarily to: (i) lower earnings in Arizona, due to lower retail electricity sales resulting from milder weather and lower wholesale electricity sales, as well as lower gains on certain investments that support retirement benefits, partially offset by higher transmission revenue; (ii) the timing of earnings at FortisAlberta, due the reversal of income tax expense in the fourth quarter of 2020; (iii) the operation of regulatory mechanisms at Central Hudson; and, (iv) higher non-recoverable costs at ITC. Lower earnings in Belize and the impact of foreign exchange also unfavourably impacted earnings. The decrease in earnings was partially offset by growth in Rate Base, the finalization of Central Hudson's rate application with retroactive application to July 1, 2021, and the favourable impact of mark-to-market accounting at Aitken Creek.

The decrease in basic EPS reflects lower Common Equity Earnings and an increase in the weighted average number of common shares outstanding, largely associated with the Corporation's DRIP.

September 2021/September 2020

Common Equity Earnings and basic EPS were relatively consistent with the same period in 2020. Growth in Common Equity Earnings was tempered by a lower U.S. dollar-to-Canadian dollar exchange rate, unfavourably impacting earnings by $13 million.

Excluding the impact of foreign exchange, Common Equity Earnings increased by $16 million due to: (i) Rate Base growth; (ii) higher sales, largely associated with favourable weather, and the timing of expenditures at FortisAlberta; (iii) continued recovery in the Caribbean from economic conditions experienced in 2020 associated with the COVID-19 Pandemic; and (iv) an adjustment related to the amortization of interest rate swaps at ITC. New customer rates effective January 1, 2021 at TEP also contributed to results. The increase in earnings was partially offset by: (i) lower sales in Arizona due to cooler weather; (ii) realized losses on natural gas contracts at Aitken Creek; and (iii) the delay in Central Hudson's general rate application. The change in basic EPS also reflected an increase in the weighted average number of common shares outstanding, largely associated with the DRIP.

June 2021/June 2020

Common Equity Earnings decreased by $21 million and basic EPS decreased by $0.05 due primarily to: (i) a lower U.S. dollar-to-Canadian dollar exchange rate, resulting in a $24 million unfavourable variance; and (ii) significant one-time items totalling $14 million recognized in the second quarter of 2020. The significant items included an adjustment to ITC's base ROE, partially offset by the finalization of U.S. tax reform and associated regulations.

Excluding the impact of foreign exchange and the one-time items, Common Equity Earnings increased by $17 million due to: (i) Rate Base growth; (ii) higher earnings in Arizona driven by warmer weather and new customer rates at TEP, partially offset by higher operating expenses; and (iii) higher earnings in the Caribbean, reflecting the continued recovery from economic conditions experienced in 2020 associated with the COVID-19 Pandemic. This growth was partially offset by a lower income tax recovery at Corporate and the impact of mark-to-market accounting of natural gas derivatives at Aitken Creek. The change in basic EPS also reflected an increase in the weighted average number of common shares outstanding, largely associated with the DRIP.

RELATED-PARTY AND INTER-COMPANY TRANSACTIONS

Related-party transactions are in the normal course of operations and are measured at the amount of consideration agreed to by the related parties. There were no material related-party transactions for the three months ended March 31, 2022 and 2021.

Inter-company transactions between non-regulated and regulated entities not eliminated on consolidation include the lease of gas storage capacity and gas sales by Aitken Creek to FortisBC Energy. These transactions did not have a material impact on consolidated earnings, financial position or cash flows.

As at March 31, 2022, accounts receivable included approximately $15 million due from Belize Electricity (December 31, 2021 - $22 million).

Fortis periodically provides short-term financing, the impacts of which are eliminated on consolidation, to subsidiaries to support capital expenditures and seasonal working capital requirements. As at March 31, 2022, inter-segment loans of $125 million were outstanding (December 31, 2021 - $126 million). Interest charged on inter-segment loans was not material for the three months ended March 31, 2022 and 2021.

OUTLOOK

The Corporation's long-term outlook remains unchanged. Fortis continues to enhance shareholder value through the execution of its Capital Plan, the balance and strength of its diversified portfolio of utility businesses, and growth opportunities within and proximate to its service territories. While energy price volatility, global supply chain constraints and rising inflation are issues of potential concern that continue to evolve, including from the effects of the COVID-19 Pandemic, war in Eastern Europe, economic sanctions and geopolitical tensions, the Corporation does not currently expect there to be a material impact on operations or financial results in 2022.

Fortis is executing on the transition to a clean energy future and is on track to achieve its corporate-wide target to reduce GHG emissions by 75% by 2035. Upon achieving this target, 99% of the Corporation's assets will be focused on energy delivery and renewable, carbon-free generation. The Corporation's additional 2050 net-zero direct GHG emissions target reinforces Fortis' commitment to decarbonize over the long-term, while preserving customer reliability and affordability.

The Corporation's $20 billion five-year Capital Plan is expected to increase midyear Rate Base from $31.1 billion in 2021 to $41.6 billion by 2026, translating into a five-year CAGR of approximately 6%. Above and beyond the five-year Capital Plan, Fortis continues to pursue additional energy infrastructure opportunities.

Additional opportunities to expand and extend growth include: further expansion of the electric transmission grid in the U.S. to facilitate the interconnection of cleaner energy including infrastructure investments associated with MISO's LRTP; natural gas resiliency investments in pipelines and LNG infrastructure in British Columbia; the fully permitted, cross-border, Lake Erie Connector electric transmission project in Ontario; and the acceleration of cleaner energy infrastructure investments across our jurisdictions.

Fortis expects long-term growth in Rate Base will support earnings and dividend growth. Fortis is targeting average annual dividend growth of approximately 6% through 2025. This dividend growth guidance is premised on the assumptions listed under "Forward-Looking Information".

FORWARD-LOOKING INFORMATION

Fortis includes forward-looking information in the MD&A 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 reflects expectations of Fortis management regarding future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: targeted average annual dividend growth through 2025; forecast capital expenditures for 2022 and 2022-2026; the expectation that volatility in energy prices, global supply chain constraints and rising inflation will not have a material impact on operations or financial results in 2022 or the five-year capital plan; forecast Rate Base and Rate Base growth for 2022 through 2026; the expectation that long-term growth in Rate Base will support earnings and dividend growth; the nature, timing, benefits and expected costs of certain capital projects, including FortisBC's Mountain Woodfibre Gas Line project and additional opportunities beyond the capital plan, including the Lake Erie Connector Project and the MISO LRTP; the 2035 GHG emissions reduction target and project asset mix; the 2050 net-zero direct GHG emissions target; the expectation that Fortis is well positioned to capitalize on evolving industry opportunities, including additional investment opportunities beyond the Capital Plan; the expected timing, outcome and impact of regulatory decisions; the expected or potential funding sources for operating expenses, interest costs and capital plans; the expectation that maintaining the targeted capital structure of the regulated operating subsidiaries will not have an impact on the Corporation's ability to pay dividends in the foreseeable future; the expected consolidated fixed-term debt maturities and repayments over the next five years; the expectation that the Corporation and its subsidiaries will continue to have access to long-term capital and will remain compliant with debt covenants in 2022; the expected uses of proceeds from debt financings; and the targeted capital structure.

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 including, without limitation: no material impact from volatility in energy prices, global supply chain constraints and rising inflation; reasonable regulatory decisions and the expectation of regulatory stability; the successful execution of the five-year capital plan; no material capital project or financing cost overrun; no material changes in the assumed U.S. dollar to Canadian dollar exchange rate; sufficient human resources to deliver service and execute the capital plan; the realization of additional opportunities; the Board exercising its discretion to declare dividends, taking into account the financial performance and condition of the Corporation; no significant variability in interest rates; no significant operational disruptions or environmental liability or upset; the continued ability to maintain the performance of the electricity and gas systems; no severe and prolonged economic downturn; sufficient liquidity and capital resources; the ability to hedge exposures to fluctuations in foreign exchange rates, natural gas prices and electricity prices; the continued availability of natural gas, fuel, coal and electricity supply; continuation of power supply and capacity purchase contracts; no significant changes in government energy plans, environmental laws and regulations that could have a material negative impact; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; no significant changes in tax laws and the continued tax deferred treatment of earnings from the Corporation's foreign operations; continued maintenance of information technology infrastructure and no material breach of cybersecurity; continued favourable relations with Indigenous Peoples; and favourable labour relations.

Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from those 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. Risk factors which could cause results or events to differ from current expectations are detailed under the heading "Business Risks" in the 2021 Annual MD&A and in other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and the Securities and Exchange Commission. Key risk factors for 2022 include, but are not limited to: uncertainty regarding the outcome of regulatory proceedings at the Corporation's utilities; risks associated with climate change, physical risks and service disruption, including cybersecurity risk; risks related to environmental laws and regulations; the impact of weather variability and seasonality on heating and cooling loads, gas distribution volumes and hydroelectric generation; risks associated with the competitiveness of natural gas; the impact of pandemics and public health crises, including the COVID-19 Pandemic; risks associated with capital projects and the impact on the Corporation's continued growth; risks associated with commodity price volatility and supply of purchased power; and interest rate and foreign exchange risks.

All forward-looking information herein is given as of May 3, 2022. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

GLOSSARY

2021 Annual Financial Statements: the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2021

2021 Annual MD&A: the Corporation's management discussion and analysis for the year ended December 31, 2021

ACC: Arizona Corporation Commission

Adjusted Basic EPS: Adjusted Common Equity Earnings divided by the basic weighted average number of common shares outstanding

Adjusted Common Equity Earnings: net earnings attributable to common equity shareholders adjusted as shown under "Non-U.S. GAAP Financial Measures" on page 7

AFUDC: allowance for funds used during construction

Aitken Creek: Aitken Creek Gas Storage ULC, a direct 93.8% owned subsidiary of FortisBC Holdings Inc.

AUC: Alberta Utilities Commission

BECOL: Belize Electric Company Limited, an indirect wholly owned subsidiary of Fortis

Belize Electricity: Belize Electricity Limited, in which Fortis indirectly holds a 33% equity interest

BCUC: British Columbia Utilities Commission

CAGR(s): compound average growth rate of a particular item. CAGR = $(EV/BV)^{1-N}-1$, where: (i) EV is the ending value of the item; (ii) BV is the beginning value of the item; and (iii) N is the number of periods. Calculated on a constant U.S. dollar-to-Canadian dollar exchange rate

Capital Expenditures: cash outlay for additions to property, plant and equipment and intangible assets as shown in the Interim Financial Statements, as well as Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project. See "Non-U.S. GAAP Financial Measures" on page 7

Capital Plan: forecast Capital Expenditures. Represents a non-U.S. GAAP financial measure calculated in the same manner as Capital Expenditures

Caribbean Utilities: Caribbean Utilities Company, Ltd., an indirect approximately 60%-owned (as at December 31, 2021) subsidiary of Fortis, together with its subsidiary

Central Hudson: CH Energy Group Inc., an indirect wholly owned subsidiary of Fortis, together with its subsidiaries, including Central Hudson Gas & Electric Corporation

Common Equity Earnings: net earnings attributable to common equity shareholders

Corporation: Fortis Inc.

COS: cost of service

COVID-19 Pandemic: declared by the World Health Organization in March 2020 as a result of a novel coronavirus

DBRS Morningstar: DBRS Limited

DRIP: dividend reinvestment plan

EPS: earnings per common share

FERC: Federal Energy Regulatory Commission

Fortis: Fortis Inc.

FortisAlberta: FortisAlberta Inc., an indirect wholly owned subsidiary of Fortis

FortisBC Electric: FortisBC Inc., an indirect wholly owned subsidiary of Fortis, together with its subsidiaries

FortisBC Energy: FortisBC Energy Inc., an indirect wholly owned subsidiary of Fortis, together with its subsidiaries

FortisOntario: FortisOntario Inc., a direct wholly owned subsidiary of Fortis, together with its subsidiaries

FortisTCI: FortisTCI Limited, an indirect wholly owned subsidiary of Fortis, together with its subsidiary

FX: foreign exchange associated with the translation of U.S. dollar-denominated amounts. Foreign exchange is calculated by applying the change in the U.S. dollar-to-Canadian dollar FX rates to the prior period U.S. dollar balance

GCOC: generic cost of capital

GHG: greenhouse gas

GWh: gigawatt hour(s)

IESO: Independent Electricity System Operator

Interim Financial Statements: the Corporation's unaudited condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 2022

Interim MD&A: the Corporation's management discussion and analysis for the three months ended March 31, 2022

ITC: ITC Investment Holdings Inc., an indirect 80.1%-owned subsidiary of Fortis, together with its subsidiaries, including International Transmission Company, Michigan Electric Transmission Company, LLC, ITC Midwest LLC, and ITC Great Plains, LLC

LNG: liquefied natural gas

LRTP: long-range transmission plan

Major Capital Projects: projects, other than ongoing maintenance projects, individually costing $200 million or more

Maritime Electric: Maritime Electric Company, Limited, an indirect wholly owned subsidiary of Fortis

MISO: Midcontinent Independent System Operator, Inc

Moody's: Moody's Investor Services, Inc.

Newfoundland Power: Newfoundland Power Inc., a direct wholly owned subsidiary of Fortis

Non-U.S. GAAP Financial Measures: financial measures that do not have a standardized meaning prescribed by U.S. GAAP

NOPR: notice of proposed rulemaking

NYSE: New York Stock Exchange

Operating Cash Flow: cash from operating activities

PJ: petajoule(s)

PPFAC: Purchased Power and Fuel Adjustment Clause

PSC: New York State Public Service Commission

Rate Base: the stated value of property on which a regulated utility is permitted to earn a specified return in accordance with its regulatory construct

ROE: rate of return on common equity

RTO: regional transmission organization

S&P: Standard & Poor's Financial Services LLC

SEDAR: Canadian System for Electronic Document Analysis and Retrieval

TEP: Tucson Electric Power Company, a direct wholly owned subsidiary of UNS Energy

TCFD: Task Force for Climate-Related Financial Disclosures

TSR: total shareholder return, which is a measure of the return to common equity shareholders in the form of share price appreciation and dividends (assuming reinvestment) over a specified time period in relation to the share price at the beginning of the period

TSX: Toronto Stock Exchange

UNS Energy: UNS Energy Corporation, an indirect wholly owned subsidiary of Fortis, together with its subsidiaries, including TEP, UNS Electric, Inc. and UNS Gas, Inc.

U.S.: United States of America

U.S. GAAP: accounting principles generally accepted in the U.S.

Woodfibre LNG: Woodfibre LNG Limited

FORTIS INC.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2022 and 2021
(Unaudited)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS (Unaudited)

FORTIS INC.

As at (in millions of Canadian dollars)	**March 31, 2022**	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 365**	$ 131
Accounts receivable and other current assets (Note 5)	**1,693**	1,511
Prepaid expenses	**110**	116
Inventories	**408**	478
Regulatory assets (Note 6)	**500**	492
Total current assets	**3,076**	2,728
Other assets	**1,003**	955
Regulatory assets (Note 6)	**3,176**	3,097
Property, plant and equipment, net	**37,989**	37,816
Intangible assets, net	**1,345**	1,343
Goodwill	**11,613**	11,720
Total assets	**$ 58,202**	$ 57,659
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (Note 7)	**$ 320**	$ 247
Accounts payable and other current liabilities	**2,549**	2,570
Regulatory liabilities (Note 6)	**449**	357
Current installments of long-term debt (Note 7)	**1,535**	1,628
Total current liabilities	**4,853**	4,802
Regulatory liabilities (Note 6)	**2,951**	2,865
Deferred income taxes	**3,662**	3,627
Long-term debt (Note 7)	**24,053**	23,707
Finance leases	**340**	333
Other liabilities	**1,349**	1,409
Total liabilities	**37,208**	36,743
Commitments and contingencies (Note 13)		
Equity		
Common shares [(1)]	**14,354**	14,237
Preference shares	**1,623**	1,623
Additional paid-in capital	**8**	10
Accumulated other comprehensive loss	**(168)**	(40)
Retained earnings	**3,553**	3,458
Shareholders' equity	**19,370**	19,288
Non-controlling interests	**1,624**	1,628
Total equity	**20,994**	20,916
Total liabilities and equity	**$ 58,202**	$ 57,659

(1) No par value. Unlimited authorized shares. 476.9 million and 474.8 million issued and outstanding as at March 31, 2022 and December 31, 2021, respectively.

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (Unaudited)

FORTIS INC.

For the quarter ended March 31 (in millions of Canadian dollars, except per share amounts)		**2022**		2021
Revenue	**$**	**2,835**	$	2,539
Expenses				
Energy supply costs		**1,083**		849
Operating expenses		**669**		650
Depreciation and amortization		**407**		372
Total expenses		**2,159**		1,871
Operating income		**676**		668
Other income, net (Note 9)		**42**		50
Finance charges		**258**		252
Earnings before income tax expense		**460**		466
Income tax expense		**67**		70
Net earnings	**$**	**393**	$	396
Net earnings attributable to:				
Non-controlling interests	**$**	**27**	$	25
Preference equity shareholders		**16**		16
Common equity shareholders		**350**		355
	$	**393**	$	396
Earnings per common share (Note 10)				
Basic	**$**	**0.74**	$	0.76
Diluted	**$**	**0.74**	$	0.76

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the quarter ended March 31 (in millions of Canadian dollars)		**2022**		2021
Net earnings	**$**	**393**	$	396
Other comprehensive loss				
Unrealized foreign currency translation losses [(1)]		**(161)**		(189)
Other [(2)]		**20**		2
		(141)		(187)
Comprehensive income	**$**	**252**	$	209
Comprehensive income attributable to:				
Non-controlling interests	**$**	**14**	$	5
Preference equity shareholders		**16**		16
Common equity shareholders		**222**		188
	$	**252**	$	209

(1) Net of hedging activities and income tax expense of $1 million and $2 million, respectively
(2) Net of income tax expense of $8 million and $nil, respectively

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

FORTIS INC.

For the quarter ended March 31 (in millions of Canadian dollars)	**2022**	2021
Operating activities		
Net earnings	**$ 393**	$ 396
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation - property, plant and equipment	**356**	324
Amortization - intangible assets	**35**	34
Amortization - other	**16**	14
Deferred income tax expense	**23**	46
Equity component, allowance for funds used during construction (Note 9)	**(17)**	(22)
Other	**30**	34
Change in working capital (Note 11)	**(23)**	(87)
Cash from operating activities	**813**	739
Investing activities		
Additions to property, plant and equipment	**(866)**	(764)
Additions to intangible assets	**(49)**	(40)
Contributions in aid of construction	**39**	14
Other	**(40)**	(48)
Cash used in investing activities	**(916)**	(838)
Financing activities		
Proceeds from long-term debt, net of issuance costs	**829**	94
Repayments of long-term debt and finance leases	**(227)**	(6)
Borrowings under committed credit facilities	**1,424**	1,267
Repayments under committed credit facilities	**(1,600)**	(1,155)
Net change in short-term borrowings	**76**	106
Issue of common shares, net of costs and dividends reinvested	**22**	35
Dividends		
Common shares, net of dividends reinvested	**(160)**	(147)
Preference shares	**(16)**	(16)
Subsidiary dividends paid to non-controlling interests	**(20)**	(18)
Other	**9**	9
Cash from financing activities	**337**	169
Effect of exchange rate changes on cash and cash equivalents	**—**	(2)
Change in cash and cash equivalents	**234**	68
Cash and cash equivalents, beginning of period	**131**	249
Cash and cash equivalents, end of period	**$ 365**	$ 317

Supplementary Cash Flow Information (Note 11)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FORTIS INC.

For the quarter ended March 31 (in millions of Canadian dollars, except share numbers)	Common Shares *(# millions)*	Common Shares	Preference Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Controlling Interests	Total Equity
As at December 31, 2021	**474.8**	**$ 14,237**	**$ 1,623**	**$ 10**	**$ (40)**	**$ 3,458**	**$ 1,628**	**$ 20,916**
Net earnings	**—**	**—**	**—**	**—**	**—**	**366**	**27**	**393**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(128)**	**—**	**(13)**	**(141)**
Common shares issued	**2.1**	**117**	**—**	**(1)**	**—**	**—**	**—**	**116**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(20)**	**(20)**
Dividends declared on common shares ($0.535 per share)	**—**	**—**	**—**	**—**	**—**	**(255)**	**—**	**(255)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(16)**	**—**	**(16)**
Other	**—**	**—**	**—**	**(1)**	**—**	**—**	**2**	**1**
As at March 31, 2022	**476.9**	**$ 14,354**	**$ 1,623**	**$ 8**	**$ (168)**	**$ 3,553**	**$ 1,624**	**$ 20,994**
As at December 31, 2020	466.8	$ 13,819	$ 1,623	$ 11	$ 34	$ 3,210	$ 1,587	$ 20,284
Net earnings	—	—	—	—	—	371	25	396
Other comprehensive loss	—	—	—	—	(167)	—	(20)	(187)
Common shares issued	2.6	125	—	(2)	—	—	—	123
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(18)	(18)
Dividends declared on common shares ($0.505 per share)	—	—	—	—	—	(237)	—	(237)
Dividends on preference shares	—	—	—	—	—	(16)	—	(16)
Other	—	—	—	1	—	—	—	1
As at March 31, 2021	469.4	$ 13,944	$ 1,623	$ 10	$ (133)	$ 3,328	$ 1,574	$ 20,346

See accompanying Notes to Condensed Consolidated Interim Financial Statements

1. DESCRIPTION OF BUSINESS

Nature of Operations

Fortis Inc. ("Fortis" or the "Corporation") is a well-diversified North American regulated electric and gas utility holding company.

Earnings for interim periods may not be indicative of annual results due to the impact of seasonal weather conditions on customer demand and market pricing, changes in foreign exchange rates and the timing and recognition of regulatory decisions. Earnings of the gas utilities tend to be highest in the first and fourth quarters due to space-heating requirements. Earnings of the electric distribution utilities in the U.S. tend to be highest in the second and third quarters due to the use of air conditioning and other cooling equipment.

Entities within the reporting segments that follow operate with substantial autonomy.

Regulated Utilities

ITC: ITC Investment Holdings Inc., ITC Holdings Corp. and the electric transmission operations of its regulated operating subsidiaries, which include International Transmission Company, Michigan Electric Transmission Company, LLC, ITC Midwest LLC and ITC Great Plains, LLC. Fortis owns 80.1% of ITC and an affiliate of GIC Private Limited owns a 19.9% minority interest.

UNS Energy: UNS Energy Corporation, which primarily includes Tucson Electric Power Company ("TEP"), UNS Electric, Inc. and UNS Gas, Inc.

Central Hudson: CH Energy Group, Inc., which primarily includes Central Hudson Gas & Electric Corporation.

FortisBC Energy: FortisBC Energy Inc.

FortisAlberta: FortisAlberta Inc.

FortisBC Electric: FortisBC Inc.

Other Electric: Eastern Canadian and Caribbean utilities, as follows: Newfoundland Power Inc.; Maritime Electric Company, Limited; FortisOntario Inc.; a 39% equity investment in Wataynikaneyap Power Limited Partnership; an approximate 60% controlling interest in Caribbean Utilities Company, Ltd. ("Caribbean Utilities"); FortisTCI Limited and Turks and Caicos Utilities Limited (collectively "FortisTCI"); and a 33% equity investment in Belize Electricity Limited ("Belize Electricity").

Non-Regulated

Energy Infrastructure: Long-term contracted generation assets in Belize and the Aitken Creek natural gas storage facility ("Aitken Creek") in British Columbia.

Corporate and Other: Captures expenses and revenues not specifically related to any reportable segment and those business operations that are below the required threshold for segmented reporting, including net corporate expenses of Fortis and non-regulated holding company expenses.

2. REGULATORY DEVELOPMENTS

Regulation of the Corporation's utilities is generally consistent with that disclosed in Note 2 of the Corporation's annual audited consolidated financial statements ("2021 Annual Financial Statements"). A summary of significant regulatory developments year-to-date 2022 follows.

UNS Energy

Federal Energy Regulatory Commission ("FERC") Rate Case: In March 2022, FERC approved the settlement agreement for formula transmission rates at TEP, including a rate of return on common equity ("ROE") of 9.79%.

TEP Rate Case: On May 2, 2022, TEP submitted a notice of intent with the Arizona Corporation Commission to file a general rate application in June 2022. TEP will request that new rates become effective no later than September 1, 2023. TEP's proposed rates will be based on a 2021 test year and will include infrastructure investments made since the last rate case, as well as changes in fuel and non-fuel operating expenses. The filing will also include proposals to eliminate certain adjustor mechanisms, as well as modify an existing adjustor to provide more timely recovery of clean energy investments.

FortisBC Energy and FortisBC Electric

Generic Cost of Capital ("GCOC") Proceeding: The British Columbia Utilities Commission ("BCUC") has initiated a proceeding including a review of the common equity component of capital structure and the allowed ROE. FortisBC filed evidence with the BCUC in the first quarter of 2022 and the proceeding remains ongoing. The timing and outcome of this proceeding, including the effective date of any change in the cost of capital for 2022 or beyond, remains unknown.

2. REGULATORY DEVELOPMENTS (cont'd)

FortisAlberta

2023 GCOC Proceeding: In March 2022, the Alberta Utilities Commission ("AUC") issued a decision extending the existing allowed ROE of 8.5% using a 37% equity component of capital structure through 2023.

2023 Cost of Service ("COS") Application: FortisAlberta filed its 2023 COS application in 2021 and the proceeding remains ongoing. A decision from the AUC is expected in the third quarter of 2022.

3. ACCOUNTING POLICIES

These condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared and presented in accordance with accounting principles generally accepted in the United States of America for rate-regulated entities and are in Canadian dollars unless otherwise indicated.

The Interim Financial Statements include the accounts of the Corporation and its subsidiaries and reflect the equity method of accounting for entities in which Fortis has significant influence, but not control, and proportionate consolidation for assets that are jointly owned with non-affiliated entities.

Intercompany transactions have been eliminated, except for transactions between non-regulated and regulated entities in accordance with U.S. GAAP for rate-regulated entities.

These Interim Financial Statements do not include all of the disclosures required in the annual financial statements and should be read in conjunction with the Corporation's 2021 Annual Financial Statements. In management's opinion, these Interim Financial Statements include all adjustments that are of a normal recurring nature, necessary for fair presentation.

The preparation of the Interim Financial Statements required management to make estimates and judgments, including those related to regulatory decisions, that affect the reported amounts of, and disclosures related to, assets, liabilities, revenues, expenses, gains, losses and contingencies. Actual results could differ materially from estimates.

The accounting policies applied herein are consistent with those outlined in the Corporation's 2021 Annual Financial Statements.

Future Accounting Pronouncements

The Corporation considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board. Any ASUs not included in these Interim Financial Statements were assessed and determined to be either not applicable to the Corporation or are not expected to have a material impact on the Interim Financial Statements.

4. SEGMENTED INFORMATION

Fortis segments its business based on regulatory jurisdiction and service territory, as well as the information used by its President and Chief Executive Officer in deciding how to allocate resources. Segment performance is evaluated principally on net earnings attributable to common equity shareholders.

Related-Party and Inter-Company Transactions

Related-party transactions are in the normal course of operations and are measured at the amount of consideration agreed to by the related parties. There were no material related-party transactions for the three months ended March 31, 2022 and 2021.

The lease of gas storage capacity and gas sales from Aitken Creek to FortisBC Energy of $13 million for the three months ended March 31, 2022 (three months ended March 31, 2021 - $8 million) are inter-company transactions between non-regulated and regulated entities, which were not eliminated on consolidation.

As at March 31, 2022, accounts receivable included approximately $15 million due from Belize Electricity (December 31, 2021 - $22 million).

Fortis periodically provides short-term financing, the impacts of which are eliminated on consolidation, to subsidiaries to support capital expenditures and seasonal working capital requirements. As at March 31, 2022, inter-segment loans of $125 million were outstanding (December 31, 2021 - $126 million). Interest charged on inter-segment loans was not material for the three months ended March 31, 2022 and 2021.

4. SEGMENTED INFORMATION (cont'd)

	Regulated								Non-Regulated			
($ millions)	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	**Energy Infra-structure**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Quarter ended March 31, 2022												
Revenue	460	538	375	694	167	129	459	**2,822**	**13**	**—**	**—**	**2,835**
Energy supply costs	—	210	162	354	—	43	312	**1,081**	**2**	**—**	**—**	**1,083**
Operating expenses	123	162	149	83	42	33	53	**645**	**12**	**12**	**—**	**669**
Depreciation and amortization	92	89	25	75	60	17	44	**402**	**4**	**1**	**—**	**407**
Operating income	245	77	39	182	65	36	50	**694**	**(5)**	**(13)**	**—**	**676**
Other income, net	9	3	15	4	1	2	2	**36**	**—**	**6**	**—**	**42**
Finance charges	80	31	13	36	26	18	18	**222**	**—**	**36**	**—**	**258**
Income tax expense	41	6	9	31	4	2	5	**98**	**1**	**(32)**	**—**	**67**
Net earnings	133	43	32	119	36	18	29	**410**	**(6)**	**(11)**	**—**	**393**
Non-controlling interests	24	—	—	—	—	—	3	**27**	**—**	**—**	**—**	**27**
Preference share dividends	—	—	—	—	—	—	—	**—**	**—**	**16**	**—**	**16**
Net earnings attributable to common equity shareholders	109	43	32	119	36	18	26	**383**	**(6)**	**(27)**	**—**	**350**
Additions to property, plant and equipment and intangible assets	335	162	64	130	111	30	78	**910**	**5**	**—**	**—**	**915**
As at March 31, 2022												
Goodwill	7,674	1,728	564	913	228	235	244	**11,586**	**27**	**—**	**—**	**11,613**
Total assets	21,075	11,331	4,486	8,214	5,266	2,570	4,403	**57,345**	**724**	**281**	**(148)**	**58,202**
Quarter ended March 31, 2021												
Revenue	426	522	285	586	158	120	413	2,510	29	—	—	2,539
Energy supply costs	—	200	81	254	—	39	274	848	1	—	—	849
Operating expenses	117	177	131	84	39	30	49	627	9	14	—	650
Depreciation and amortization	72	83	23	71	57	16	45	367	4	1	—	372
Operating income	237	62	50	177	62	35	45	668	15	(15)	—	668
Other income, net	9	16	9	2	1	1	—	38	—	12	—	50
Finance charges	79	28	12	36	26	18	18	217	—	35	—	252
Income tax expense	41	5	8	32	2	2	5	95	1	(26)	—	70
Net earnings	126	45	39	111	35	16	22	394	14	(12)	—	396
Non-controlling interests	23	—	—	—	—	—	2	25	—	—	—	25
Preference share dividends	—	—	—	—	—	—	—	—	—	16	—	16
Net earnings attributable to common equity shareholders	103	45	39	111	35	16	20	369	14	(28)	—	355
Additions to property, plant and equipment and intangible assets	302	152	61	93	104	28	63	803	1	—	—	804
As at March 31, 2021												
Goodwill	7,710	1,735	567	913	228	235	244	11,632	27	—	—	11,659
Total assets	20,360	10,744	3,994	7,745	5,128	2,465	4,269	54,705	730	225	(46)	55,614

5. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses balance, which is recorded in accounts receivable and other current assets, changed as follows.

($ millions)	**2022**	2021
Quarter ended March 31		
Balance, beginning of period	**(53)**	(64)
Credit loss expense	**(5)**	(7)
Write-offs, net of recoveries	**5**	5
Foreign exchange	**—**	2
Balance, end of period	**(53)**	(64)

See Note 12 for disclosure on the Corporation's credit risk.

6. REGULATORY ASSETS AND LIABILITIES

Detailed information about the Corporation's regulatory assets and liabilities is provided in Note 8 to the 2021 Annual Financial Statements. A summary follows.

	As at	
($ millions)	**March 31, 2022**	December 31, 2021
Regulatory assets		
Deferred income taxes	**1,804**	1,806
Rate stabilization and related accounts	**404**	339
Deferred energy management costs	**396**	384
Employee future benefits	**380**	388
Deferred lease costs	**137**	127
Manufactured gas plant site remediation deferral	**92**	96
Deferred storm costs [(1)]	**50**	17
Generation early retirement costs	**48**	48
Derivatives	**17**	20
Other regulatory assets	**348**	364
Total regulatory assets	**3,676**	3,589
Less: Current portion	**(500)**	(492)
Long-term regulatory assets	**3,176**	3,097
Regulatory liabilities		
Deferred income taxes	**1,266**	1,289
Future cost of removal	**1,224**	1,217
Employee future benefits	**189**	196
Derivatives	**186**	52
Rate stabilization and related accounts	**151**	116
Renewable energy surcharge	**106**	107
Energy efficiency liability	**80**	83
Other regulatory liabilities	**198**	162
Total regulatory liabilities	**3,400**	3,222
Less: Current portion	**(449)**	(357)
Long-term regulatory liabilities	**2,951**	2,865

[(1)] *Includes incremental costs incurred at Central Hudson associated with restoration activities due to significant storm events. Incremental costs incurred in excess of that collected in customer rates are recovered through Central Hudson's rate stabilization account.*

7. LONG-TERM DEBT

	As at	
($ millions)	**March 31, 2022**	December 31, 2021
Long-term debt	**24,618**	24,177
Credit facility borrowings	**1,120**	1,305
Total long-term debt	**25,738**	25,482
Less: Deferred financing costs and debt discounts	**(150)**	(147)
Less: Current installments of long-term debt	**(1,535)**	(1,628)
	24,053	23,707

Long-Term Debt Issuances Year-to-Date March 31, 2022 *($ millions, except as noted)*	Month Issued	Interest Rate *(%)*	Maturity		**Amount**	Use of Proceeds
ITC						
Secured first mortgage bonds	January	2.93	2052	**US**	**150**	*(1) (2) (3) (4)*
UNS Energy						
Unsecured senior notes	February	3.25	2032	**US**	**325**	*(4) (5)*
Central Hudson						
Unsecured senior notes	January	2.37	2027	**US**	**50**	*(4) (5)*
Unsecured senior notes	January	2.59	2029	**US**	**60**	*(4) (5)*
FortisBC Electric						
Unsecured debentures	March	4.16	2052		**100**	*(1)*

(1) *Repay credit facility borrowings*
(2) *US$20 million to fund or refinance a portfolio of eligible green projects*
(3) *Fund capital expenditures*
(4) *General corporate purposes*
(5) *Repay maturing long-term debt*

In April 2022, Newfoundland Power issued 30-year $75 million first mortgage sinking fund bonds at 4.20%. The net proceeds are expected to be used to repay credit facility borrowings, repay maturing long-term debt and for general corporate purposes.

In December 2020, Fortis filed a short-form base shelf prospectus with a 25-month life under which it may issue common or preference shares, subscription receipts or debt securities in an aggregate principal amount of up to $2.0 billion. As at March 31, 2022, $1.5 billion remained available under the short-form base shelf prospectus.

			As at	
Credit facilities *($ millions)*	Regulated Utilities	Corporate and Other	**March 31, 2022**	December 31, 2021
Total credit facilities	3,444	1,377	**4,821**	4,846
Credit facilities utilized:				
Short-term borrowings (1)	(320)	—	**(320)**	(247)
Long-term debt (including current portion) (2)	(703)	(417)	**(1,120)**	(1,305)
Letters of credit outstanding	(70)	(42)	**(112)**	(115)
Credit facilities unutilized	2,351	918	**3,269**	3,179

(1) *The weighted average interest rate was 1.2% (December 31, 2021 - 0.6%).*
(2) *The weighted average interest rate was 1.5% (December 31, 2021 - 0.9%). The current portion was $782 million (December 31, 2021 - $888 million).*

Credit facilities are syndicated primarily with large banks in Canada and the U.S., with no one bank holding more than approximately 20% of the total facilities. Approximately $4.6 billion of the total credit facilities are committed with maturities ranging from 2022 through 2026.

See Note 14 in the 2021 Annual Financial Statements for a description of the credit facilities as at December 31, 2021.

8. EMPLOYEE FUTURE BENEFITS

Fortis and each subsidiary maintain one or a combination of defined benefit pension plans and defined contribution pension plans, as well as other post-employment benefit ("OPEB") plans, including health and dental coverage and life insurance benefits, for qualifying members. The net benefit cost is detailed below.

	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2022**	2021	**2022**	2021
Quarter ended March 31				
Service costs	**26**	28	**9**	9
Interest costs	**28**	25	**5**	5
Expected return on plan assets	**(49)**	(45)	**(6)**	(5)
Amortization of actuarial losses (gains)	**1**	9	**(2)**	(1)
Regulatory adjustments	**(2)**	—	**1**	1
Net benefit cost	**4**	17	**7**	9

Defined contribution pension plan expense for the three months ended March 31, 2022 was $14 million (2021 - $13 million).

9. OTHER INCOME, NET

($ millions)	**2022**	2021
Quarter ended March 31		
Non-service component of net periodic benefit cost	**24**	11
Equity component, allowance for funds used during construction	**17**	22
Gain on derivatives, net	**4**	9
Other	**(3)**	8
	42	50

10. EARNINGS PER COMMON SHARE

Diluted earnings per share ("EPS") was calculated using the treasury stock method for stock options.

	2022			2021		
	Net Earnings to Common Shareholders *($ millions)*	**Weighted Average Shares** *(# millions)*	**EPS** *($)*	Net Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(# millions)*	EPS *($)*
Quarter ended March 31						
Basic EPS	**350**	**475.7**	**0.74**	355	467.8	0.76
Potential dilutive effect of stock options	**—**	**0.4**		—	0.4	
Diluted EPS	**350**	**476.1**	**0.74**	355	468.2	0.76

11. SUPPLEMENTARY CASH FLOW INFORMATION

($ millions)	**2022**	2021
Quarter ended March 31		
Change in working capital		
Accounts receivable and other current assets	**(95)**	(49)
Prepaid expenses	**5**	(3)
Inventories	**69**	25
Regulatory assets - current portion	**(12)**	(69)
Accounts payable and other current liabilities	**8**	30
Regulatory liabilities - current portion	**2**	(21)
	(23)	(87)
Non-cash investing and financing activities		
Accrued capital expenditures	**353**	326
Common share dividends reinvested	**94**	89
Contributions in aid of construction	**12**	12

12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivatives

The Corporation generally limits the use of derivatives to those that qualify as accounting, economic or cash flow hedges, or those that are approved for regulatory recovery.

Derivatives are recorded at fair value with certain exceptions including those derivatives that qualify for the normal purchase and normal sale exception. Fair values reflect estimates based on current market information about the derivatives as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Corporation's future consolidated earnings or cash flow.

Cash flow associated with the settlement of all derivatives is included in operating activities on the condensed consolidated interim statements of cash flows.

Energy Contracts Subject to Regulatory Deferral

UNS Energy holds electricity power purchase contracts, customer supply contracts and gas swap contracts to reduce its exposure to energy price risk. Fair values are measured primarily under the market approach using independent third-party information, where possible. When published prices are not available, adjustments are applied based on historical price curve relationships, transmission costs and line losses.

Central Hudson holds swap contracts for electricity and natural gas to minimize price volatility by fixing the effective purchase price. Fair values are measured using forward pricing provided by independent third-party information.

FortisBC Energy holds gas supply contracts to fix the effective purchase price of natural gas. Fair values reflect the present value of future cash flows based on published market prices and forward natural gas curves.

Unrealized gains or losses associated with changes in the fair value of these energy contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the regulators. As at March 31, 2022, unrealized losses of $17 million (December 31, 2021 - $20 million) were recognized as regulatory assets and unrealized gains of $186 million (December 31, 2021 - $52 million) were recognized as regulatory liabilities.

Energy Contracts Not Subject to Regulatory Deferral

UNS Energy holds wholesale trading contracts to fix power prices and realize potential margin, of which 10% of any realized gains is shared with customers through rate stabilization accounts. Fair values are measured using a market approach incorporating, where possible, independent third-party information.

Aitken Creek holds gas swap contracts to manage its exposure to changes in natural gas prices, capture natural gas price spreads, and manage the financial risk posed by physical transactions. Fair values are measured using forward pricing from published market sources.

Unrealized gains or losses associated with changes in the fair value of these energy contracts are recognized in revenue. During the three months ended March 31, 2022, unrealized losses of $17 million were recognized in revenue (three months ended March 31, 2021 - unrealized losses of $5 million).

12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Total Return Swaps

The Corporation holds total return swaps to manage the cash flow risk associated with forecast future cash settlements of certain stock-based compensation obligations. The swaps have a combined notional amount of $85 million and terms of one to three years expiring at varying dates through January 2025. Fair value is measured using an income valuation approach based on forward pricing curves. Unrealized gains and losses associated with changes in fair value are recognized in other income, net. During the three months ended March 31, 2022, unrealized losses of $6 million were recognized in other income, net (three months ended March 31, 2021 - unrealized gains of $2 million).

Foreign Exchange Contracts

The Corporation holds U.S. dollar denominated foreign exchange contracts to help mitigate exposure to foreign exchange rate volatility. The contracts expire at varying dates through February 2023 and have a combined notional amount of $198 million. Fair value was measured using independent third-party information. Unrealized gains and losses associated with changes in fair value are recognized in other income, net. During the three months ended March 31, 2022, unrealized gains recognized in other income, net were not material (three months ended March 31, 2021 - unrealized gains of $2 million).

Interest Rate Swaps

ITC has entered into interest rate swaps with a total notional value of US$450 million to manage the interest rate risk associated with the refinancing of long-term debt due in November 2022. The swaps have five-year terms, include mandatory early termination provisions, and will be terminated no later than the effective date of November 15, 2022. Fair value was measured using a discounted cash flow method based on LIBOR or SOFR rates, as applicable. Unrealized gains and losses associated with the changes in fair value are recognized in other comprehensive income, and will be reclassified to earnings as a component of interest expense over the life of the debt. Unrealized gains of $26 million were recorded for the three months ended March 31, 2022 (three months ended March 31, 2021 - $nil).

Other Investments

ITC and Central Hudson hold investments in trust associated with supplemental retirement benefit plans for select employees. These investments include mutual funds and money market accounts, which are recorded at fair value based on quoted market prices in active markets. Gains and losses are recognized in other income, net. During the three months ended March 31, 2022, losses on these funds of $8 million were recognized in other income, net (three months ended March 31, 2021 - gains of $2 million).

Recurring Fair Value Measures

The following table presents assets and liabilities that are accounted for at fair value on a recurring basis.

($ millions)	Level 1 [1]	Level 2 [1]	Level 3 [1]	Total
As at March 31, 2022				
Assets				
Energy contracts subject to regulatory deferral [2] [3]	**1**	**194**	**—**	**195**
Energy contracts not subject to regulatory deferral [2]	**—**	**15**	**—**	**15**
Foreign exchange contracts, total return and interest rate swaps [2]	**—**	**45**	**—**	**45**
Other investments [4]	**193**	**—**	**—**	**193**
	194	**254**	**—**	**448**
Liabilities				
Energy contracts subject to regulatory deferral [3] [5]	**—**	**(26)**	**—**	**(26)**
Energy contracts not subject to regulatory deferral [5]	**—**	**(21)**	**—**	**(21)**
	—	**(47)**	**—**	**(47)**
As at December 31, 2021				
Assets				
Energy contracts subject to regulatory deferral [2] [3]	—	78	—	78
Energy contracts not subject to regulatory deferral [2]	—	16	—	16
Foreign exchange contracts, total return and interest rate swaps [2]	23	2	—	25
Other investments [4]	137	—	—	137
	160	96	—	256
Liabilities				
Energy contracts subject to regulatory deferral [3] [5]	—	(46)	—	(46)
Energy contracts not subject to regulatory deferral [5]	—	(3)	—	(3)
	—	(49)	—	(49)

[1] *Under the hierarchy, fair value is determined using: (i) level 1 - unadjusted quoted prices in active markets; (ii) level 2 - other pricing inputs directly or indirectly observable in the marketplace; and (iii) level 3 - unobservable inputs, used when observable inputs are not available. Classifications reflect the lowest level of input that is significant to the fair value measurement.*

[2] *Included in accounts receivable and other current assets or other assets*

[3] *Unrealized gains and losses arising from changes in fair value of these contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates as permitted by the regulators, with the exception of long-term wholesale trading contracts and certain gas swap contracts.*

[4] *Included in other assets*

[5] *Included in accounts payable and other current liabilities or other liabilities*

12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Energy Contracts

The Corporation has elected gross presentation for its derivative contracts under master netting agreements and collateral positions, which apply only to its energy contracts. The following table presents the potential offset of counterparty netting.

($ millions)	**Gross Amount Recognized in Balance Sheet**	**Counterparty Netting of Energy Contracts**	**Cash Collateral Received/Posted**	**Net Amount**
As at March 31, 2022				
Derivative assets	**210**	**19**	**16**	**175**
Derivative liabilities	**(47)**	**(19)**	**—**	**(28)**
As at December 31, 2021				
Derivative assets	94	25	7	62
Derivative liabilities	(49)	(25)	—	(24)

Volume of Derivative Activity

As at March 31, 2022, the Corporation had various energy contracts that will settle on various dates through 2029. The volumes related to electricity and natural gas derivatives are outlined below.

	As at	
	March 31, 2022	December 31, 2021
Energy contracts subject to regulatory deferral [(1)]		
Electricity swap contracts *(GWh)*	**88**	509
Electricity power purchase contracts *(GWh)*	**741**	731
Gas swap contracts *(PJ)*	**145**	151
Gas supply contract premiums *(PJ)*	**136**	144
Energy contracts not subject to regulatory deferral [(1)]		
Wholesale trading contracts *(GWh)*	**4,670**	1,886
Gas swap contracts *(PJ)*	**13**	29

[(1)] *GWh means gigawatt hours and PJ means petajoules.*

Credit Risk

For cash equivalents, accounts receivable and other current assets, and long-term other receivables, credit risk is generally limited to the carrying value on the consolidated balance sheets. The Corporation's subsidiaries generally have a large and diversified customer base, which minimizes the concentration of credit risk. Policies in place to minimize credit risk include requiring customer deposits, prepayments and/or credit checks for certain customers, performing disconnections and/or using third-party collection agencies for overdue accounts.

ITC has a concentration of credit risk as approximately 70% of its revenue is derived from three customers. The customers have investment-grade credit ratings and credit risk is further managed by the Midcontinent Independent System Operator, Inc. by requiring a letter of credit or cash deposit equal to the credit exposure, which is determined by a credit-scoring model and other factors.

FortisAlberta has a concentration of credit risk as distribution service billings are to a relatively small group of retailers. Credit risk is managed by obtaining from the retailers either a cash deposit, letter of credit, an investment-grade credit rating, or a financial guarantee from an entity with an investment-grade credit rating.

UNS Energy, Central Hudson, FortisBC Energy, Aitken Creek and the Corporation may be exposed to credit risk in the event of non-performance by counterparties to derivatives. Credit risk is managed by net settling payments, when possible, and dealing only with counterparties that have investment-grade credit ratings. At UNS Energy and Central Hudson, certain contractual arrangements require counterparties to post collateral.

The value of derivatives in net liability positions under contracts with credit risk-related contingent features that, if triggered, could require the posting of a like amount of collateral was $25 million as at March 31, 2022 (December 31, 2021 - $59 million).

12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Hedge of Foreign Net Investments

The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI, Belize Electric Company Limited and Belize Electricity is, or is pegged to, the U.S. dollar. The earnings and cash flow from, and net investments in, these entities are exposed to fluctuations in the U.S. dollar-to-Canadian dollar exchange rate. The Corporation has limited this exposure through hedging.

As at March 31, 2022, US$2.3 billion (December 31, 2021 - US$2.2 billion) of corporately issued U.S. dollar-denominated long-term debt has been designated as an effective hedge of net investments, leaving approximately US$10.9 billion (December 31, 2021 - US$10.8 billion) unhedged. Exchange rate fluctuations associated with the hedged net investment in foreign subsidiaries and the debt serving as the hedge are recognized in accumulated other comprehensive income.

Financial Instruments Not Carried at Fair Value

Excluding long-term debt, the consolidated carrying value of the Corporation's remaining financial instruments approximates fair value, reflecting their short-term maturity, normal trade credit terms and/or nature.

As at March 31, 2022, the carrying value of long-term debt, including current portion, was $25.7 billion (December 31, 2021 - $25.5 billion) compared to an estimated fair value of $26.4 billion (December 31, 2021 - $28.8 billion).

13. COMMITMENTS AND CONTINGENCIES

Commitments

There were no material changes in commitments from that disclosed in the Corporation's 2021 Annual Financial Statements except that during the first quarter of 2022, FortisBC Energy signed a long-term biomethane purchase agreement to acquire renewable natural gas. The 20-year agreement allows FortisBC Energy to purchase renewable natural gas from a portfolio of landfill sites, up to a maximum annual volume of 8 PJs, and has increased gas purchase obligations from those disclosed as at December 31, 2021 as follows.

As at March 31, 2022 *($ millions)*	**Total**	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Gas purchase obligations	**2,510**	6	28	63	115	140	2,158

Contingencies

Development projects at ITC may result in payments to developers that are contingent on the projects reaching certain milestones indicating that the projects are financially viable. It is reasonably possible that ITC will be required to make these contingent development payments up to a maximum amount of $88 million upon financial close of the projects. In the event it becomes probable that these payments will be made, the liability and the corresponding intangible asset would be recognized.

In April 2013, FortisBC Holdings Inc. ("FHI") and Fortis were named as defendants in an action in the British Columbia Supreme Court by the Coldwater Indian Band ("Band") regarding interests in a pipeline right-of-way on reserve lands. The pipeline was transferred by FHI (then Terasen Inc.) to Kinder Morgan Inc. in 2007. The Band seeks cancellation of the right-of-way and damages for wrongful interference with the Band's use and enjoyment of reserve lands. In 2016, the Federal Court dismissed the Band's application for judicial review of the ministerial consent. In 2017, the Federal Court of Appeal set aside the minister's consent and returned the matter to the minister for redetermination. No amount has been accrued in the Interim Financial Statements as the outcome cannot yet be reasonably determined.