FORTIS INC.

St. John's, NL - July 31, 2024

FORTIS INC. RELEASES SECOND QUARTER 2024 RESULTS AND 2024 SUSTAINABILITY REPORT

This news release constitutes a "Designated News Release" incorporated by reference in the prospectus supplement dated September 19, 2023 to Fortis' short form base shelf prospectus dated November 21, 2022.

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 second quarter results[1] and 2024 Sustainability Report.

Highlights

- Second quarter net earnings of $331 million or $0.67 per common share, up from $294 million or $0.61 per common share in 2023
- Adjusted net earnings per common share[2] of $0.67, up from $0.62 in the second quarter of 2023
- Capital expenditures[2] of $2.3 billion in the first half of 2024; $4.8 billion annual capital plan on track
- Tranche 2.1 of MISO's long range transmission plan continues to progress
- 2024 Sustainability Report released highlighting the Corporation's progress on key sustainability initiatives

"Our regulated utility businesses continued to deliver on their financial and operational plans in the first half of 2024," said David Hutchens, President and Chief Executive Officer, Fortis. "We are executing our annual $4.8 billion capital plan, and remain confident in our $25 billion five-year capital plan. We also released our 2024 Sustainability Report today, highlighting progress on our key sustainability initiatives. This is an exciting time for our company as we pursue growth opportunities and deliver a cleaner energy future."

Net Earnings

The Corporation reported net earnings attributable to common equity shareholders ("Net Earnings") of $331 million for the second quarter of 2024, or $0.67 per common share, an increase of $37 million, or $0.06 per common share compared to the second quarter of 2023. The increase was driven by strong earnings in Arizona, reflecting new customer rates at Tucson Electric Power effective September 1, 2023 and higher retail electricity sales associated with warmer weather. Rate base growth across our utilities and the timing of recognition of new cost of capital parameters approved for FortisBC in 2023 also contributed to earnings growth. The increase was partially offset by lower earnings for Central Hudson and the Other Electric segment, largely reflecting higher operating costs.

On a year-to-date basis, Net Earnings were $790 million, or $1.60 per common share, an increase of $59 million, or $0.09 per common share compared to the same period in 2023. The increase was due to higher earnings in Arizona, rate base growth, and the new cost of capital parameters at FortisBC, as discussed above. Growth was partially offset by higher operating costs at Central Hudson, higher holding company costs, and the November 1, 2023 disposition of Aitken Creek. Although the disposition of Aitken Creek was unfavourable to the change in earnings for the first half of the year, the impact will be neutral for the annual period.

The change in earnings per share for both the second quarter and year-to-date periods 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]

There were no adjustments to Net Earnings for the three and six months ended June 30, 2024. For the three and six months ended June 30, 2023, adjustments to Net Earnings of $8 million and $10 million, respectively, were recognized associated with mark-to-market accounting of natural gas derivatives at Aitken Creek

---

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

[2] Non-U.S. GAAP Financial Measures - Fortis uses financial measures that do not have a standardized meaning under generally accepted accounting principles in the United States of America ("U.S. GAAP") 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.

Capital Expenditures

Our $4.8 billion annual capital plan is on track with $2.3 billion invested during the first half of 2024.

In June 2024, the Midcontinent Independent System Operator, Inc. ("MISO") released a near-final map of the long-range transmission plan ("LRTP") projects that it has now identified as tranche 2.1, with transmission investments in the MISO Midwest subregion estimated in the range of US$23 billion to US$27 billion. MISO Board approval of the portfolio is expected in late 2024. While certain projects are expected in ITC's footprint, the potential capital investment at ITC for tranche 2.1 projects is unknown at this time.

Following the provincial environmental assessment certificate issued earlier this year, in June 2024, a federal environmental assessment certificate was issued for the Tilbury Marine Jetty project. The construction of the jetty supports further expansion of FortisBC's Tilbury liquefied natural gas ("LNG") facility, which is uniquely positioned to meet customer demand for LNG. The site is scalable, can accommodate additional storage and liquefaction equipment and is close to international shipping lanes.

During the second quarter of 2024, construction of the 1,800-kilometre Wataynikaneyap Power Transmission project was completed. The project is majority-owned by 24 First Nations, with Fortis having a 39% ownership interest. In addition to First Nations ownership in the transmission line, the project will continue to provide socio-economic benefits and reduce greenhouse gas ("GHG") emissions associated with diesel-fired generation previously used in these remote locations.

Regulatory Updates

In July 2024, the New York State Public Service Commission approved a one-year rate plan for Central Hudson with retroactive application to July 1, 2024, including an allowed rate of return on common equity ("ROE") of 9.5%, an increase from the previous allowed ROE of 9.0%.

In July 2024, a judge on the Iowa Supreme Court granted a stay of the injunction issued by the Iowa District Court with respect to the construction of the MISO LRTP tranche 1 projects in Iowa. With the stay of the injunction in place, ITC is permitted to advance construction of all Iowa tranche 1 projects originally awarded to the company in 2022. Certain complainants have requested that the judge's order be reviewed by a full quorum of the Iowa Supreme Court.

Regardless of any quorum review by the Iowa Supreme Court, approximately 70% of the Iowa tranche 1 projects are upgrades to ITC facilities along existing rights-of-way, which under MISO's tariff grants ITC the option to construct the upgrades. In addition, MISO is conducting a variance analysis for the tranche 1 LRTP projects in Iowa, and we believe the process should reaffirm the initial award of the projects.

Sustainability

The Corporation released its 2024 Sustainability Report today, which includes key sustainability performance indicators. The Corporation has reduced direct GHG emissions by 33% through 2023 compared to 2019 levels, marking significant progress towards its interim targets to reduce GHG emissions 50% by 2030 and 75% by 2035, as well as its 2050 net-zero direct GHG emissions target. Also in 2023, GHG intensity factors related to energy delivered to customers and electricity generated reached the lowest levels in the last five years.

The 2024 Sustainability Report can be accessed at http://www.fortisinc.com/sustainability/sustainability-reporting.

Outlook

Fortis continues to enhance shareholder value through the execution of its capital plan, the balance and strength of its diversified portfolio of regulated utility businesses, and growth opportunities within and proximate to its service territories. The Corporation's $25 billion five-year capital plan is expected to increase midyear rate base from $37.0 billion in 2023 to $49.4 billion by 2028, translating into a five-year CAGR of 6.3%.[3]

Beyond the five-year capital plan, additional opportunities to expand and extend growth include: continued electrification and load growth; climate adaptation and grid resiliency investments; further expansion of the electric transmission grid in the U.S. to facilitate the interconnection of cleaner energy, including infrastructure investments associated with the Inflation Reduction Act of 2022 and the MISO LRTP; and renewable natural gas solutions and LNG infrastructure in British Columbia.

Fortis expects its long-term growth in rate base will drive earnings that support dividend growth guidance of 4-6% annually through 2028, and is premised on the assumptions and material factors listed under "Forward-Looking Information".

[3] Calculated using a constant United States dollar-to-Canadian dollar exchange rate.

Non-U.S. GAAP Reconciliation

Periods ended June 30	Quarter			Year-to-Date		
($ millions, except earnings per share)	**2024**	2023	Variance	**2024**	2023	Variance
Adjusted Net Earnings						
Net Earnings	**331**	294	37	**790**	731	59
Adjusting item:						
Unrealized loss on mark-to-market of derivatives at Aitken Creek[4]	**—**	8	(8)	**—**	10	(10)
Adjusted Net Earnings	**331**	302	29	**790**	741	49
Adjusted net earnings per share *($)*	**0.67**	0.62	0.05	**1.60**	1.53	0.07
Capital Expenditures						
Additions to property, plant and equipment	**1,064**	938	126	**2,135**	1,845	290
Additions to intangible assets	**48**	44	4	**90**	91	(1)
Adjusting item:						
Wataynikaneyap Transmission Power Project[5]	**14**	43	(29)	**29**	84	(55)
Capital Expenditures	**1,126**	1,025	101	**2,254**	2,020	234

About Fortis

Fortis is a well-diversified leader in the North American regulated electric and gas utility industry with 2023 revenue of $12 billion and total assets of $69 billion as at June 30, 2024. The Corporation's 9,600 employees serve utility customers in five Canadian provinces, ten U.S. states and three Caribbean countries.

Forward-Looking Information

Fortis includes forward-looking information in this news 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: the expected impact of the disposition of Aitken Creek on earnings for the annual period; forecast capital expenditures for 2024 and 2024 through 2028; the nature, timing, benefits and expected costs of certain capital projects, including ITC's transmission projects associated with the MISO LRTP and FortisBC's Tilbury LNG Storage Expansion project; the expected timing, outcome and impact of legal and regulatory proceedings and decisions; the 2030 and 2035 GHG emissions reduction targets; the 2050 net-zero direct GHG emissions target; additional opportunities beyond the capital plan, including continued electrification and load growth, climate adaptation and grid resiliency investments, further expansion of the electric transmission grid in the U.S. to facilitate the interconnection of cleaner energy, including infrastructure investments associated with the Inflation Reduction Act of 2022 and the MISO LRTP, and renewable natural gas solutions and LNG infrastructure in British Columbia; forecast rate base and rate base growth through 2028; and the expectation that long-term growth in rate base will drive earnings that support dividend growth guidance of 4-6% annually through 2028.

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: reasonable outcomes for legal and regulatory proceedings and the expectation of regulatory stability; the successful execution of the 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 beyond the capital plan; no significant variability in interest rates; no material changes in the assumed U.S. dollar to Canadian dollar exchange rate; 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 news 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.

[4] Represents the mark-to-market accounting of natural gas derivatives at Aitken Creek, net of income tax recovery of $3 million and $4 million, for the three and six months ended June 30, 2023, respectively. The sale of Aitken Creek closed on November 1, 2023.

[5] Represents Fortis' 39% share of capital spending for the Wataynikaneyap Transmission Power Project.

Teleconference and Webcast to Discuss Second Quarter 2024 Results

A teleconference and webcast will be held on July 31, 2024 at 8:30 a.m. (Eastern) during which David Hutchens, President and Chief Executive Officer and Jocelyn Perry, Executive Vice President and Chief Financial Officer will discuss the Corporation's second quarter financial results.

Shareholders, analysts, members of the media and other interested parties are invited to listen to the teleconference via the live webcast on the Corporation's website, https://www.fortisinc.com/investor-relations/events-and-presentations.

Those members of the financial community in North America wishing to ask questions during the call are invited to participate toll free by calling 1.800.717.1738 while those outside of North America can participate by calling 1.289.514.5100. Please dial in 10 minutes prior to the start of the call. No passcode is required.

An archived audio webcast of the teleconference will be available on the Corporation's website two hours after the conclusion of the call until August 31, 2024. Please call 1.888.660.6264 or 1.289.819.1325 and enter passcode 93188#.

Additional Information

This news release should be read in conjunction with the Corporation's June 30, 2024 Interim Management Discussion and Analysis and Condensed Consolidated Financial Statements. This and additional information can be accessed at www.fortisinc.com, www.sedarplus.ca, 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 & Government Relations
Fortis Inc.
709.737.5323
media@fortisinc.com

Interim Management Discussion and Analysis

Contents

Dated July 30, 2024

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 2023 Annual Financial Statements and the 2023 Annual MD&A and is subject to the cautionary statement and disclaimer provided under "Forward-Looking Information" on page 18. Further information about Fortis, including its Annual Information Form filed on SEDAR+, can be accessed at www.fortisinc.com, www.sedarplus.ca, 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 1.37 and 1.34 for the quarters ended June 30, 2024 and 2023, respectively; (ii) average of 1.36 and 1.35 year-to-date June 30, 2024 and 2023, respectively; (iii) 1.37 and 1.32 as at June 30, 2024 and 2023, respectively; (iv) 1.32 as at December 31, 2023; and (v) 1.30 for all forecast periods. Certain terms used in this Interim MD&A are defined in the "Glossary" on page 19.

ABOUT FORTIS

Fortis (TSX/NYSE: FTS) is a well-diversified leader in the North American regulated electric and gas utility industry, with 2023 revenue of $12 billion and total assets of $69 billion as at June 30, 2024. The Corporation's 9,600 employees serve 3.5 million utility customers in five Canadian provinces, ten 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 2023 Annual MD&A and Note 1 to the Interim Financial Statements.

PERFORMANCE AT A GLANCE

Key Financial Metrics

Periods ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2024**	2023	Variance	**2024**	2023	Variance
Revenue	**2,670**	2,594	76	**5,788**	5,913	(125)
Common Equity Earnings						
Actual	**331**	294	37	**790**	731	59
Adjusted [(1)]	**331**	302	29	**790**	741	49
Basic EPS *($)*						
Actual	**0.67**	0.61	0.06	**1.60**	1.51	0.09
Adjusted [(1)]	**0.67**	0.62	0.05	**1.60**	1.53	0.07
Dividends paid per common share *($)*	**0.59**	0.565	0.025	**1.18**	1.13	0.05
Weighted average number of common shares outstanding *(# millions)*	**494.0**	485.4	8.6	**492.8**	484.3	8.5
Operating Cash Flow	**814**	944	(130)	**1,582**	1,859	(277)
Capital Expenditures [(1)]	**1,126**	1,025	101	**2,254**	2,020	234

[(1)] *See "Non-U.S. GAAP Financial Measures" on page 9*

Revenue

The increase in revenue for the quarter was due to: (i) new customer rates at TEP effective September 1, 2023; (ii) the timing of recognition of new cost of capital parameters approved for FortisBC in September 2023, retroactive to January 1, 2023; (iii) Rate Base growth; and (iv) a higher U.S.-to-Canadian dollar foreign exchange rate. The increase was partially offset by lower flow-through costs in customer rates.

The decrease in revenue for the year-to-date period was due to lower flow-through costs in customer rates, driven by lower commodity prices at FortisBC Energy and Central Hudson. The decrease was partially offset by: (i) new customer rates at TEP; (ii) the timing of recognition of new cost of capital parameters at FortisBC; (iii) Rate Base growth; and (iv) a higher foreign exchange rate, all discussed above for the quarter.

Earnings and EPS

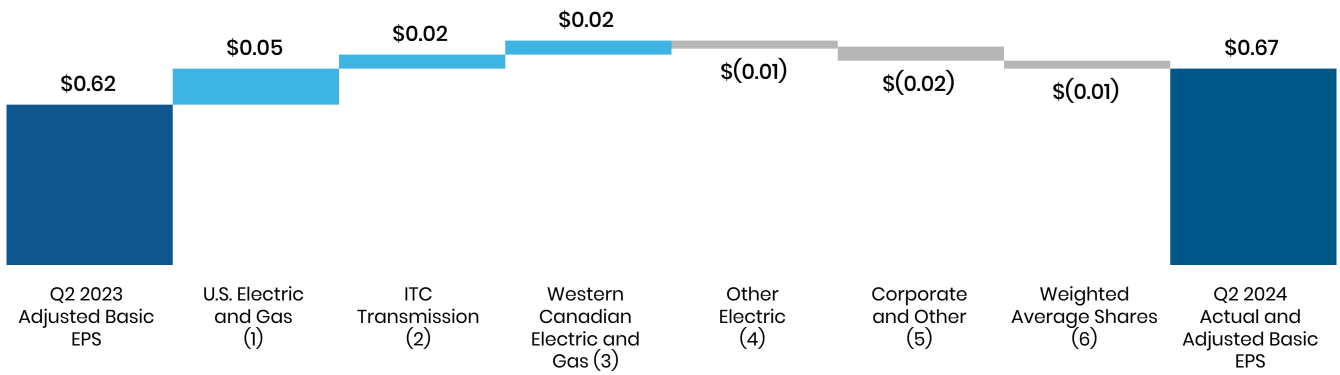
Common Equity Earnings increased by $37 million in comparison to the second quarter of 2023. The increase was driven by strong earnings in Arizona, reflecting new customer rates at TEP effective September 1, 2023 and higher retail electricity sales associated with warmer weather. Rate Base growth across our utilities and the timing of recognition of new cost of capital parameters approved for FortisBC in 2023 also contributed to earnings growth. The increase was partially offset by lower earnings for Central Hudson and the Other Electric segment, largely reflecting higher operating costs.

Common Equity Earnings for the year-to-date period increased by $59 million in comparison to the same period in 2023. The increase was due to higher earnings in Arizona, Rate Base growth, and the new cost of capital parameters at FortisBC, as discussed above. Growth was partially offset by: (i) higher operating costs at Central Hudson; (ii) higher holding company costs, including finance charges and unrealized losses on derivative contracts; and (iii) the November 1, 2023 disposition of Aitken Creek. Although the disposition of Aitken Creek was unfavourable to the change in earnings for the first half of the year, the impact will be neutral for the annual period.

In addition to the above-noted items impacting earnings, the change in EPS for the quarter and year-to-date periods reflected an increase in the weighted average number of common shares outstanding, largely associated with the Corporation's DRIP.

There were no adjustments to Common Equity Earnings for the three and six months ended June 30, 2024. For the three and six months ended June 30, 2023, adjustments to Common Equity Earnings of $8 million and $10 million, respectively, were recognized associated with mark-to-market accounting of natural gas derivatives at Aitken Creek. Refer to "Non-U.S. GAAP Financial Measures" on page 9. The changes in Adjusted Basic EPS for the quarter and year-to-date periods are illustrated in the following chart.

SECOND QUARTER CHANGES IN ADJUSTED BASIC EPS



(1) Includes UNS Energy and Central Hudson. Reflects higher earnings at UNS Energy due to new customer rates at TEP effective September 1, 2023, and higher retail electricity sales due to warmer weather. Also reflects lower earnings at Central Hudson due to higher operating costs and a favourable regulatory adjustment recognized in the second quarter of 2023, partially offset by Rate Base growth

(2) Reflects Rate Base growth partially offset by higher holding company finance costs

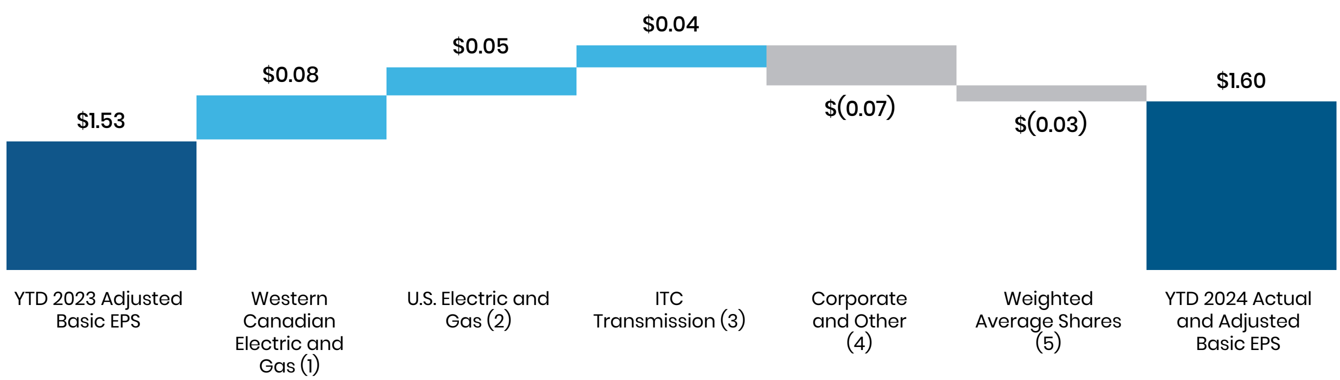
(3) Includes FortisBC Energy, FortisAlberta and FortisBC Electric. Reflects higher earnings at FortisBC due to the timing of recognition of new cost of capital parameters approved in September 2023, retroactive to January 1, 2023. Also reflects lower earnings at FortisAlberta due to the timing of operating and income tax expenses

(4) Reflects higher operating, depreciation and finance costs as well as lower income from equity-accounted investments, partially offset by Rate Base growth

(5) Reflects the disposition of Aitken Creek in November 2023 and higher finance costs

(6) Weighted average shares of 494.0 million in 2024 compared to 485.4 million in 2023

YEAR-TO-DATE CHANGES IN ADJUSTED BASIC EPS



(1) Includes FortisBC Energy, FortisAlberta and FortisBC Electric. Reflects higher earnings at FortisBC due to the timing of recognition of new cost of capital parameters approved in September 2023, retroactive to January 1, 2023. Also reflects higher earnings at FortisAlberta due to Rate Base growth, an increase in the allowed ROE and higher demand charges and customer additions

(2) Includes UNS Energy and Central Hudson. Reflects higher earnings at UNS Energy due to new customer rates at TEP effective September 1, 2023, higher retail electricity sales due to warmer weather, and favourable margins on wholesale sales, partially offset by higher operating costs. Also reflects lower earnings at Central Hudson due to higher operating costs and a favourable regulatory adjustment recognized in the second quarter of 2023, partially offset by Rate Base growth

(3) Reflects Rate Base growth and lower non-recoverable stock-based compensation costs, partially offset by higher holding company finance costs

(4) Reflects the disposition of Aitken Creek in 2023, unrealized losses on derivative contracts and higher finance costs

(5) Weighted average shares of 492.8 million in 2024 compared to 484.3 million in 2023

Dividends and TSR

Fortis paid a dividend of $0.59 per common share in the second quarter of 2024, up 4.4% from $0.565 paid in the second quarter of 2023.

Fortis has increased its common share dividends paid for 50 consecutive years and is targeting annual dividend growth of approximately 4-6% through 2028. See "Outlook" on page 18.

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

TSR [(1)] *(%)*	**1-Year**	**5-Year**	**10-Year**	**20-Year**
Fortis	**(2.8)**	**4.4**	**9.1**	**10.7**

[(1)] *Annualized TSR per Bloomberg as at June 30, 2024*

Operating Cash Flow

The $130 million and $277 million decrease in Operating Cash Flow for the quarter and year-to-date periods was primarily due to FortisBC Energy, driven by the timing of flow-through costs in customer rates as well as changes in working capital. The decrease was also due to: (i) the disposition of Aitken Creek in November 2023, which contributed $20 million and $120 million of cash flow for the three and six months ended June 30, 2023, respectively, associated with changes in working capital balances; and (ii) the timing of transmission-related amounts in Alberta. The decrease was partially offset by: (i) higher cash earnings, reflecting Rate Base growth, as well as new customer rates and higher sales at TEP; and (ii) higher collection of flow-through costs in Arizona.

Capital Expenditures

Capital Expenditures were approximately $2.3 billion year-to-date June 2024, representing 48% of the Corporation's annual $4.8 billion Capital Plan. Capital Expenditures were $0.2 billion higher compared to the same period in 2023, largely related to the construction of the Eagle Mountain Woodfibre Gas Line project at FortisBC Energy.

Capital Expenditures and Capital Plan reflect Non-U.S. GAAP Financial Measures. Refer to "Non-U.S. GAAP Financial Measures" on page 9 and in the "Glossary" on page 19.

BUSINESS UNIT PERFORMANCE

Common Equity Earnings

Periods ended June 30	Quarter				Year-to-Date			
			Variance				Variance	
($ millions)	**2024**	2023	FX [(1)]	Other	**2024**	2023	FX [(1)]	Other
Regulated Utilities								
ITC	**139**	127	2	10	**277**	253	2	22
UNS Energy	**104**	70	2	32	**192**	160	2	30
Central Hudson	**5**	17	—	(12)	**42**	49	—	(7)
FortisBC Energy	**31**	23	—	8	**177**	147	—	30
FortisAlberta	**40**	41	—	(1)	**85**	81	—	4
FortisBC Electric	**20**	18	—	2	**40**	36	—	4
Other Electric [(2)]	**38**	42	—	(4)	**72**	72	—	—
	377	338	4	35	**885**	798	4	83
Non-Regulated								
Corporate and Other [(3)]	**(46)**	(44)	(2)	—	**(95)**	(67)	(2)	(26)
Common Equity Earnings	**331**	294	2	35	**790**	731	2	57

[(1)] *The reporting currency of ITC, UNS Energy, Central Hudson, Caribbean Utilities, FortisTCI and Fortis Belize 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. Certain corporate and non-regulated holding company transactions, included in the Corporate and Other segment, are denominated in U.S. dollars.*

[(2)] *Consists of the utility operations in eastern Canada and the Caribbean: Newfoundland Power; Maritime Electric; FortisOntario; Wataynikaneyap Power; Caribbean Utilities; FortisTCI; and Belize Electricity*

[(3)] *Consists of non-regulated holding company expenses, as well as long-term contracted generation assets in Belize. Also includes Aitken Creek up to the November 1, 2023 date of disposition*

ITC

Periods ended June 30	Quarter				Year-to-Date			
			Variance				Variance	
($ millions)	**2024**	2023	FX	Other	**2024**	2023	FX	Other
Revenue [1]	**556**	519	9	28	**1,106**	1,038	9	59
Earnings [1]	**139**	127	2	10	**277**	253	2	22

[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, for the quarter and year-to-date periods was due primarily to Rate Base growth and higher flow-through costs in customer rates.

Earnings

The increase in earnings, net of foreign exchange, for the quarter and year-to-date periods was due to Rate Base growth, partially offset by higher holding company finance costs. Lower non-recoverable stock-based compensation costs also contributed to the year-to-date increase in earnings.

UNS Energy

Periods ended June 30	Quarter				Year-to-Date			
			Variance				Variance	
($ millions, except as indicated)	**2024**	2023	FX	Other	**2024**	2023	FX	Other
Retail electricity sales *(GWh)*	**2,708**	2,594	—	114	**4,891**	4,816	—	75
Wholesale electricity sales *(GWh)* [1]	**1,386**	1,252	—	134	**3,190**	2,631	—	559
Gas sales *(PJ)*	**3**	3	—	—	**10**	11	—	(1)
Revenue	**710**	661	11	38	**1,465**	1,401	11	53
Earnings	**104**	70	2	32	**192**	160	2	30

[1] *Primarily short-term wholesale sales*

Sales

The increase in retail electricity sales for the quarter and year-to-date periods was due primarily to higher air conditioning load associated with warmer temperatures in the second quarter of 2024. The increase in retail electricity sales year to date was partially offset by lower heating load associated with milder temperatures in the first quarter of 2024.

The increase in wholesale electricity sales was driven by higher short-term wholesale sales, partially offset by lower long-term wholesale sales. Revenue from short-term wholesale sales, which relate to contracts that are less than one-year in duration, is primarily credited to customers through the PPFAC mechanism and, therefore, does not materially impact earnings.

Gas sales for the quarter and year-to date periods were relatively consistent with the comparable periods in 2023.

Revenue

The increase in revenue, net of foreign exchange, for the quarter and year-to-date periods was due primarily to: (i) new customer rates at TEP effective September 1, 2023; (ii) the recovery of overall higher fuel and non-fuel costs through the normal operation of regulatory mechanisms; and (iii) higher retail electricity sales, discussed above. The increase was partially offset by lower wholesale sales revenue, largely driven by unfavourable pricing on short-term wholesale sales.

Earnings

The increase in earnings, net of foreign exchange, for the quarter and year-to-date periods was due to: (i) higher retail revenue associated with new customer rates at TEP effective September 1, 2023, following the conclusion of the general rate application; and (ii) higher retail electricity sales, discussed above. The increase was partially offset by higher depreciation expense, due to new depreciation rates also approved as part of the rate application. The increase in earnings for the year-to-date period was also due to higher margins on wholesale sales, reflecting market conditions, partially offset by higher operating costs due to inflationary increases.

Central Hudson

Periods ended June 30	Quarter				Year-to-Date			
			Variance				Variance	
($ millions, except as indicated)	**2024**	2023	FX	Other	**2024**	2023	FX	Other
Electricity sales *(GWh)*	**1,170**	1,143	—	27	**2,471**	2,410	—	61
Gas sales *(PJ)*	**4**	4	—	—	**13**	13	—	—
Revenue	**303**	317	5	(19)	**678**	759	5	(86)
Earnings	**5**	17	—	(12)	**42**	49	—	(7)

Sales

The increase in electricity sales for the quarter and year-to-date periods was due primarily to higher average consumption by commercial customers.

Gas sales for the quarter and year-to-date periods were consistent with the comparable periods in 2023.

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 decrease in revenue, net of foreign exchange, for the quarter and year-to-date periods was due primarily to the flow through of lower energy supply costs driven by commodity prices, as well as a favourable regulatory adjustment recognized in the second quarter of 2023 that did not reoccur in 2024. The decrease was partially offset by an increase in gas and electricity delivery rates effective July 1, 2023.

Earnings

The decrease in earnings for the quarter and year-to-date periods was due primarily to higher operating costs, including Central Hudson's US$4 million contribution to a customer benefit fund recorded in June 2024 (see "Regulatory Matters" on page 10). The conclusion of Central Hudson's 2024 general rate application and related rebasing of customer rates, with retroactive application to July 1, 2024, is expected to provide cost recovery that is better aligned with ongoing operating costs going forward. The decrease in earnings was also due to the favourable regulatory adjustment recognized in the second quarter of 2023, discussed above, partially offset by Rate Base growth.

FortisBC Energy

Periods ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2024**	2023	Variance	**2024**	2023	Variance
Gas sales *(PJ)*	**43**	41	2	**121**	120	1
Revenue	**336**	362	(26)	**897**	1,117	(220)
Earnings	**31**	23	8	**177**	147	30

Sales

Gas sales for the quarter and year-to-date periods were largely consistent with the comparable periods in 2023.

Revenue

The decrease in revenue for the quarter and year-to-date periods was due primarily to a lower cost of natural gas recovered from customers. The decrease was partially offset by the timing of recognition of new cost of capital parameters approved by the BCUC in September 2023, retroactive to January 1, 2023. The BCUC decision resulted in an increase in the ROE and common equity component of capital structure from 8.75% and 38.5%, respectively, as reflected in the first half of 2023, to 9.65% and 45%, respectively. The normal operation of regulatory mechanisms also contributed to the decrease in revenue for the year-to-date period.

Earnings

The increase in earnings for the quarter and year-to-date periods was due primarily to the timing of recognition of new cost of capital parameters, as discussed above, partially offset by the timing of 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

Periods ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2024**	2023	Variance	**2024**	2023	Variance
Electricity deliveries *(GWh)*	**3,930**	3,899	31	**8,508**	8,409	99
Revenue	**204**	181	23	**401**	360	41
Earnings	**40**	41	(1)	**85**	81	4

Deliveries

The increase in electricity deliveries for the quarter and year-to-date periods was due primarily to 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

The increase in revenue for the quarter and year-to-date periods was due to: (i) an increase in the allowed ROE from 8.50% to 9.28%, as approved by the AUC, effective January 1, 2024; (ii) Rate base growth, including changes associated with the third PBR term beginning January 1, 2024; and (iii) higher industrial and commercial demand charges, as well as customer additions.

Earnings

The decrease in earnings for the quarter was due to the timing of costs, including operating and income tax expenses.

The increase in earnings year to date was due primarily to the increase in allowed ROE, Rate Base growth, and higher demand charges and customer additions, as discussed above. The increase in earnings was partially offset by higher operating expenses due to inflationary increases, as well as the timing of operating and income tax expenses.

FortisBC Electric

Periods ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2024**	2023	Variance	**2024**	2023	Variance
Electricity sales *(GWh)*	**757**	784	(27)	**1,733**	1,755	(22)
Revenue	**120**	116	4	**266**	255	11
Earnings	**20**	18	2	**40**	36	4

Sales

The decrease in electricity sales for the quarter and year-to-date periods was due to lower average consumption by residential customers due to cooler weather during the second quarter, partially offset by higher average consumption by industrial customers.

Revenue

The increase in revenue for the quarter and year-to-date periods was due primarily to Rate Base growth and the timing of recognition of new cost of capital parameters approved by the BCUC in September 2023, retroactive to January 1, 2023. The BCUC decision resulted in an increase in the ROE and common equity component of capital structure from 9.15% and 40%, respectively, as reflected in the first half of 2023, to 9.65% and 41%, respectively. The increase in revenue was partially offset by lower electricity sales.

Earnings

The increase in earnings for the quarter and year-to-date periods was due to Rate Base growth, the timing of recognition of new cost of capital parameters, as discussed above, and the timing of operating costs.

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

Other Electric

Periods ended June 30	Quarter				Year-to-Date			
			Variance				Variance	
($ millions, except as indicated)	**2024**	2023	FX	Other	**2024**	2023	FX	Other
Electricity sales *(GWh)*	**2,303**	2,294	—	9	**5,422**	5,331	—	91
Revenue	**433**	420	2	11	**960**	927	2	31
Earnings	**38**	42	—	(4)	**72**	72	—	—

Sales

Electricity sales for the quarter were consistent with the second quarter of 2023.

The year-to-date increase in electricity sales was due primarily to higher average consumption by residential and commercial customers, as well as customer additions. Higher average consumption was largely due to the conversion of home heating systems from oil to electric in eastern Canada, and tourism-related activities in the Caribbean.

Revenue

The increase in revenue for the quarter and year-to-date periods was primarily due to Rate Base growth. The flow-through of higher energy supply costs also contributed to the increase in revenue for the quarter.

Earnings

The decrease in earnings for the quarter was due primarily to higher operating, depreciation and finance costs, particularly at Newfoundland Power for which a regulatory proceeding for cost recovery remains ongoing. Lower income from equity-accounted investments also contributed to the decrease in earnings, partially offset by Rate Base growth.

Earnings for the year-to-date period were consistent with the comparable period in 2023.

Corporate and Other

Periods ended June 30	Quarter				Year-to-Date			
			Variance				Variance	
($ millions, except as indicated)	**2024**	2023	FX	Variance	**2024**	2023	FX	Other
Electricity sales *(GWh)* [(1)]	**41**	29	—	12	**76**	60	—	16
Revenue [(2)]	**8**	18	—	(10)	**15**	56	—	(41)
Net loss [(3)]	**(46)**	(44)	(2)	—	**(95)**	(67)	(2)	(26)

(1) *Reflects electricity sales at Fortis Belize*
(2) *Includes revenue for Fortis Belize as well as revenue for Aitken Creek up to the November 1, 2023 date of disposition*
(3) *Includes non-regulated holding company expenses, earnings for Fortis Belize, as well as earnings for Aitken Creek up to the November 1, 2023 date of disposition*

Sales

The increase in electricity sales for the quarter and year-to-date periods reflected higher hydroelectric production in Belize associated with rainfall levels.

Revenue

The decrease in revenue for the quarter and year-to-date periods reflected the disposition of Aitken Creek in November 2023.

Net Loss

The net loss in the quarter, net of foreign exchange, was consistent with the second quarter of 2023.

The disposition of Aitken Creek in November 2023 had a $8 million unfavourable impact on the net loss in the Corporate and Other segment for the year-to-date period. Although the disposition was unfavourable in comparison to the first half of 2023, the impact will be neutral for the annual period. Absent the disposition of Aitken Creek, the net loss, excluding foreign exchange, increased by approximately $18 million due to: (i) unrealized losses on derivative contracts as compared to unrealized gains recognized in the first half of 2023; and (ii) higher holding company finance costs. These impacts were partially offset by lower operating costs and higher hydroelectric production in Belize.

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

Periods ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2024**	2023	Variance	**2024**	2023	Variance
Adjusted Common Equity Earnings and Adjusted Basic EPS						
Common Equity Earnings	**331**	294	37	**790**	731	59
Adjusting item:						
Unrealized loss on mark-to-market of derivatives at Aitken Creek [(1)]	**—**	8	(8)	**—**	10	(10)
Adjusted Common Equity Earnings	**331**	302	29	**790**	741	49
Adjusted Basic EPS *($)*	**0.67**	0.62	0.05	**1.60**	1.53	0.07
Capital Expenditures						
Additions to property, plant and equipment	**1,064**	938	126	**2,135**	1,845	290
Additions to intangible assets	**48**	44	4	**90**	91	(1)
Adjusting item:						
Wataynikaneyap Transmission Power Project [(2)]	**14**	43	(29)	**29**	84	(55)
Capital Expenditures	**1,126**	1,025	101	**2,254**	2,020	234

[(1)] *Represents the mark-to-market accounting of natural gas derivatives at Aitken Creek, net of income tax recovery of $3 million and $4 million for the three and six months ended June 30, 2023, respectively, included in the Corporate and Other segment. The sale of Aitken Creek closed on November 1, 2023*

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

FOCUS ON SUSTAINABILITY

Fortis' focus on sustainability is outlined in its 2023 Annual MD&A and the Corporation continues to advance work on a range of sustainability initiatives. In July 2024, Fortis released its 2024 Sustainability Report which summarizes progress and includes key performance indicators for 2023. The Corporation has reduced direct GHG emissions by 33% through 2023 compared to 2019 levels, marking significant progress towards its interim targets to reduce GHG emissions 50% by 2030 and 75% by 2035, as well as its 2050 net-zero direct GHG emissions target. Also in 2023, GHG intensity factors related to energy delivered to customers and electricity generated reached the lowest levels in the last five years.

The Corporation released its 2024 Climate Report in March 2024, building on the 2022 TCFD and Climate Assessment and further detailing our understanding of climate-related impacts across the Fortis group of companies. The report provides climate scenario analysis using low and high emissions scenarios over three time horizons, outlines physical risks and opportunities for priority assets using nine climate hazards, and assesses transition risks and opportunities using a framework based on enterprise risk management principles. The report further details mitigation and resiliency activities across Fortis utilities, and provides enhanced disclosures on climate governance.

As we transition to a cleaner energy future, customer affordability, safety and reliability remain top priorities and are the cornerstones of our sustainability strategy. Fortis utilities continue to focus on controlling costs, identifying efficiencies and implementing innovative practices to maintain affordability.

Sustainability and Climate-Related Disclosures

In March 2024, the CSSB issued the exposure drafts, CSDS S1, *General Requirements for Disclosure of Sustainability-Related Financial Information*, and CSDS S2, *Climate-Related Disclosures*, which outline proposed disclosure requirements requiring an entity to disclose information about its sustainability-related and climate-related risks and opportunities, including the disclosure of material Scope 1, 2 and 3 GHG emissions. The CSSB continues to deliberate the proposed standards, which must be adopted by the Canadian Securities Administrators to become mandatory for Canadian reporting issuers. The content and timing of the final disclosure requirements are unknown.

In March 2024, the SEC released Rule No. 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, which outlines climate-related disclosure requirements. The rule requires disclosure of the financial effects of severe weather events and other natural conditions, as well as other climate-related financial information, in the notes to the financial statements. In addition, the rule requires disclosure of risk management, governance and oversight activities, the impact of material climate-related risks on a company's strategy, business model and outlook, and details of material climate-related targets or goals. Disclosure of material Scope 1 and 2 GHG emissions is also required for certain filers. The SEC subsequently voluntarily stayed the rule pending completion of judicial review by the Court of Appeals for the Eighth Circuit. While such rules do not apply to Fortis, as a foreign private issuer filing in the U.S. using Form 40-F, management is reviewing the standard, in conjunction with the proposals in Canada, to assess the potential impact on the Corporation's disclosures.

REGULATORY MATTERS

ITC

MISO Base ROE: In 2022, the D.C. Circuit Court issued a decision vacating certain FERC orders that had established the methodology for setting the base ROE for transmission owners operating in the MISO region, including ITC. This matter dates back to complaints filed at FERC in 2013 and 2015 challenging the MISO base ROE then in effect. The court has remanded the matter to FERC for further process, the timing and outcome of which remain unknown.

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 three years. The timing and outcome of this proceeding remain unknown.

Although any potential impact to Fortis is uncertain, every 10-basis point change in ROE at ITC impacts Fortis' annual EPS by approximately $0.01.

Transmission ROFR: In December 2023, the Iowa District Court ruled that the manner in which Iowa's ROFR statute was passed is unconstitutional. The statute granted incumbent electric transmission owners, including ITC, a ROFR to construct, own and maintain certain electric transmission assets in the state. The District Court did not make any determination on the merits of the ROFR itself, but did issue a permanent injunction preventing ITC and others from taking further action to construct the MISO LRTP tranche 1 Iowa projects in reliance on the ROFR.

In July 2024, a judge on the Iowa Supreme Court granted a motion filed by ITC requesting a stay of the injunction issued by the District Court. With the stay of the injunction in place, ITC is permitted to advance construction of all Iowa tranche 1 projects originally awarded to the company. Certain complainants have requested that the judge's order be reviewed by a full quorum of the Iowa Supreme Court.

MISO's decision with respect to the assignment of the tranche 1 LRTP projects was finalized on July 25, 2022. MISO is the only entity charged with determining what projects are to be competitively bid pursuant to its tariff. Regardless of any quorum review by the Iowa Supreme Court, approximately 70% of the Iowa tranche 1 projects are upgrades to ITC facilities along existing rights-of-way, which under MISO's tariff grants ITC the option to construct the upgrades. In addition, MISO is conducting a variance analysis for the first tranche of MISO’s LRTP projects in Iowa, and we believe the process should reaffirm the initial award of the projects.

Approximately US$900 million of capital expenditures associated with the first tranche of MISO's LRTP in Iowa is reflected in the 2024-2028 Capital Plan. Until there is more certainty around the resolution of these matters, we cannot predict the impact on the timing of capital expenditures related to the LRTP tranche 1 Iowa projects.

Central Hudson

2024 General Rate Application: In July 2024, the PSC approved a one-year rate plan for Central Hudson with retroactive application to July 1, 2024, including an allowed ROE of 9.5%, an increase from the previous allowed ROE of 9.0%. The decision also concluded that there will be no change in the common equity component of capital structure of 48%.

CIS Implementation: In June 2024, the PSC issued an order that concluded the investigation concerning Central Hudson's billing system implementation. The PSC also released the final report issued by an independent third-party which determined that the CIS is stable and the critical issues have been resolved. As part of the order, total costs of US$63 million were agreed to not be recovered from customers, of which the majority were recognized prior to 2024. The remaining costs to be recognized associated with the order, including Central Hudson's US$4 million contribution to a customer benefit fund recorded in the second quarter of 2024, are not expected to be material.

FortisBC Energy and FortisBC Electric

2025-2027 Rate Framework: In April 2024, FortisBC filed an application with the BCUC requesting approval of a rate framework for the period 2025 through 2027. The rate framework builds upon the current multi-year rate plan and includes, amongst other items, a revised level of operation and maintenance expense per customer indexed for inflation less a fixed productivity adjustment factor, a similar approach to growth capital, a forecast approach to sustaining and other capital, continued collection of an innovation fund recognizing the need to accelerate investment in clean energy innovation, and the continued sharing with customers of variances from the allowed ROE. The rate framework also proposes the continuation of deferral mechanisms currently in place. The regulatory process will continue throughout 2024, with a decision expected in mid-2025.

FortisAlberta

GCOC Decision: In October 2023, the AUC issued a decision on the 2024 GCOC proceeding. In November 2023, FortisAlberta sought permission to appeal the GCOC decision to the Court of Appeal on the basis that the AUC erred in its decision to not adjust FortisAlberta's ROE and common equity component of capital structure to address incremental business risk associated with competition from REAs located in FortisAlberta's service area, as well as heightened regulatory risk due to the non-recovery of costs attributable to REAs. In April 2024, the Court of Appeal granted FortisAlberta permission to appeal, which is expected to be complete in the first quarter of 2025.

Third PBR Term Decision: In October 2023, the AUC issued a decision establishing the parameters for the third PBR term for the period of 2024 through 2028. In November 2023, FortisAlberta sought permission to appeal the decision to the Court of Appeal on the basis that the AUC erred in its decision to determine capital funding using 2018-2022 historical capital investments without consideration for funding of new capital programs included in the company's 2023 COS revenue requirement as approved by the AUC. The timing and outcome of a decision on the request for appeal is unknown.

FINANCIAL POSITION

Significant Changes between June 30, 2024 and December 31, 2023

Balance Sheet Account	**Increase (Decrease)**		
($ millions)	**FX**	**Other**	**Explanation**
Regulatory assets (current and long-term)	**46**	**112**	Due to the normal operation of various regulatory mechanisms including: (i) an increase in deferred income taxes, and (ii) the deferral of incremental storm restoration costs at Central Hudson.
Property, plant and equipment, net	**926**	**1,325**	Due to capital expenditures, partially offset by depreciation.
Accounts payable and other current liabilities	**45**	**(641)**	Due to the timing of the declaration of common share dividends, as well as lower amounts owing for energy supply costs at FortisBC Energy and transmission costs at FortisAlberta.
Deferred income taxes	**91**	**167**	Due to higher temporary differences associated with ongoing capital investments.
Long-term debt (including current portion)	**633**	**1,137**	Reflects debt issuances, partially offset by debt repayments, as well as higher borrowings under committed credit facilities, in support of the Corporation's Capital Plan.
Shareholders' equity	**511**	**733**	Due primarily to: (i) Common Equity Earnings for the six months ended June 30, 2024, 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 credit facilities, the operation of the DRIP, as well as issuances of long-term debt, preference equity, and common shares including those issued through the ATM Program. 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 Corporation's total revolving credit facilities. Approximately $6.0 billion of the total credit facilities are committed with maturities ranging from 2024 through 2029. Available credit facilities are summarized in the following table.

Credit Facilities

As at *($ millions)*	Regulated Utilities	Corporate and Other	**June 30, 2024**	December 31, 2023
Total credit facilities [1]	4,234	2,260	**6,494**	6,176
Credit facilities utilized:				
Short-term borrowings	(68)	—	**(68)**	(119)
Long-term debt (including current portion)	(1,192)	(814)	**(2,006)**	(1,572)
Letters of credit outstanding	(55)	(21)	**(76)**	(101)
Credit facilities unutilized	2,919	1,425	**4,344**	4,384

[1] *See Note 14 in the 2023 Annual Financial Statements for a description of the credit facilities as at December 31, 2023.*

In April 2024, FortisBC Energy increased its operating credit facility from $700 million to $900 million and extended the maturity to July 2028. In May 2024, FortisBC Electric increased its operating credit facility from $150 million to $200 million and extended the maturity to April 2028.

In May 2024, the Corporation extended the maturity on its unsecured US$500 million non-revolving term credit facility to May 2025. The facility is repayable at any time without penalty. In June 2024, the Corporation amended its $1.3 billion revolving term committed credit facility to extend the maturity to July 2029.

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 June 30, 2024, consolidated fixed-term debt maturities/repayments are expected to average $1,555 million annually over the next five years and approximately 74% of the Corporation's consolidated long-term debt, excluding credit facility borrowings, had maturities beyond five years.

In November 2022, 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. In September 2023, Fortis established an ATM Program pursuant to the short-form base shelf prospectus, that allows the Corporation to issue up to $500 million of common shares from treasury to the public from time to time, at the Corporation's discretion, effective until December 22, 2024. As at June 30, 2024, $500 million remained available under the ATM Program and $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.

Fortis and its subsidiaries were in compliance with debt covenants as at June 30, 2024 and are expected to remain compliant in 2024.

Cash Flow Summary

Summary of Cash Flows

Periods ended June 30	Quarter			Year-to-Date		
($ millions)	**2024**	2023	Variance	**2024**	2023	Variance
Cash and cash equivalents, beginning of period	**569**	576	(7)	**625**	209	416
Cash from (used in):						
Operating activities	**814**	944	(130)	**1,582**	1,859	(277)
Investing activities	**(1,147)**	(1,013)	(134)	**(2,286)**	(1,954)	(332)
Financing activities	**319**	209	110	**623**	597	26
Effect of exchange rate changes on cash and cash equivalents	**6**	(7)	13	**17**	(2)	19
Change in cash associated with assets held for sale	**—**	(19)	19	**—**	(19)	19
Cash and cash equivalents, end of period	**561**	690	(129)	**561**	690	(129)

Operating Activities

See "Performance at a Glance - Operating Cash Flow" on page 4.

Investing Activities

The increase in cash used in investing activities reflects higher capital expenditures. The Corporation's Capital Plan for 2024 is estimated to be $4.8 billion, an increase of approximately 10% from $4.3 billion in 2023. See "Capital Plan" on page 15.

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. See "Cash Flow Requirements" on page 11.

Debt Financing

Significant Long-Term Debt Issuances

Year-to-date June 30, 2024 *($ millions, except as noted)*	Month Issued	Interest Rate *(%)*	Maturity		**Amount**	Use of Proceeds
ITC						
Secured senior notes	January	5.98	2034	**US**	**85**	(1) (2) (3)
First mortgage bonds	January	5.11	2029	**US**	**75**	(1) (2) (3)
First mortgage bonds	January	5.38	2034	**US**	**75**	(1) (2) (3)
Unsecured senior notes	May	5.65	2034	**US**	**400**	(3) (4)
Central Hudson						
Senior notes	April	5.59	2031	**US**	**25**	(1) (3)
Senior notes	April	5.69	2034	**US**	**35**	(1) (3)
FortisAlberta						
Unsecured debentures	May	4.90	2054		**300**	(1) (2) (3) (4)
Caribbean Utilities						
Unsecured senior notes	May	6.17	2039	**US**	**40**	(1) (2) (3) (5)
Unsecured senior notes	May	6.37	2049	**US**	**40**	(1) (2) (3) (5)
UNS Energy						
Unsecured senior notes	June	5.60	2036	**US**	**30**	(1) (3)

(1) *Repay short-term and/or credit facility borrowings*
(2) *Fund capital expenditures*
(3) *General corporate purposes*
(4) *Repay maturing long-term debt*
(5) *Total of US$50 million expected to be used to fund or refinance a portfolio of new and/or existing qualifying green initiatives*

Common Equity Financing

Common Equity Issuances and Dividends Paid

Periods ended June 30	Quarter			Year-to-Date		
($ millions, except as indicated)	**2024**	2023	Variance	**2024**	2023	Variance
Common shares issued:						
Cash [(1)]	**8**	14	(6)	**21**	28	(7)
Non-cash [(2)]	**106**	102	4	**217**	205	12
Total common shares issued	**114**	116	(2)	**238**	233	5
Number of common shares issued *(# millions)*	**2.2**	2.0	0.2	**4.6**	4.2	0.4
Common share dividends paid:						
Cash	**(184)**	(172)	(12)	**(363)**	(342)	(21)
Non-cash [(3)]	**(107)**	(102)	(5)	**(218)**	(205)	(13)
Total common share dividends paid	**(291)**	(274)	(17)	**(581)**	(547)	(34)
Dividends paid per common share *($)*	**0.59**	0.565	0.025	**1.18**	1.13	0.05

(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 8, 2024, Fortis declared a dividend of $0.59 per common share which was paid on June 1, 2024 and on July 30, 2024, Fortis declared a dividend of $0.59 per common share payable on September 1, 2024. The payment of dividends is at the discretion of the Board and depends on the Corporation's financial condition and other factors.

On March 1, 2024, the annual fixed dividend per share for the First Preference Shares, Series K was reset from $0.9823 to $1.3673 for the five-year period up to but excluding March 1, 2029.

Contractual Obligations

There were no material changes to the contractual obligations disclosed in the 2023 Annual MD&A, except issuances of long-term debt and credit facility utilization (see "Cash Flow Summary" on page 13).

Off-Balance Sheet Arrangements

There were no material changes to off-balance sheet arrangements from those disclosed in the 2023 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

	June 30, 2024		December 31, 2023	
As at	*($ millions)*	*(%)*	*($ millions)*	*(%)*
Debt [(1)]	**31,146**	**55.8**	29,364	55.7
Preference shares	**1,623**	**2.9**	1,623	3.1
Common shareholders' equity and non-controlling interests [(2)]	**23,034**	**41.3**	21,709	41.2
	55,803	**100.0**	52,696	100.0

(1) *Includes long-term debt and finance leases, including current portion, and short-term borrowings, net of cash*
(2) *Includes shareholders' equity, excluding preference shares, and non-controlling interests. Non-controlling interests represented 3.4% as at June 30, 2024 (December 31, 2023 - 3.5%)*

Outstanding Share Data

As at July 30, 2024, the Corporation had issued and outstanding 495.2 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.

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 July 30, 2024, an additional 1.8 million common shares would be issued and outstanding.

Credit Ratings

The Corporation's credit ratings shown below reflect its low business 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 June 30, 2024	Rating	Type	Outlook
S&P	A-	Issuer	Negative
	BBB+	Unsecured debt	
Morningstar DBRS	A (low)	Issuer	Stable
	A (low)	Unsecured debt	Stable
Moody's	Baa3	Issuer	Stable
	Baa3	Unsecured debt	

In February 2024, Moody's confirmed the Corporation's Baa3 issuer and senior unsecured debt credit ratings and stable outlook.

In February 2024, Fitch revised Central Hudson's senior unsecured debt rating from A- to BBB+ and changed the outlook from negative to stable. Fitch indicated the rating reflects its view of limited visibility associated with Central Hudson's 2024 general rate application, as well as the company's pressured credit metrics and elevated accounts receivable balance.

In May 2024, Morningstar DBRS confirmed the Corporation's A (low) issuer and senior unsecured debt credit ratings and stable outlook.

Capital Plan

Year-to-date Capital Expenditures of $2.3 billion are consistent with expectations and the Corporation's annual $4.8 billion Capital Plan is on track.

Capital Expenditures [1]

Year-to-date June 30, 2024	Regulated Utilities									
($ millions, except as indicated)	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Total Regulated Utilities**	**Non-Regulated Corporate and Other**	**Total [1]**
Total	666	423	187	423	263	60	230	**2,252**	**2**	**2,254**

[1] *See "Non-U.S. GAAP Financial Measures" on page 9*

Five-Year Capital Plan

The 2024-2028 Capital Plan is targeted at $25 billion, reflecting an average of $5 billion of Capital Expenditures annually. Fortis expects to invest approximately $7 billion in Cleaner Energy over the five-year period, largely related to connecting renewables to the grid, renewable and storage investments in Arizona and the Caribbean, and cleaner natural gas solutions in British Columbia. The Capital Plan is low risk and highly executable, with nearly 100% of planned expenditures to occur at the regulated utilities and approximately 20% of investments relating to Major Capital Projects. Geographically, 58% of planned expenditures are expected in the U.S., including 29% at ITC, with 38% in Canada and the remaining 4% in the Caribbean.

Planned Capital Expenditures are based on detailed forecasts of energy demand as well as labour and material costs, including inflation, 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 Projects Update

Wataynikaneyap Transmission Power Project
During the second quarter of 2024, construction of the 1,800-kilometre Wataynikaneyap Power Transmission project required to energize the First Nation communities was completed. The project is majority-owned by 24 First Nations, with Fortis having a 39% ownership interest.

Okanagan Capacity Upgrade Project
In July 2024, FortisBC Energy filed an update with the BCUC outlining mitigation solutions for capacity shortfalls in the Okanagan region due to expected gas load growth. As part of the update, a change in scope of the project was proposed, with a revised capital expenditure request of approximately $40 million. The regulatory process with respect to the revised Okanagan Capacity Upgrade project will continue throughout 2024.

Additional Investment Opportunities

ITC - MISO LRTP
In June 2024, MISO released a near-final map of the LRTP projects that it has now identified as tranche 2.1, with transmission investments in the MISO Midwest subregion estimated in the range of US$23 billion to US$27 billion. MISO Board approval of the portfolio is expected in the fourth quarter of 2024. The potential capital investment at ITC for tranche 2.1 projects is unknown at this time.

FortisBC Energy - LNG

During 2024, provincial and federal environmental assessment certificates were issued for the Tilbury Marine Jetty project. The construction of the jetty supports further expansion of FortisBC's Tilbury LNG facility, which is uniquely positioned to meet customer demand for LNG. The site is scalable, can accommodate additional storage and liquefaction equipment and is close to international shipping lanes. Once constructed, the jetty would utilize FortisBC Energy's assets at the Tilbury site, including the Tilbury Phase 1B Expansion Project yet to be constructed, to service marine bunkering.

BUSINESS RISKS

The Corporation's business risks remain substantially unchanged from those disclosed in its 2023 Annual MD&A. See "Regulatory Matters" on page 10 and "Outlook" on page 18 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 2023 Annual Financial Statements.

Future Accounting Pronouncements

Segment Reporting: ASU No. 2023-07, *Improvements to Reportable Segment Disclosures*, is effective for Fortis' December 31, 2024 annual financial statements, and for interim periods beginning in 2025, on a retrospective basis. The ASU requires disclosure of incremental segment information, including significant segment expenses and other items that are included in segment profit or loss. Fortis is continuing to assess the impact on its disclosures.

Income Taxes: ASU No. 2023-09, *Improvements to Income Tax Disclosures,* is effective for Fortis on January 1, 2025 on a prospective basis, with retrospective application and early adoption permitted. The ASU requires additional disclosure of income tax information by jurisdiction to reflect an entity's exposure to potential changes in tax legislation, and associated risks and opportunities. This ASU is not expected to materially impact Fortis' disclosures.

Income Tax

In June 2024, the Government of Canada enacted legislation with respect to interest deductibility limitations and global minimum tax, both of which are applicable to Fortis as of January 1, 2024. The Corporation does not expect these tax changes to have a material impact on its financial results, Operating Cash Flow or credit ratings.

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 those disclosed in the 2023 Annual MD&A.

FINANCIAL INSTRUMENTS

Long-Term Debt and Other

As at June 30, 2024, the carrying value of long-term debt, including the current portion, was $31.5 billion (December 31, 2023 - $29.7 billion) compared to an estimated fair value of $28.9 billion (December 31, 2023 - $27.9 billion).

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 portfolio of the Corporation's derivatives from those disclosed in the 2023 Annual MD&A, except for interest rate locks utilized at ITC as disclosed in Note 14 of the Interim Financial Statements.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue ($ millions)	Common Equity Earnings ($ millions)	Basic EPS ($)	Diluted EPS ($)
June 30, 2024	**2,670**	**331**	**0.67**	**0.67**
March 31, 2024	3,118	459	0.93	0.93
December 31, 2023	2,885	381	0.78	0.78
September 30, 2023	2,719	394	0.81	0.81
June 30, 2023	2,594	294	0.61	0.61
March 31, 2023	3,319	437	0.90	0.90
December 31, 2022	3,168	370	0.77	0.77
September 30, 2022	2,553	326	0.68	0.68

Generally, within each calendar year, quarterly results fluctuate 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 impact of market conditions, particularly with respect to long-term wholesale sales at UNS Energy; (iv) the timing and significance of any regulatory decisions; (v) changes in the U.S.-to-Canadian dollar exchange rate; (vi) for revenue, the flow through in customer rates of commodity costs; and (vii) for EPS, increases in the weighted average number of common shares outstanding.

June 2024/June 2023

See "Performance at a Glance" on page 2.

March 2024/March 2023

Common Equity Earnings increased by $22 million and basic EPS increased by $0.03 in comparison to the first quarter of 2023. The increase was due to the timing of recognition of new cost of capital parameters approved for FortisBC in 2023 and Rate Base growth across our utilities. The increase was partially offset by higher holding company costs, including finance charges and unrealized losses on derivative contracts, and the November 1, 2023 disposition of Aitken Creek. In addition, the change in EPS reflected an increase in the weighted average number of common shares outstanding, largely associated with the Corporation's DRIP.

December 2023/December 2022

Common Equity Earnings increased by $11 million and basic EPS increased by $0.01 in comparison to the fourth quarter of 2022. The increase was driven by: (i) Rate Base growth; (ii) higher retail revenue in Arizona, due to new customer rates at TEP; and (iii) the new cost of capital parameters approved for FortisBC effective January 1, 2023. The increase was partially offset by lower earnings at Aitken Creek, due to the November 1, 2023 disposition, as well as the recognition of mark-to-market accounting gains on natural gas derivatives and margins on gas sold in the fourth quarter of 2022. The change in basic EPS also reflected an increase in the weighted average number of common shares outstanding, largely associated with the Corporation's DRIP.

September 2023/September 2022

Common Equity Earnings increased by $68 million and basic EPS increased by $0.13 in comparison to the third quarter of 2022. The increase was primarily due to the new cost of capital parameters approved for FortisBC in September 2023, which resulted in $38 million of earnings in the quarter, including $26 million associated with the retroactive impact to January 1, 2023. The increase in earnings was also driven by higher retail revenue in Arizona, due to warmer weather and new customer rates at TEP effective September 1, 2023, as well as Rate Base growth across our utilities. A higher U.S.-to-Canadian dollar exchange rate and higher earnings at Aitken Creek, reflecting market conditions, also favourably impacted earnings. Earnings were tempered by: (i) lower long-term wholesale and transmission revenue, as well as higher operating costs and income tax expense at UNS Energy; (ii) higher corporate finance costs; and (iii) higher operating expenses at Central Hudson and FortisAlberta, as expected, due to the timing of costs in the first half of the year. The change in basic EPS also reflected an increase in the weighted average number of common shares outstanding, largely associated with the Corporation's 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 and six months ended June 30, 2024 and 2023.

Fortis periodically provides short-term financing to subsidiaries to support capital expenditures and seasonal working capital requirements, the impacts of which are eliminated on consolidation. As at June 30, 2024 and December 31, 2023, there were no material inter-segment loans outstanding. Interest charged on inter-segment loans was not material for the three and six months ended June 30, 2024 and 2023.

OUTLOOK

Fortis continues to enhance shareholder value through the execution of its Capital Plan, the balance and strength of its diversified portfolio of regulated utility businesses, and growth opportunities within and proximate to its service territories. The Corporation's $25 billion five-year Capital Plan is expected to increase midyear Rate Base from $37.0 billion in 2023 to $49.4 billion by 2028, translating into a five-year CAGR of 6.3%.

Beyond the five-year Capital Plan, additional opportunities to expand and extend growth include: continued electrification and load growth; climate adaptation and grid resiliency investments; further expansion of the electric transmission grid in the U.S. to facilitate the interconnection of cleaner energy, including infrastructure investments associated with the IRA and the MISO LRTP; and RNG solutions and LNG infrastructure in British Columbia.

Fortis expects its long-term growth in Rate Base will drive earnings that support dividend growth guidance of 4-6% annually through 2028, and is premised on the assumptions and material factors 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: the expected impact of the disposition of Aitken Creek on earnings for the annual period; targeted annual dividend growth through 2028; the 2030 and 2035 direct GHG emissions reduction targets; the 2050 net-zero direct GHG emissions target; the expected timing, outcome and impact of legal and regulatory proceedings and decisions; the expected funding sources for operating expenses, interest costs and capital expenditures; the expectation that maintaining the capital structures 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 2024; forecast capital expenditures for 2024 and 2024 through 2028, including Cleaner Energy Investments; the nature, timing, benefits and expected costs of certain capital projects including ITC's transmission projects associated with the MISO LRTP, as well as FortisBC's Tilbury LNG Storage Expansion and Tilbury 1B projects, and additional opportunities beyond the Capital Plan, including continued electrification and load growth, climate adaptation and grid resiliency investments, further expansion of the electric transmission grid in the U.S. to facilitate the interconnection of cleaner energy, including infrastructure investments associated with the IRA and the MISO LRTP, and RNG solutions and LNG infrastructure in British Columbia; the potential impact on the Corporation's disclosures of future accounting pronouncements; the expectation that changes to Canadian tax legislation with respect to interest deductibility limitations and global minimum tax will not have a material impact on financial results, Operating Cash Flow or credit ratings; forecast Rate Base and Rate Base growth through 2028; and the expectation that long-term growth in Rate Base will drive earnings that support dividend growth guidance of 4-6% annually through 2028.

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: reasonable outcomes for legal and regulatory proceedings and the expectation of regulatory stability; the successful execution of the Capital Plan; no material capital project or financing cost overrun; sufficient human resources to deliver service and execute the Capital Plan; the realization of additional opportunities beyond the Capital Plan; no significant variability in interest rates; the Board exercising its discretion to declare dividends, taking into account the financial performance and condition of the Corporation; 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 2023 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 2024 include, but are not limited to: uncertainty regarding changes in utility regulation, including the outcome of regulatory proceedings at the Corporation's utilities; the physical risks associated with the provision of electric and gas service, which are exacerbated by the impacts of climate change; risks related to environmental laws and regulations; risks associated with capital projects and the impact on the Corporation's continued growth; risks associated with cybersecurity and information and operations technology; the impact of weather variability and seasonality on heating and cooling loads, gas distribution volumes and hydroelectric generation; risks associated with commodity price volatility and supply of purchased power; and risks related to general economic conditions, including inflation, interest rate and foreign exchange risks.

All forward-looking information herein is given as of July 30, 2024. 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

2023 Annual Financial Statements: the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2023

2023 Annual MD&A: the Corporation's management discussion and analysis for the year ended December 31, 2023

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 9

Aitken Creek: Aitken Creek Gas Storage ULC, a 93.8%-owned subsidiary of FortisBC Holdings Inc., sold on November 1, 2023

ASU: accounting standards update

ATM Program: at-the-market equity program

AUC: Alberta Utilities Commission

BCUC: British Columbia Utilities Commission

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

Board: Board of Directors of the Corporation

CAGR(s): compound annual 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 9

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, 2023) 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

CIS: customer information system

Cleaner Energy Investments: capital expenditures that support reductions in air emissions, water usage and/or increases customer energy efficiency

Common Equity Earnings: net earnings attributable to common equity shareholders

Corporation: Fortis Inc.

COS: cost of service

Court of Appeal: Court of Appeal of Alberta

CSDS: Canadian Sustainability Disclosure Standard

CSSB: Canadian Sustainability Standards Board

D.C. Circuit Court: U.S. Court of Appeals for the District of Columbia Circuit

DRIP: dividend reinvestment plan

EPS: earnings per common share

FERC: Federal Energy Regulatory Commission

Fitch: Fitch Ratings Inc.

Fortis: Fortis Inc.

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

FortisBC: FortisBC Energy and FortisBC Electric

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

Fortis Belize: Fortis Belize Limited, an indirect wholly owned subsidiary of Fortis

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)

Interim Financial Statements: the Corporation's unaudited condensed consolidated interim financial statements and notes thereto for the three and six months ended June 30, 2024

Interim MD&A: the Corporation's management discussion and analysis for the three and six months ended June 30, 2024

IRA: Inflation Reduction Act of 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 in the forecast/planning period

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.

Morningstar DBRS: DBRS Limited

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

PBR: performance-based rate setting

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

REA: Rural Electrification Association

RNG: renewable natural gas

ROE: rate of return on common equity

ROFR: right of first refusal

RTO: regional transmission organization

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

SEC: U.S. Securities and Exchange Commission

SEDAR+: Canadian System for Electronic Document Analysis and Retrieval

TCFD: Task Force for Climate-Related Financial Disclosures

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

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.

Wataynikaneyap Power: Wataynikaneyap Power Limited Partnership, in which Fortis indirectly holds a 39% equity interest

FORTIS INC.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS (Unaudited)

FORTIS INC.

As at (in millions of Canadian dollars)	**June 30, 2024**	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	**$ 561**	$ 625
Accounts receivable and other current assets (Note 5)	**1,787**	1,818
Prepaid expenses	**193**	150
Inventories	**596**	566
Regulatory assets (Note 6)	**780**	866
Total current assets	**3,917**	4,025
Other assets	**1,364**	1,298
Regulatory assets (Note 6)	**3,762**	3,518
Property, plant and equipment, net	**45,636**	43,385
Intangible assets, net	**1,555**	1,510
Goodwill	**12,538**	12,184
Total assets	**$ 68,772**	$ 65,920
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (Note 7)	**$ 68**	$ 119
Accounts payable and other current liabilities	**2,376**	2,972
Regulatory liabilities (Note 6)	**607**	577
Current installments of long-term debt (Note 7)	**2,630**	2,296
Total current liabilities	**5,681**	5,964
Regulatory liabilities (Note 6)	**3,466**	3,381
Deferred income taxes	**4,657**	4,399
Long-term debt (Note 7)	**28,671**	27,235
Finance leases	**338**	339
Other liabilities	**1,302**	1,270
Total liabilities	**44,115**	42,588
Commitments and contingencies (Note 15)		
Equity		
Common shares [(1)]	**15,346**	15,108
Preference shares	**1,623**	1,623
Additional paid-in capital	**8**	9
Accumulated other comprehensive income	**1,161**	653
Retained earnings	**4,611**	4,112
Shareholders' equity	**22,749**	21,505
Non-controlling interests	**1,908**	1,827
Total equity	**24,657**	23,332
Total liabilities and equity	**$ 68,772**	$ 65,920

[(1)] No par value. Unlimited authorized shares. 495.2 million and 490.6 million issued and outstanding as at June 30, 2024 and December 31, 2023, respectively.

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (Unaudited)

FORTIS INC.

For the periods ended June 30 (in millions of Canadian dollars, except per share amounts)	Quarter 2024	Quarter 2023	Year-to-Date 2024	Year-to-Date 2023
Revenue	**$ 2,670**	$ 2,594	**$ 5,788**	$ 5,913
Expenses				
Energy supply costs	**713**	787	**1,722**	2,099
Operating expenses	**739**	713	**1,505**	1,454
Depreciation and amortization	**480**	440	**947**	876
Total expenses	**1,932**	1,940	**4,174**	4,429
Operating income	**738**	654	**1,614**	1,484
Other income, net (Note 11)	**65**	64	**138**	133
Finance charges	**347**	323	**683**	638
Earnings before income tax expense	**456**	395	**1,069**	979
Income tax expense	**69**	49	**170**	149
Net earnings	**$ 387**	$ 346	**$ 899**	$ 830
Net earnings attributable to:				
Non-controlling interests	**$ 38**	$ 35	**$ 73**	$ 66
Preference equity shareholders (Note 8)	**18**	17	**36**	33
Common equity shareholders	**331**	294	**790**	731
	$ 387	$ 346	**$ 899**	$ 830
Earnings per common share (Note 12)				
Basic	**$ 0.67**	$ 0.61	**$ 1.60**	$ 1.51
Diluted	**$ 0.67**	$ 0.61	**$ 1.60**	$ 1.51

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods ended June 30 (in millions of Canadian dollars)	Quarter 2024	Quarter 2023	Year-to-Date 2024	Year-to-Date 2023
Net earnings	**$ 387**	$ 346	**$ 899**	$ 830
Other comprehensive income (loss)				
Unrealized foreign currency translation gains (losses) (1)	**182**	(339)	**564**	(383)
Other (2)	**(1)**	5	**3**	3
	181	(334)	**567**	(380)
Comprehensive income	**$ 568**	$ 12	**$ 1,466**	$ 450
Comprehensive income attributable to:				
Non-controlling interests	**$ 56**	$ (1)	**$ 132**	$ 25
Preference equity shareholders	**18**	17	**36**	33
Common equity shareholders	**494**	(4)	**1,298**	392
	$ 568	$ 12	**$ 1,466**	$ 450

(1) Net of hedging activities and income tax recovery of $2 million and $8 million for the three and six months ended June 30, 2024, respectively (three and six months ended June 30, 2023 - income tax expense of $6 million)

(2) Net of income tax expense of $nil for the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 - income tax expense of $2 million)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

FORTIS INC.

	Quarter		Year-to-Date	
For the periods ended June 30 (in millions of Canadian dollars)	**2024**	2023	**2024**	2023
Operating activities				
Net earnings	**$ 387**	$ 346	**$ 899**	$ 830
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation - property, plant and equipment	**421**	381	**830**	759
Amortization - intangible assets	**39**	38	**77**	76
Amortization - other	**20**	21	**40**	41
Deferred income tax expense	**21**	24	**51**	55
Equity component, allowance for funds used during construction (Note 11)	**(32)**	(23)	**(62)**	(46)
Other	**22**	43	**22**	49
Change in long-term regulatory assets and liabilities	**(20)**	(103)	**(100)**	(82)
Change in working capital (Note 13)	**(44)**	217	**(175)**	177
Cash from operating activities	**814**	944	**1,582**	1,859
Investing activities				
Additions to property, plant and equipment	**(1,064)**	(938)	**(2,135)**	(1,845)
Additions to intangible assets	**(48)**	(44)	**(90)**	(91)
Contributions in aid of construction	**24**	20	**51**	71
Other	**(59)**	(51)	**(112)**	(89)
Cash used in investing activities	**(1,147)**	(1,013)	**(2,286)**	(1,954)
Financing activities				
Proceeds from long-term debt, net of issuance costs (Note 7)	**1,071**	1,247	**1,418**	1,881
Repayments of long-term debt and finance leases	**(692)**	(364)	**(696)**	(697)
Borrowings under committed credit facilities	**1,824**	1,972	**3,728**	3,875
Repayments under committed credit facilities	**(1,593)**	(2,201)	**(3,330)**	(3,938)
Net change in short-term borrowings	**(59)**	(273)	**(52)**	(165)
Issue of common shares, net of costs and dividends reinvested	**8**	14	**21**	28
Dividends				
Common shares, net of dividends reinvested	**(184)**	(172)	**(363)**	(342)
Preference shares	**(18)**	(17)	**(36)**	(33)
Subsidiary dividends paid to non-controlling interests	**(24)**	(17)	**(54)**	(40)
Other	**(14)**	20	**(13)**	28
Cash from financing activities	**319**	209	**623**	597
Effect of exchange rate changes on cash and cash equivalents	**6**	(7)	**17**	(2)
Change in cash and cash equivalents	**(8)**	133	**(64)**	500
Change in cash associated with assets held for sale	**—**	(19)	**—**	(19)
Cash and cash equivalents, beginning of period	**569**	576	**625**	209
Cash and cash equivalents, end of period	**$ 561**	$ 690	**$ 561**	$ 690

Supplementary Cash Flow Information (Note 13)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FORTIS INC.

For the three months ended June 30 (in millions of Canadian dollars, except share numbers)	**Common Shares** *(# millions)*	**Common Shares**	**Preference Shares**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Non-Controlling Interests**	**Total Equity**
As at March 31, 2024	**493.0**	**$ 15,232**	**$ 1,623**	**$ 8**	**$ 998**	**$ 4,279**	**$ 1,875**	**$ 24,015**
Net earnings	**—**	**—**	**—**	**—**	**—**	**349**	**38**	**387**
Other comprehensive income	**—**	**—**	**—**	**—**	**163**	**—**	**18**	**181**
Common shares issued	**2.2**	**114**	**—**	**—**	**—**	**—**	**—**	**114**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(24)**	**(24)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(18)**	**—**	**(18)**
Other	**—**	**—**	**—**	**—**	**—**	**1**	**1**	**2**
As at June 30, 2024	**495.2**	**$ 15,346**	**$ 1,623**	**$ 8**	**$ 1,161**	**$ 4,611**	**$ 1,908**	**$ 24,657**
As at March 31, 2023	484.4	$ 14,773	$ 1,623	$ 8	$ 967	$ 3,896	$ 1,816	$ 23,083
Net earnings	—	—	—	—	—	311	35	346
Other comprehensive loss	—	—	—	—	(298)	—	(36)	(334)
Common shares issued	2.0	116	—	(1)	—	—	—	115
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(17)	(17)
Dividends on preference shares	—	—	—	—	—	(17)	—	(17)
Other	—	—	—	1	—	—	—	1
As at June 30, 2023	486.4	$ 14,889	$ 1,623	$ 8	$ 669	$ 4,190	$ 1,798	$ 23,177

See accompanying Notes to Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FORTIS INC.

For the six months ended June 30 (in millions of Canadian dollars, except share numbers)	Common Shares *(# millions)*	Common Shares	Preference Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total Equity
As at December 31, 2023	**490.6**	**$ 15,108**	**$ 1,623**	**$ 9**	**$ 653**	**$ 4,112**	**$ 1,827**	**$ 23,332**
Net earnings	**—**	**—**	**—**	**—**	**—**	**826**	**73**	**899**
Other comprehensive income	**—**	**—**	**—**	**—**	**508**	**—**	**59**	**567**
Common shares issued	**4.6**	**238**	**—**	**—**	**—**	**—**	**—**	**238**
Subsidiary dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(54)**	**(54)**
Dividends declared on common shares ($0.59 per share)	**—**	**—**	**—**	**—**	**—**	**(291)**	**—**	**(291)**
Dividends on preference shares	**—**	**—**	**—**	**—**	**—**	**(36)**	**—**	**(36)**
Other	**—**	**—**	**—**	**(1)**	**—**	**—**	**3**	**2**
As at June 30, 2024	**495.2**	**$ 15,346**	**$ 1,623**	**$ 8**	**$ 1,161**	**$ 4,611**	**$ 1,908**	**$ 24,657**
As at December 31, 2022	482.2	$ 14,656	$ 1,623	$ 10	$ 1,008	$ 3,733	$ 1,812	$ 22,842
Net earnings	—	—	—	—	—	764	66	830
Other comprehensive loss	—	—	—	—	(339)	—	(41)	(380)
Common shares issued	4.2	233	—	(1)	—	—	—	232
Subsidiary dividends paid to non-controlling interests	—	—	—	—	—	—	(40)	(40)
Dividends declared on common shares ($0.565 per share)	—	—	—	—	—	(274)	—	(274)
Dividends on preference shares	—	—	—	—	—	(33)	—	(33)
Other	—	—	—	(1)	—	—	1	—
As at June 30, 2023	486.4	$ 14,889	$ 1,623	$ 8	$ 669	$ 4,190	$ 1,798	$ 23,177

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: (i) the impact of seasonal weather conditions on customer demand; (ii) the impact of market conditions, particularly with respect to long-term wholesale sales at UNS Energy; (iii) changes in the U.S.-to-Canadian dollar exchange rate; and (iv) the timing and significance 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. ("UNSE") 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

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. Consists of non-regulated holding company expenses, as well as non-regulated long-term contracted generation assets in Belize. Also includes results for the Aitken Creek natural gas storage facility ("Aitken Creek") until the November 1, 2023 date of disposition.

2. REGULATORY MATTERS

Regulation of the Corporation's utilities is generally consistent with that disclosed in Note 2 of the Corporation's annual audited consolidated financial statements ("2023 Annual Financial Statements"). A summary of significant outstanding regulatory matters follows.

ITC

MISO Base ROE: In 2022, the U.S. Court of Appeals for the District of Columbia Circuit issued a decision vacating certain Federal Energy Regulatory Commission ("FERC") orders that had established the methodology for setting the base return on equity ("ROE") for transmission owners operating in the Midcontinent Independent System Operator, Inc. ("MISO") region, including ITC. This matter dates back to complaints filed at FERC in 2013 and 2015 challenging the MISO base ROE then in effect. The court has remanded the matter to FERC for further process, the timing and outcome of which remain unknown.

Transmission Incentives: In 2021, FERC issued a supplemental notice of proposed rulemaking ("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 regional transmission organization ("RTO") ROE incentive adder for RTO members that have been members for longer than three years. The timing and outcome of this proceeding remain unknown.

Transmission Right of First Refusal ("ROFR"): In December 2023, the Iowa District Court ruled that the manner in which Iowa's ROFR statute was passed is unconstitutional. The statute granted incumbent electric transmission owners, including ITC, a ROFR to construct, own and maintain certain electric transmission assets in the state. The District Court did not make any determination on the merits of the ROFR itself, but did issue a permanent injunction preventing ITC and others from taking further action to construct the MISO long range transmission plan ("LRTP") tranche 1 Iowa projects in reliance on the ROFR. In July 2024, a judge on the Iowa Supreme Court granted a motion filed by ITC requesting a stay of the injunction issued by the District Court. With the stay of the injunction in place, ITC is permitted to advance construction of all Iowa tranche 1 projects originally awarded to the company in 2022. Certain complainants have requested that the judge's order be reviewed by a full quorum of the Iowa Supreme Court. Until there is more certainty around the resolution of these matters, we cannot predict the impact on the timing of capital expenditures related to the LRTP tranche 1 Iowa projects.

2. REGULATORY MATTERS (cont'd)

Central Hudson

2024 General Rate Application: In July 2024, the New York State Public Service Commission ("PSC") approved a one-year rate plan for Central Hudson with retroactive application to July 1, 2024, including an allowed ROE of 9.5%, an increase from the previous allowed ROE of 9.0%. The decision also concluded that there will be no change in the common equity component of capital structure of 48%.

Customer Information System ("CIS") Implementation: In June 2024, the PSC issued an order that concluded the investigation concerning Central Hudson's billing system implementation. The PSC also released the final report issued by an independent third-party which determined that the CIS is stable and the critical issues have been resolved. As part of the order, total costs of US$63 million were agreed to not be recovered from customers, of which the majority were recognized prior to 2024. The remaining costs to be recognized associated with the order, including Central Hudson's US$4 million contribution to a customer benefit fund recorded in the second quarter of 2024, are not expected to be material.

FortisBC Energy and FortisBC Electric

2025-2027 Rate Framework: In April 2024, FortisBC filed an application with the British Columbia Utilities Commission requesting approval of a rate framework for the period 2025 through 2027. The rate framework builds upon the current multi-year rate plan and includes, amongst other items, a revised level of operation and maintenance expense per customer indexed for inflation less a fixed productivity adjustment factor, a similar approach to growth capital, a forecast approach to sustaining and other capital, continued collection of an innovation fund recognizing the need to accelerate investment in clean energy innovation, and the continued sharing with customers of variances from the allowed ROE. The rate framework also proposes the continuation of deferral mechanisms currently in place. The regulatory process will continue throughout 2024, with a decision expected in mid-2025.

FortisAlberta

Generic Cost of Capital ("GCOC") Decision: In October 2023, the Alberta Utilities Commission ("AUC") issued a decision on the 2024 GCOC proceeding. In November 2023, FortisAlberta sought permission to appeal the GCOC decision to the Court of Appeal of Alberta ("Court of Appeal") on the basis that the AUC erred in its decision to not adjust FortisAlberta's ROE and common equity component of capital structure to address incremental business risk associated with competition from Rural Electrification Associations ("REAs") located in FortisAlberta's service area, as well as heightened regulatory risk due to the non-recovery of costs attributable to REAs. In April 2024, the Court of Appeal granted FortisAlberta permission to appeal, which is expected to be complete in the first quarter of 2025.

Third PBR Term Decision: In October 2023, the AUC issued a decision establishing the parameters for the third performance-based rate ("PBR") setting term for the period of 2024 through 2028. In November 2023, FortisAlberta sought permission to appeal the decision to the Court of Appeal on the basis that the AUC erred in its decision to determine capital funding using 2018-2022 historical capital investments without consideration for funding of new capital programs included in the company's 2023 cost of service revenue requirement as approved by the AUC. The timing and outcome of a decision on the request for appeal is unknown.

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 ("U.S. GAAP") 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 2023 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 2023 Annual Financial Statements.

3. ACCOUNTING POLICIES (cont'd)

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.

Segment Reporting: ASU No. 2023-07, *Improvements to Reportable Segment Disclosures*, is effective for Fortis' December 31, 2024 annual financial statements and for interim periods beginning in 2025, on a retrospective basis. The ASU requires disclosure of incremental segment information, including significant segment expenses and other items that are included in segment profit or loss. Fortis is continuing to assess the impact on its disclosures.

Income Taxes: ASU No. 2023-09, *Improvements to Income Tax Disclosures*, is effective for Fortis on January 1, 2025 on a prospective basis, with retrospective application and early adoption permitted. The ASU requires additional disclosure of income tax information by jurisdiction to reflect an entity's exposure to potential changes in tax legislation, and associated risks and opportunities. Fortis does not expect the ASU to materially impact its disclosures.

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 and six months ended June 30, 2024 and 2023.

Fortis periodically provides short-term financing to subsidiaries to support capital expenditures and seasonal working capital requirements, the impacts of which are eliminated on consolidation. As at June 30, 2024 and December 31, 2023, there were no material inter-segment loans outstanding. Interest charged on inter-segment loans was not material for the three and six months ended June 30, 2024 and 2023.

4. SEGMENTED INFORMATION (cont'd)

	Regulated								Non-Regulated		
($ millions)	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Quarter ended June 30, 2024											
Revenue	556	710	303	336	204	120	433	**2,662**	**8**	**—**	**2,670**
Energy supply costs	—	272	96	77	—	21	247	**713**	**—**	**—**	**713**
Operating expenses	129	189	167	101	50	34	62	**732**	**7**	**—**	**739**
Depreciation and amortization	111	101	31	84	75	22	55	**479**	**1**	**—**	**480**
Operating income	316	148	9	74	79	43	69	**738**	**—**	**—**	**738**
Other income, net	26	9	16	10	3	1	2	**67**	**(2)**	**—**	**65**
Finance charges	120	37	18	39	34	20	23	**291**	**56**	**—**	**347**
Income tax expense	51	16	2	13	8	4	5	**99**	**(30)**	**—**	**69**
Net earnings	171	104	5	32	40	20	43	**415**	**(28)**	**—**	**387**
Non-controlling interests	32	—	—	1	—	—	5	**38**	**—**	**—**	**38**
Preference share dividends	—	—	—	—	—	—	—	**—**	**18**	**—**	**18**
Net earnings attributable to common equity shareholders	139	104	5	31	40	20	38	**377**	**(46)**	**—**	**331**
Additions to property, plant and equipment and intangible assets	309	209	98	221	135	33	106	**1,111**	**1**	**—**	**1,112**
As at June 30, 2024											
Goodwill	8,395	1,890	617	913	228	235	260	**12,538**	**—**	**—**	**12,538**
Total assets	25,437	13,454	5,637	9,612	6,120	2,744	5,388	**68,392**	**422**	**(42)**	**68,772**
Quarter ended June 30, 2023											
Revenue	519	661	317	362	181	116	420	2,576	18	—	2,594
Energy supply costs	—	262	121	141	—	22	241	787	—	—	787
Operating expenses	125	204	144	91	44	31	56	695	18	—	713
Depreciation and amortization	103	88	28	78	67	24	51	439	1	—	440
Operating income	291	107	24	52	70	39	72	655	(1)	—	654
Other income, net	19	12	13	9	3	1	5	62	2	—	64
Finance charges	105	37	15	43	30	19	21	270	53	—	323
Income tax expense	49	12	5	(5)	2	3	8	74	(25)	—	49
Net earnings	156	70	17	23	41	18	48	373	(27)	—	346
Non-controlling interests	29	—	—	—	—	—	6	35	—	—	35
Preference share dividends	—	—	—	—	—	—	—	—	17	—	17
Net earnings attributable to common equity shareholders	127	70	17	23	41	18	42	338	(44)	—	294
Additions to property, plant and equipment and intangible assets	264	183	78	125	182	35	115	982	—	—	982
As at June 30, 2023											
Goodwill	8,127	1,829	597	913	228	235	254	12,183	—	—	12,183
Total assets	23,838	12,303	5,105	8,587	5,718	2,625	4,993	63,169	941	(29)	64,081

4. SEGMENTED INFORMATION (cont'd)

	Regulated								Non-Regulated		
($ millions)	ITC	UNS Energy	Central Hudson	FortisBC Energy	Fortis Alberta	FortisBC Electric	Other Electric	**Sub Total**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Year-to-date June 30, 2024											
Revenue	1,106	1,465	678	897	401	266	960	**5,773**	**15**	**—**	**5,788**
Energy supply costs	—	598	218	239	—	70	597	**1,722**	**—**	**—**	**1,722**
Operating expenses	265	395	338	196	97	67	125	**1,483**	**22**	**—**	**1,505**
Depreciation and amortization	220	199	61	168	144	44	108	**944**	**3**	**—**	**947**
Operating income	621	273	61	294	160	85	130	**1,624**	**(10)**	**—**	**1,614**
Other income, net	54	21	30	19	5	3	10	**142**	**(4)**	**—**	**138**
Finance charges	233	72	36	78	67	40	47	**573**	**110**	**—**	**683**
Income tax expense	102	30	13	57	13	8	12	**235**	**(65)**	**—**	**170**
Net earnings	340	192	42	178	85	40	81	**958**	**(59)**	**—**	**899**
Non-controlling interests	63	—	—	1	—	—	9	**73**	**—**	**—**	**73**
Preference share dividends	—	—	—	—	—	—	—	**—**	**36**	**—**	**36**
Net earnings attributable to common equity shareholders	277	192	42	177	85	40	72	**885**	**(95)**	**—**	**790**
Additions to property, plant and equipment and intangible assets	666	423	187	423	263	60	201	**2,223**	**2**	**—**	**2,225**
As at June 30, 2024											
Goodwill	8,395	1,890	617	913	228	235	260	**12,538**	**—**	**—**	**12,538**
Total assets	25,437	13,454	5,637	9,612	6,120	2,744	5,388	**68,392**	**422**	**(42)**	**68,772**
Year-to-date June 30, 2023											
Revenue	1,038	1,401	759	1,117	360	255	927	5,857	56	—	5,913
Energy supply costs	—	599	328	518	—	69	585	2,099	—	—	2,099
Operating expenses	260	394	306	189	86	61	116	1,412	42	—	1,454
Depreciation and amortization	204	175	56	155	131	48	101	870	6	—	876
Operating income	574	233	69	255	143	77	125	1,476	8	—	1,484
Other income, net	36	26	27	16	3	2	12	122	11	—	133
Finance charges	204	73	33	84	60	39	42	535	103	—	638
Income tax expense	96	26	14	40	5	4	14	199	(50)	—	149
Net earnings	310	160	49	147	81	36	81	864	(34)	—	830
Non-controlling interests	57	—	—	—	—	—	9	66	—	—	66
Preference share dividends	—	—	—	—	—	—	—	—	33	—	33
Net earnings attributable to common equity shareholders	253	160	49	147	81	36	72	798	(67)	—	731
Additions to property, plant and equipment and intangible assets	600	368	156	239	301	62	208	1,934	2	—	1,936
As at June 30, 2023											
Goodwill	8,127	1,829	597	913	228	235	254	12,183	—	—	12,183
Total assets	23,838	12,303	5,105	8,587	5,718	2,625	4,993	63,169	941	(29)	64,081

5. ALLOWANCE FOR CREDIT LOSSES

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

	Quarter		Year-to-Date	
($ millions)	**2024**	2023	**2024**	2023
Periods ended June 30				
Balance, beginning of period	**(69)**	(59)	**(68)**	(58)
Credit loss expense	**(8)**	(3)	**(16)**	(11)
Credit loss deferral	**(9)**	(2)	**(20)**	(3)
Write-offs, net of recoveries	**17**	4	**36**	12
Foreign exchange	**—**	—	**(1)**	—
Balance, end of period	**(69)**	(60)	**(69)**	(60)

See Note 14 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 2023 Annual Financial Statements. A summary follows.

	As at	
($ millions)	**June 30, 2024**	December 31, 2023
Regulatory assets		
Deferred income taxes	**2,141**	2,058
Deferred energy management costs	**532**	521
Rate stabilization and related accounts	**492**	521
Employee future benefits	**257**	254
Derivatives	**182**	197
Deferred lease costs	**139**	137
Deferred restoration costs	**134**	115
Manufactured gas plant site remediation deferral	**78**	81
Generation early retirement costs	**72**	64
Other regulatory assets	**515**	436
Total regulatory assets	**4,542**	4,384
Less: Current portion	**(780)**	(866)
Long-term regulatory assets	**3,762**	3,518
Regulatory liabilities		
Future cost of removal	**1,631**	1,547
Deferred income taxes	**1,291**	1,280
Employee future benefits	**292**	294
Rate stabilization and related accounts	**291**	292
Renewable energy surcharge	**129**	129
Alberta Electric System Operator charges deferral	**115**	121
Energy efficiency liability	**88**	78
Other regulatory liabilities	**236**	217
Total regulatory liabilities	**4,073**	3,958
Less: Current portion	**(607)**	(577)
Long-term regulatory liabilities	**3,466**	3,381

7. LONG-TERM DEBT

	As at	
($ millions)	**June 30, 2024**	December 31, 2023
Long-term debt	**29,474**	28,131
Credit facility borrowings	**2,006**	1,572
Total long-term debt	**31,480**	29,703
Less: Deferred financing costs and debt discounts	**(179)**	(172)
Less: Current installments of long-term debt	**(2,630)**	(2,296)
	28,671	27,235

Significant Long-Term Debt Issuances Year-to-date June 30, 2024 *($ millions, except as noted)*	**Month Issued**	**Interest Rate** *(%)*	**Maturity**		**Amount**	**Use of Proceeds**
ITC						
Secured senior notes	January	5.98	2034	**US**	**85**	(1) (2) (3)
First mortgage bonds	January	5.11	2029	**US**	**75**	(1) (2) (3)
First mortgage bonds	January	5.38	2034	**US**	**75**	(1) (2) (3)
Unsecured senior notes	May	5.65	2034	**US**	**400**	(3) (4)
Central Hudson						
Senior notes	April	5.59	2031	**US**	**25**	(1) (3)
Senior notes	April	5.69	2034	**US**	**35**	(1) (3)
FortisAlberta						
Unsecured debentures	May	4.90	2054		**300**	(1) (2) (3) (4)
Caribbean Utilities						
Unsecured senior notes	May	6.17	2039	**US**	**40**	(1) (2) (3) (5)
Unsecured senior notes	May	6.37	2049	**US**	**40**	(1) (2) (3) (5)
UNS Energy						
Unsecured senior notes	June	5.60	2036	**US**	**30**	(1) (3)

(1) Repay short-term and/or credit facility borrowings
(2) Fund capital expenditures
(3) General corporate purposes
(4) Repay maturing long-term debt
(5) Total of US$50 million expected to be used to fund or refinance a portfolio of new and/or existing qualifying green initiatives

In November 2022, 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. In September 2023, Fortis established an at-the-market equity program ("ATM Program") pursuant to the short-form base shelf prospectus, that allows the Corporation to issue up to $500 million of common shares from treasury to the public from time to time, at the Corporation's discretion, effective until December 22, 2024. As at June 30, 2024, $500 million remained available under the ATM Program and $1.5 billion remained available under the short-form base shelf prospectus.

Credit facilities *($ millions)*	Regulated Utilities	Corporate and Other	As at **June 30, 2024**	December 31, 2023
Total credit facilities	4,234	2,260	**6,494**	6,176
Credit facilities utilized:				
Short-term borrowings [(1)]	(68)	—	**(68)**	(119)
Long-term debt (including current portion) [(2)]	(1,192)	(814)	**(2,006)**	(1,572)
Letters of credit outstanding	(55)	(21)	**(76)**	(101)
Credit facilities unutilized	2,919	1,425	**4,344**	4,384

(1) The weighted average interest rate was 7.3% (December 31, 2023 - 6.9%).
(2) The weighted average interest rate was 5.7% (December 31, 2023 - 6.2%). The current portion was $1,610 million (December 31, 2023 - $1,160 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 Corporation's total revolving credit facilities. Approximately $6.0 billion of the total credit facilities are committed with maturities ranging from 2024 through 2029.

7. LONG-TERM DEBT (cont'd)

See Note 14 in the 2023 Annual Financial Statements for a description of the credit facilities as at December 31, 2023.

In April 2024, FortisBC Energy increased its operating credit facility from $700 million to $900 million and extended the maturity to July 2028. In May 2024, FortisBC Electric increased its operating credit facility from $150 million to $200 million and extended the maturity to April 2028.

In May 2024, the Corporation extended the maturity on its unsecured US$500 million non-revolving term credit facility to May 2025. The facility is repayable at any time without penalty. In June 2024, the Corporation amended its $1.3 billion revolving term committed credit facility to extend the maturity to July 2029.

8. PREFERENCE SHARES

On March 1, 2024, the annual fixed dividend per share for the First Preference Shares, Series K was reset from $0.9823 to $1.3673 for the five-year period up to but excluding March 1, 2029.

9. 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)	**2024**	2023	**2024**	2023
Quarter ended June 30				
Service costs	**19**	16	**6**	6
Interest costs	**40**	40	**8**	7
Expected return on plan assets	**(55)**	(50)	**(7)**	(5)
Amortization of actuarial gains	**—**	(3)	**(5)**	(5)
Amortization of past service credits/plan amendments	**(1)**	(1)	**—**	(1)
Regulatory adjustments	**—**	2	**1**	1
Net benefit cost	**3**	4	**3**	3
Year-to-date June 30				
Service costs	**37**	31	**12**	11
Interest costs	**80**	80	**15**	15
Expected return on plan assets	**(110)**	(100)	**(13)**	(11)
Amortization of actuarial gains	**—**	(5)	**(9)**	(9)
Amortization of past service credits/plan amendments	**(1)**	(1)	**—**	(1)
Regulatory adjustments	**—**	6	**1**	3
Net benefit cost	**6**	11	**6**	8

Defined contribution pension plan expense for the three and six months ended June 30, 2024 was $14 million and $31 million, respectively (three and six months ended June 30, 2023 - $13 million and $29 million, respectively).

10. DISPOSITION

In November 2023, Fortis sold its Aitken Creek business to a subsidiary of Enbridge Inc. for approximately $470 million including working capital and closing adjustments.

For the three and six months ended June 30, 2023, Aitken Creek had net earnings of $3 million and $18 million, respectively.

11. OTHER INCOME, NET

	Quarter		Year-to-Date	
($ millions)	**2024**	2023	**2024**	2023
Periods ended June 30				
Equity component, allowance for funds used during construction	**32**	23	**62**	46
Non-service component of net periodic benefit cost	**18**	16	**36**	32
Interest income [(1)]	**16**	18	**32**	34
Equity income	**(1)**	2	**4**	7
(Loss) gain on derivatives, net	**(1)**	3	**(6)**	12
Other	**1**	2	**10**	2
	65	64	**138**	133

[(1)] *Includes interest on short-term deposits, as well as interest on regulatory deferrals, including the PPFAC at TEP and UNSE*

12. EARNINGS PER COMMON SHARE

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

	2024			2023		
	Net Earnings to Common Shareholders *($ millions)*	**Weighted Average Shares** *(# millions)*	**EPS** *($)*	Net Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(# millions)*	EPS *($)*
Quarter ended June 30						
Basic EPS	**331**	**494.0**	**0.67**	294	485.4	0.61
Potential dilutive effect of stock options	**—**	**0.2**		—	0.3	
Diluted EPS	**331**	**494.2**	**0.67**	294	485.7	0.61
Year-to-date June 30						
Basic EPS	**790**	**492.8**	**1.60**	731	484.3	1.51
Potential dilutive effect of stock options	**—**	**0.4**		—	0.3	
Diluted EPS	**790**	**493.2**	**1.60**	731	484.6	1.51

13. SUPPLEMENTARY CASH FLOW INFORMATION

	Quarter		Year-to-Date	
($ millions)	**2024**	2023	**2024**	2023
Periods ended June 30				
Change in working capital				
Accounts receivable and other current assets	**128**	208	**63**	489
Prepaid expenses	**(27)**	(19)	**(29)**	(19)
Inventories	**(44)**	(29)	**(14)**	62
Regulatory assets - current portion	**42**	164	**134**	160
Accounts payable and other current liabilities	**(160)**	(132)	**(347)**	(537)
Regulatory liabilities - current portion	**17**	25	**18**	22
	(44)	217	**(175)**	177
Non-cash investing and financing activities				
Accrued capital expenditures	**469**	366	**469**	366
Common share dividends reinvested	**107**	102	**218**	205
Contributions in aid of construction	**9**	10	**9**	10

14. 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.

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 price 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 June 30, 2024, unrealized losses of $182 million (December 31, 2023 - $197 million) were recognized as regulatory assets and unrealized gains of $42 million (December 31, 2023 - $37 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, which was sold on November 1, 2023, held 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 were 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 and six months ended June 30, 2024, unrealized gains of $nil and $36 million were recognized in revenue, respectively (three and six months ended June 30, 2023 - unrealized losses of $8 million and unrealized gains of $6 million, respectively).

Total Return Swaps

The Corporation holds total return swaps to manage the cash flow risk associated with forecast future cash and/or share settlements of certain stock-based compensation obligations. The swaps have a combined notional amount of $134 million and terms of one to three years expiring at varying dates through January 2027. 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 and six months ended June 30, 2024, unrealized losses of $1 million and $4 million, respectively were recognized in other income, net (three and six months ended June 30, 2023 - unrealized losses of $1 million and unrealized gains of $5 million, respectively).

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 March 2026 and have a combined notional amount of $440 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 and six months ended June 30, 2024, unrealized losses of $2 million and $5 million, respectively were recognized in other income, net (three and six months ended June 30, 2023 - unrealized gains of $5 million and $7 million, respectively).

Interest Rate Locks

During the second quarter of 2024, ITC entered into and settled interest rate locks with a combined notional value of US$300 million. These contracts were used to manage interest rate risk associated with the issuance of US$400 million unsecured senior notes in May 2024. Realized losses of US$3 million were recognized in other comprehensive income, which will be reclassified to earnings as a component of interest expense over 5 years.

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

Cross-Currency Interest Rate Swaps

The Corporation holds cross-currency interest rate swaps, maturing in 2029, to effectively convert its $500 million, 4.43% unsecured senior notes to US$391 million, 4.34% debt. The Corporation has designated this notional U.S. debt as an effective hedge of its foreign net investments and unrealized gains and losses associated with exchange rate fluctuations on the notional U.S. debt are recognized in other comprehensive income, consistent with the translation adjustment related to the foreign net investments. Other changes in the fair value of the swaps are also recognized in other comprehensive income but are excluded from the assessment of hedge effectiveness. Fair value is measured using a discounted cash flow method based on secured overnight financing rates. During the three and six months ended June 30, 2024, unrealized losses of $2 million and $15 million, respectively were recorded in other comprehensive income (three and six months ended June 30, 2023 - unrealized gains of $9 million and $10 million, respectively).

Other Investments

UNS Energy holds investments in money market accounts, and ITC and Central Hudson hold investments in trust associated with supplemental retirement benefit plans for select employees, which include mutual funds and money market accounts. These investments 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 and six months ended June 30, 2024, gains of $2 million and $6 million, respectively were recognized in other income, net (three and six months ended June 30, 2023 - gains of $1 million and $3 million, respectively).

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 June 30, 2024				
Assets				
Energy contracts subject to regulatory deferral [(2) (3)]	**—**	**57**	**—**	**57**
Energy contracts not subject to regulatory deferral [(2)]	**—**	**40**	**—**	**40**
Other investments [(4)]	**132**	**—**	**—**	**132**
	132	**97**	**—**	**229**
Liabilities				
Energy contracts subject to regulatory deferral [(3) (5)]	**—**	**(197)**	**—**	**(197)**
Energy contracts not subject to regulatory deferral [(5)]	**—**	**(2)**	**—**	**(2)**
Foreign exchange contracts, total return and cross-currency interest rate swaps [(5)]	**—**	**(24)**	**—**	**(24)**
	—	**(223)**	**—**	**(223)**
As at December 31, 2023				
Assets				
Energy contracts subject to regulatory deferral [(2) (3)]	—	49	—	49
Energy contracts not subject to regulatory deferral [(2)]	—	6	—	6
Foreign exchange contracts [(2)]	—	5	—	5
Other investments [(4)]	145	—	—	145
	145	60	—	205
Liabilities				
Energy contracts subject to regulatory deferral [(3) (5)]	—	(209)	—	(209)
Energy contracts not subject to regulatory deferral [(5)]	—	(3)	—	(3)
Total return and cross-currency interest rate swaps [(5)]	—	(6)	—	(6)
	—	(218)	—	(218)

(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 cash and cash equivalents and other assets*

(5) *Included in accounts payable and other current liabilities or other liabilities*

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.

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

($ millions)	Gross Amount Recognized in Balance Sheet	Counterparty Netting of Energy Contracts	Cash Collateral Posted/(Received)	Net Amount
As at June 30, 2024				
Derivative assets	**97**	**(34)**	**15**	**78**
Derivative liabilities	**(199)**	**34**	**(10)**	**(175)**
As at December 31, 2023				
Derivative assets	55	(24)	28	59
Derivative liabilities	(212)	24	(1)	(189)

Volume of Derivative Activity

As at June 30, 2024, 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 June 30, 2024	As at December 31, 2023
Energy contracts subject to regulatory deferral [(1)]		
Electricity swap contracts *(GWh)*	**831**	628
Electricity power purchase contracts *(GWh)*	**492**	588
Gas swap contracts *(PJ)*	**247**	228
Gas supply contracts *(PJ)*	**113**	134
Energy contracts not subject to regulatory deferral [(1)]		
Wholesale trading contracts *(GWh)*	**4,092**	1,310
Gas swap contracts *(PJ)*	**2**	3

[(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 MISO 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.

Central Hudson has seen an increase in accounts receivable since the suspension of collection efforts initially required in response to the COVID-19 pandemic. Central Hudson continues to proactively contact customers regarding past-due balances to advise them of financial assistance available through state programs, and collection efforts continue to expand. Under its regulatory framework, Central Hudson can defer uncollectible write-offs that exceed 10 basis points above the amounts collected in customer rates for future recovery.

UNS Energy, Central Hudson, FortisBC Energy, 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, Central Hudson and FortisBC Energy, 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 $111 million as at June 30, 2024 (December 31, 2023 - $117 million).

14. 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, Fortis Belize 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 reduced this exposure through hedging.

As at June 30, 2024, US$2.6 billion (December 31, 2023 - US$2.6 billion) of corporately issued U.S. dollar-denominated long-term debt has been designated as an effective hedge of net investments, leaving approximately US$11.8 billion (December 31, 2023 - US$11.5 billion) unhedged. Exchange rate fluctuations associated with the 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 June 30, 2024, the carrying value of long-term debt, including current portion, was $31.5 billion (December 31, 2023 - $29.7 billion) compared to an estimated fair value of $28.9 billion (December 31, 2023 - $27.9 billion).

15. COMMITMENTS AND CONTINGENCIES

Commitments

There were no material changes in commitments from that disclosed in the Corporation's 2023 Annual Financial Statements.

Contingency

In April 2013, FortisBC Holdings Inc. 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 across reserve lands. 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 as the outcome cannot yet be reasonably determined.