

Q3 2025 EARNINGS CONFERENCE CALL

November 4, 2025

FORTIS_{INC.}



FORWARD LOOKING INFORMATION

Fortis includes forward-looking information in this presentation within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (collectively referred to as "forward-looking information"). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would, and the negative of these terms, and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: forecast Capital Expenditures for 2025 and 2026-2030; the expected timing, impact and use of proceeds related to the close of the sale of ownership interests in Fortis Belize and Belize Electricity; forecast Rate Base for 2025 and 2030 and forecast Rate Base growth rate for 2025-2030 on a consolidated basis and by subsidiary; annual dividend growth guidance through 2030; the nature, timing, benefits and costs of certain Major Capital Projects, including ITC's investments associated with MISO LRTP Tranche 1 and Tranche 2.1, Big Cedar Load Expansion, Interconnection Project, TEP Transmission Project, Springerville Natural Gas Conversion, Black Mountain Gas Generation, Vail-to-Tortolita Transmission Project, Roadrunner Reserve Battery Storage Project, Tilbury LNG Storage Expansion, AMI Project, Tilbury 1B Project and Eagle Mountain Pipeline Project; the nature, timing, benefits and costs of additional investment opportunities, including further investments of ITC associated with the MISO LRTP Tranche 2.1 and MISO MTEP, further investments of TEP required to serve data center sites under development and planned in Arizona and other potential new large retail customers in the manufacturing, data center and mining sectors, further investments of TEP and UNS Electric associated with new IRPs expected to be filed in 2026, further investments of FortisBC in association with further expansion of the Tilbury LNG facility, and other opportunities, including transmission investments to support customer connections and grid modernization, further renewable gas and LNG infrastructure, grid resiliency and climate adaptation investments, and the acceleration of load growth and cleaner energy infrastructure investments; expected sources of funding for the 2026-2030 Capital Plan, including sources of common equity proceeds; the expectation that the funding plan supports average cash flow to debt metrics over 12% through the period; forecast Capital Expenditures for 2026-2030 by business unit; forecast Rate Base for 2025- 2030 and forecast five-year Rate Base CAGR to 2030 by business unit; the expected timing, outcome and impact of legal and regulatory proceedings; the expectation of having a coal-free generation mix by 2032; the 2050 GHG emissions net-zero target; forecast debt maturities for 2025-2034; the expectation that the ATM is not needed for funding of the capital plan; expectations around timing, in-service dates, energy mix, customers, regulatory approval, supply chain constraints and further announcements in connection with data center development; the expected impact of formula rates in Arizona on earnings outlook and potential disclosure; potential positive impacts of growth on customer affordability; expected sources of data center cooling in Arizona; possible exploration of hybrid market to fund capital plan and support growth; the expected timing and contents of IRP filings; expected growth opportunities at FortisBC utility portfolio and potential political support for same; and expected increase in cash flow to debt ratio over the capital plan period.

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 legal and regulatory decisions 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; no material changes in the assumed U.S. dollar-to-Canadian dollar exchange rate; 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 licenses 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 the results discussed or implied in the forward-looking information. These factors should be considered carefully and undue reliance should not be placed on the forward-looking information. For additional information with respect to certain of these risks or factors, reference should be made to the continuous disclosure materials filed from time to time by 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 presentation. 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.

Unless otherwise specified, all financial information is in Canadian dollars and rate base refers to midyear rate base.

Note: U.S. dollar-denominated five-year Capital Plan and forecast rate base converted at a forecast USD:CAD foreign exchange rate of 1.35 for 2026-2030.

REFINITIV STREETEVENTS

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John Mould *TD Cowen and Company LLC - Equity Analyst*

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PRESENTATION

Operator

Thank you for standing by. This is Betsy, the conference operator. Welcome to the Fortis Inc., third-quarter 2025 earnings and new five-year capital outlook conference call. (Operator Instructions) and the conference is being recorded. (Operator Instructions)

I would now like to turn the conference over to Stephanie Amaimo, Vice President, Investor Relations. Please go ahead.

Stephanie Amaimo - Fortis Inc - Vice President - Investor Relations

Thanks Betsy and good morning everyone. Welcome to Fortis' third-quarter 2025 results and new five-year capital outlook conference call. I'm joined by David Hutchens, President and CEO; Jocelyn Perry, Executive VP and CFO; other members of the senior management team as well as CEOs from certain subsidiaries.

Before we begin today's call, I want to remind you that the discussion will include forward-looking information, which is subject to the cautionary statement contained in the supporting slide show. Actual results can differ materially from the forecast projections included in the forward-looking information presented today.

Non-GAAP financial measures referenced in our prepared remarks are reconciled to the related U.S. GAAP financial measures in our third-quarter 2025 MD&A. Also, unless otherwise specified, all financial information referenced is in Canadian dollars.

With that, I will turn the call over to David.

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Thank you, and good morning, everyone. Today, we are proud to announce another solid quarter marked by strong execution and momentum from our regulated growth strategy. Operationally, we continued to deliver safe and reliable service to our customers and through September, our utilities invested \$4.2 billion in our systems. For the full year, we expect to invest approximately \$5.6 billion.

Financially, we delivered adjusted earnings per share for the third quarter of \$0.87. In September, we completed the sale of FortisTCL. The sale strengthens our balance sheet and reduces our risk profile. More recently, we entered into an agreement to sell our investments in Belize, including the non-regulated hydro generation facilities to the Government of Belize. I am happy to announce that the transition closed last Friday and that Fortis is now comprised of 100% regulated assets.

We recognize these were long-held assets in the Fortis family, and we wish our best to the teams in Turks and Caicos and Belize, as they continue to serve their customers and communities. And today we are pleased to unveil our five-year capital plan and announce that our Board of Directors has declared a fourth-quarter dividend increase of approximately 4%. Our new \$28.8 billion five-year capital plan is up \$2.8 billion compared to the prior plan. This supports rate base growth of 7% and annual dividend growth guidance of 4% to 6% through 2030. This new plan was developed with a strong emphasis on maintaining customer affordability.

We prioritized capital investments that provide cost savings that flow through to our customers. This includes the coal to natural gas conversion at the Springerville generating station in Arizona, which is more economical compared to the new energy resources included in the prior plan. Our utilities are also continuing to manage operating costs by finding efficiencies through innovation and process improvements.

As you can see on the slide, the growth in our five-year plan is largely driven by higher transmission investments. At ITC, the \$2 billion increase was primarily driven by new interconnections, including the Big Cedar Load Expansion project as well as the MISO long-range transmission plan and baseline reliability projects. At UNS, transmission and distribution investments increased \$1 billion, with FERC-regulated transmission making up \$700 million of the increase. This was largely attributed to a new transmission line at TEP. Generation investments at UNS were reduced by \$900 million driven primarily by the planned conversion of the Springerville generating station to natural gas, which I spoke to previously. The remaining increase is driven by growth at our other regulated utilities and a higher assumed foreign exchange rate.

The new plan is highly executable with approximately 77% directed towards transmission and, and distribution investments in critical infrastructure that drives stable, predictable returns. The capital program is low risk and anchored in 100% regulated projects and includes only 11 major capital projects representing 21% of the plan. Consolidated rate base is expected to increase by \$16 billion from approximately \$42 billion in 2025 to \$58 billion in 2030, supporting average annual rate base growth of 7%. This is up 50 basis points from the 6.5% in the prior plan.

Now I'll take a few minutes to dig a little deeper into our larger utility capital plans. ITC's capital plan of \$9.8 billion is the largest in the company's history and supports strong rate base growth of 8%, up 100 basis points compared to the prior plan. Key elements of ITC's plan includes investments for base infrastructure, MISO's long-range transmission plan, customer connections and grid security. Significant opportunities above and beyond the base plan exist at ITC, including approximately USD3.3 billion to USD3.8 billion post-2030 for Tranche 2.1 projects assigned through rights of first refusal.

Work is also underway at ITC to evaluate projects within the Tranche 2.1 portfolio that are subject to the competitive bidding process. If any of these projects are awarded to ITC, it would be incremental to ITC's plan. Other avenues of growth at ITC include customer connections associated with over 8,000 megawatts of load growth for proposed data centers and economic development projects in various stages of development across their footprint. This is up 3,000 megawatts just since last quarter. ITC may also realize future opportunities associated with the ongoing MISO LRTP process. All in all, it's a very exciting time at ITC with a significant transmission buildout.

Let's now turn to UNS Energy. Their capital plan of \$5.6 billion supports average annual rate base growth of approximately 7%. As a vertically integrated utility, investments are spread across the value chain. Notably, a third of the capital plan is concentrated in transmission with the balance consisting of generation and distribution investments. Regulated generation includes the coal to natural gas conversion of 800 megawatts at the Springerville generating station, which is aligned with TEP's exit from coal by 2032 as well as the Black Mountain generation project at UNS Electric.

While there is no new generation reflected in the plan associated with data centers or other large load growth, a new era of demand is approaching with a significant interconnection queue. As we discussed last quarter, TEP reached an energy supply agreement to serve a demand of approximately 300 megawatts that starts to ramp up in 2027 and will use existing and planned capacity. The agreement awaits ACC approval as well as other contractual contingencies. Negotiations are actively ongoing for an incremental 300 megawatts of capacity to support a full build-out of 600 megawatts at this initial site.

TEP is also in active negotiations for additional capacity at a second site in the range of 500 to 700 megawatts. If agreements are finalized for these subsequent phases, we estimate new generation in the range of approximately USD1.5 billion to USD2 billion through 2030 would be required, as well as new transmission. We expect the supply will include a mix of renewable energy, natural gas generation, and energy storage. All agreements will be structured to maintain reliability and provide financial protections for our customers and the company.

Other opportunities beyond the plan include new energy resource investments required at TEP and UNS Electric as part of their next integrated resource plans expected to be filed in 2026. In British Columbia, our natural gas infrastructure is in focus. FortisBC's capital plan of \$4.9 billion supports projects that ensure system reliability and integrity as well as major capital projects for LNG and advanced metering infrastructure. Beyond the base plan, we have several opportunities. Just last week, the BCUC approved the Tilbury LNG Storage Expansion project. Given our capital plan assumes a smaller storage tank, we now have potential upside of approximately \$300 million. This project is contingent on an environmental assessment, which we anticipate next year. Other opportunities include LNG expansion at Tilbury for marine bunkering as well as customer and load growth in the Okanagan electric service territory. Some of these opportunities have the potential to fall within the plan period. This is a dynamic and promising time to be an energy delivery utility in North America. As we execute our base five-year capital plan, we are concurrently focused on unlocking growth opportunities above and beyond the plan across all our jurisdictions.

Turning now to our favourite slide. Today, we announced the declaration by our Board of Directors of a fourth-quarter dividend of \$0.64, representing a 4.1% increase. This brings us to 52 consecutive years of increases in dividends paid, a track record that speaks for itself. With our strong dividend history and regulated growth strategy, we are extending our 4% to 6% annual dividend growth guidance through 2030.

Now, I will turn the call over to Jocelyn for an update on our third-quarter financial results.

Jocelyn Perry - Fortis Inc - Chief Financial Officer, Executive Vice President

Thank you, David, and good morning, everyone. For the quarter, reported earnings were \$409 million or \$0.81 per common share, and on a year-to-date basis, reported earnings were \$1.3 billion or \$2.57 per common share. As you can see on this slide, reported earnings include income taxes and closing costs of approximately \$0.06 per share associated with the disposition of FortisTCI. Excluding this impact, adjusted EPS for the quarter was \$0.87 per common share, up \$0.02 compared to the third quarter of last year. And year-to-date September adjusted EPS was \$2.63, up \$0.18 per common share compared to the same period last year. Adjusted EPS growth to date in 2025 reflects strong performance across all our regulated utilities.

On slide 14, you will see the adjusted EPS drivers for the quarter by segment. Our U.S. Electric and Gas utilities delivered a \$0.03 increase in EPS. Higher earnings at UNS reflected an increase in transmission revenue and higher AFUDC associated with ongoing major capital projects. As we discussed last quarter, earnings at UNS are tempered by regulatory lag, driven largely by over USD700 million of rate base not reflected in rates.

The increase in earnings at Central Hudson was due to rate base growth, as well as a change in the recognition of a regulatory deferral for uncollectible accounts effective July 1, 2025. Growth was moderated by a contribution to a customer benefit fund associated with a joint settlement agreement, which concluded an ongoing enforcement proceeding. Together, these regulatory items impacted adjusted EPS by \$0.01.

Moving to ITC, continued capital investments and related rate base growth increased EPS by \$0.02. The increase was partially offset by higher stock-based compensation and holding company finance costs. For our Western Canadian Utilities, EPS increased \$0.01, largely driven by rate base growth, including earnings associated with FortisBC Energy's investment in the Eagle Mountain Pipeline Project. The expiration of a PBR efficiency mechanism and a lower allowed ROE effective January 1, 2025, at FortisAlberta tempered earnings for this segment.

And while not shown on the slide, at our Other Electric segment, EPS was largely consistent with the third quarter of 2024. Rate base growth was offset by the September 2nd disposition of FortisTCI. For the full year, we expect the sale of FortisTCI to have a \$0.02 impact on adjusted EPS. A higher U.S. dollar to Canadian exchange rate also contributed a \$0.01 EPS increase for the quarter.

For the Corporate and Other segment, the \$0.03 decrease reflects higher holding company finance costs, unrealized losses on foreign exchange contracts, and lower unrealized gains on total return swaps. And as David mentioned, we sold our assets in Belize in October and do not expect

the transaction to have a material impact to adjusted earnings going forward. And finally, higher weighted average shares impacted EPS by \$0.02, driven by shares issued under our dividend reinvestment plan.

While most of the factors discussed for the quarter are the same for the year-to-date period, the increase in earnings for the nine-month period also reflects growth at Central Hudson due to the rebasing of costs and a higher allowed ROE effective July 1, 2024 as well as the timing of operating costs in 2025. Earnings year-to-date also reflect lower margins on wholesale sales at UNS Energy and the timing of operating costs at FortisAlberta.

Through September, we raised over \$2 billion of debt, including an inaugural corporate hybrid issuance of \$750 million at 5.1%. Proceeds from both the hybrid issuance and the sale of FortisTCL during the quarter were used to repay our corporate credit facilities, including the non-revolving term loan providing funding flexibility as we focus on executing our capital program.

As I just mentioned, with the recent hybrid issuance and asset dispositions, the growth in our capital plan is expected to be funded largely from cash from operations, utility debt, and our dividend reinvestment plan. Our \$500 million ATM program has not been utilized to date and remains available for funding flexibility as required. Overall, our funding plan remains largely consistent with the previous plan and supports average cash flow to debt metrics of over 12% through the period, with ample cushion in the latter part of the plan. This balanced approach to funding supports both our growth objectives and strong credit profile.

Turning now to recent regulatory activity with one item of note. In August, the New York State Public Service Commission approved Central Hudson's three-year rate plan with retroactive application to July 1, 2025, including the continuation of an allowed ROE of 9.5% and a common equity ratio of 48%.

That concludes my remarks. I'll now turn the call back to David.

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Thank you, Jocelyn. At our core, we are a utility built on strong fundamentals and a clear, disciplined regulated growth strategy with a long Capex runway supported by FERC-regulated transmission and retail load growth opportunities in Arizona. For our customers, we remain committed to prioritizing safety, reliability, affordability, and the delivery of cleaner energy. For our shareholders, we offer a compelling low-risk return profile reinforced by our capital investment plan and dividend growth guidance through 2030.

That concludes my remarks. I will now turn the call back over to Stephanie.

Stephanie Amaimo - Fortis Inc - Vice President - Investor Relations

Thank you, David. This concludes the presentation. At this time, we'd like to open the call to address questions from the investment community.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Maurice Choy, RBC Capital Markets.

Maurice Choy - RBC Capital Markets Inc - Analyst

Thank you and good morning everyone. Just first question is on the timing and likelihood of some of the opportunities over and above the base plan but within this five-year period plan. Specifically, you mentioned earlier that there is about USD1.5 billion to USD2 billion of incremental generation opportunities at TEP that may be required through 2030, and also another \$300 million for the LNG Tilbury storage expansion upside.

If my math is right, that's about \$2.5 billion to \$3 billion of incremental investments or another 100 basis points addition to your rate base CAGR. Any reason why you think that these two items may not come through in the coming months such that we should probably could potentially put this as part of our base estimates?

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

I like your optimism, Maurice, but there's a lot of wood to chop between here and there, right? So, we have to get the agreements done with these counterparties. We obviously have to have the ability to build the infrastructure that's needed and the timeline that they want. So all those things are definitely possibilities. But still getting the generation sited, getting things in the queue, all those pieces and most importantly getting these customers to sign up for all the protections that we want for us from a credit perspective and for our customers from a rate perspective and then going through the regulatory process. There's just a lot of steps between here and there, specifically around the data centers.

And then also, you know, for the storage tank in BC, still have to go through the EA process there, so we obviously are very excited and bullish and after these projects as much as we can be but as you know, we don't drop those things into our capital plan until we, you know, have signatures on the dotted line and we'll keep you posted as those negotiations go and once we reach agreements with some of those third parties.

Maurice Choy - RBC Capital Markets Inc - Analyst

Understood. If I could just finish off with the question on the funding plan on slide 17 where there was a mention about the balance of equity funding to be satisfied from, among others, asset sales. Obviously, you've sold a number of things here, Turks and Caicos as well as Fortis Belize and Belize Electricity and also Aitken Creek gas storage in the past. So, you're 100% regulated right now, as you mentioned, thoughts on what else might be worth trimming, optimizing, or do you feel like this is no longer an avenue that's worth exploring?

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yeah so we're focused mostly on executing that five-year capital plan and that laundry list of additional opportunities above and beyond the plan that we just went through. So there is no, you know, no read-through from the transactions that we just completed. You know our portfolio is a great portfolio and you know we do have you know 100% of our assets being regulated now. So there's -- that's not -- when you read that sentence that was looking back not forward. So that's how we look at funding our capital plan is clearly laid out by that funding plan on the slide, and I'd reiterate that the, you know, DRIP is the only source. We don't have any discrete equity in there. So, the DRIP is the only source of equity. We have the ATM in hot standby, but that's not needed in the current capital plan process.

Operator

Rob Hope, Scotiabank.

Robert Hope - Scotiabank GBM - Analyst

Good morning everyone, It's good to see the update on the capital plan. Maybe to follow up on the USD1.5 billion to USD2 billion of new generation in Arizona. Can you maybe help us understand the timing of when this capital could be secured, just understanding that a lot of these items have relatively long lead times and when they could be in service?

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yeah, so if you ask the customers who are asking for this, it's pretty much tomorrow is when they want it. But obviously, it takes time to build data centers. It takes time for us to get the siting and permitting, and of course, building additional generation, you're going to have to get in the queue

for combustion turbines or combined cycles whatever the resource portfolio requires. But it's also you know kind of not fully defined at this point where you can look at things that are available.

As I mentioned in my prepared remarks, we expect this to be a mix of different energy resources, including battery storage, which can happen pretty quick. You know renewables, of course, which can supply a good chunk of energy. And then you look at what the best capacity resource, whether that's a combustion turbine or combined cycle depending on the load features. So that I still think that when you look at longer term, like the current timeline that we have with the project in Arizona for the first 300 megawatts as they're looking to be online in '27 and ramping up over the next year or so after that.

So I would expect other timelines to be similar to that but when we look at our plan that goes all the way to 2030, you know depending on availability of, say, combustion turbines, which would probably be the critical lead item on that. We still think that, that's doable to get that done in that next five-year time period.

Robert Hope - *Scotiabank GBM - Analyst*

All right. Great. And then maybe taking a look at ITC. So you mentioned that there's 8 gigawatts of potential load growth associated with data centers and you have Big Cedar in hand. Can you maybe add a little bit of colour on you know how many opportunities you're looking at for that 8 gigs as well as you know could we see some sanctioning in the next 12 months?

David Hutchens - *Fortis Inc - President, Chief Executive Officer, Director*

Yeah. I'll turn that over to Linda to give some details, but I will remind folks on the call that you know our three largest customers are DTE, CMS, and Alliant. So I'm sure you've seen some of the conversations in those earnings calls as it relates to some of this development as well.

So Linda, I'll turn it over to you.

Linda Apsey - *ITC Holdings Corp - Chief Executive Officer*

Great. Thank you, Dave, and thanks for the question, Rob. Yeah, certainly, the 8 gigawatts that certainly, we are -- we have sort of insight into in terms of those conversations with customers, ongoing planning studies to accommodate them. Certainly, we remain hopeful. I would say there's a lot of activity.

We're working closely, as Dave mentioned, with our customers. We're really not in a position to you know really say or identify just sort of from a timeline perspective. You know, I think what we can say is that we continue to see that, you know queue of those prospective data center or other economic development projects continue to grow. So we remain hopeful and optimistic that we will continue to see further announcements.

But really, at this point in time, it's premature for us to speculate on which projects, where, or exactly when but I would say the queue continues to get larger, and we remain optimistic.

Operator

Ben Pham, BMO.

Benjamin Pham - *Bank of Montreal - Equity Analyst*

Hi, thanks and Good morning. Could you update us on your thoughts with respect to an EPS CAGR initiation if there's any?

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yeah, we still continue whether or not we want to you know take that next step and give earnings guidance, but we have been pretty happy with all the details that we -- and we hope our investors and analysts are happy with the details that we give on rate base growth and seeing how clear our capital plan and funding plan tie together. We give the dividend guidance as well.

And you know we always evaluate, I think probably the last time I've had conversations with you all kind of the one thing that we're waiting for because there's a lot of variability in earnings in Arizona is to see the outcome of the Tucson Electric Power rate case. Formula rates will provide a much steadier earnings outlook for us, which would allow us to give a little bit more visibility and detail for you all, whether or not we -- I'm not saying that if we get formula rates, we're going to give earnings guidance but that's one thing that's keeping us from giving it now.

Benjamin Pham - Bank of Montreal - Equity Analyst

Okay. Understood. And then maybe next on the asset sale side of things. Maybe not to talk specifically on Caribbean valuations, but can you share just the trends you've seen with by appetite for those assets? And it seems like you're willing to more do deals with neutral or maybe slightly dilutive perhaps. And just how do you think about CUC in the overall Fortis portfolio next, today?

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yeah. I'd say you know the interest like in any market, waxes and wanes. I mean, we've seen that over many years as folks had approached us about you know the Caribbean assets, et cetera. But it's -- there's no like kind of consistency necessarily there and of course, the buyer universe changes almost on a year-to-year basis.

So -- but again, just as far as CUC goes, this isn't you know a read-through that we're you know exiting the Caribbean. This is -- those are two distinct and discrete transactions that we did and it doesn't mean we're looking to do anything else.

Operator

Mark Jarvi, CIBC.

Mark Jarvi - CIBC World Markets Corp - Analyst

Good morning everyone. Just wanted to come back to sort of like friction points on potentially higher spend. As far as I can tell, it doesn't seem like customer affordability is one or balance sheet so really, is it just equipment availability and permitting, Dave?

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yes. So I'm glad you brought up affordability because when you think about these new large load customers that actually can and well, it should be, if you -- if you design it rightly, if you correctly, you would get the new customers, the large data center to pay for the growth that is needed in your infrastructure, it kind of growth pays for growth argument. So we definitely want to structure them that way so that in the end, we have a positive impact on customer affordability. They either get improved reliability and don't pay any extra or you end up with you know the great reliability that we always provide and actually seeing some downward rate impact because of all the energy and infrastructure that those larger customers are now paying part of basically paying a bigger part of the pie.

So now that is a very difficult conversation, not necessarily to say, but for folks that are here and understand that because there's a lot of mixed messages out there that are telling people in different markets that data centers can drive your cost up. Well, when you have the control over the

full value chain like you do in a vertically integrated utility, you can make sure that doesn't happen and your regulators will make sure that doesn't happen. So that's the tack that we're taking in Arizona.

And so when it comes down to it, I mean there's always additional things like making sure that your -- the community is supportive, that you -- if you have, whether it's water cooled or air cooled that you understand what that means from a resource perspective, which is one of the reasons that in Arizona, they're all shifting to air cooled, air cooling for the data centers instead of water cooling to kind of take that out of the argument. So it is -- that is all of those things permitting, siting, they're great for you know economic development and jobs in the area tax base. I mean, it's a great story to tell. But sometimes, it's a bit of a hard story to make sure everybody hears it all.

Mark Jarvi - CIBC World Markets Corp - Analyst

You brought up the shift to air cooling, just on that 300 megawatts the initial site, is that all moved ahead? Is there anything else that need approval for that 300 megawatts? And then in terms of other municipal support or other approvals, what's required then to get to the sort of investment decision on the next 300 megawatts of data center load.

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yeah, I'm going to turn that over to Susan. We do have the -- as I mentioned, the energy supply agreement has been filed with the Corporation Commission, which is the first thing we have to get through, but I'll turn it to Susan to talk about any of the other pieces that might need to happen.

Susan Gray - UNS Energy Corp - President, Chief Executive Officer

Good morning and thanks Mark for the question. So yeah, as Dave mentioned, on our side, the biggest approval that we need is that Corporation Commission approval, which we expect to get by the end of this year. But on the data center side, I think the main approval that they need is a permit to dig a well, which is a state permit on county land and the state would actually approve the water and that's water just for regular building use like kitchens and bathrooms kind of things.

So that's for the first 300 megawatts. I would say anything beyond that, we're still negotiating contracts. And so not really sure what the types of approvals we would need. But certainly, anything beyond this first contract, we would need to build something new in terms of a generation resource. So that's going to be a more extended period of time.

As Dave talked about earlier, it all depends on the resource mix and certainly, some of the generation resources can be built a lot more quickly than others.

Mark Jarvi - CIBC World Markets Corp - Analyst

So the customer would like to push the timelines, but you need to do your own sort of analysis on generation mix to come back to them with a solution, is that right?

Susan Gray - UNS Energy Corp - President, Chief Executive Officer

I would say we need to do the analysis on the overall grid impact and make sure that we have all the infrastructure in place to serve the new customers as well as our existing customers as reliably and affordably as possible. I think in terms of what we would build, the customer will have a huge influence on that, right? So if the customer wants to go, you know, primarily renewable, that would be their decision and based on what they're willing to pay in terms of resource mix. So we're willing to build whatever they need, whatever they prefer as long as the customer is willing to pay for that incremental cost of, you know, maybe increasing the amount of renewable resources.

Mark Jarvi - CIBC World Markets Corp - Analyst

Understood. And then, Jocelyn, a question for you. Just in terms of the funding plan for the next five years, does it contemplate further hybrid issuances? And if you have, can you kind of outline roughly the quantum?

Jocelyn Perry - Fortis Inc - Chief Financial Officer, Executive Vice President

Yeah, thanks Mark. Yeah, no, we don't have any further hybrid included, but we do have capacity. So with that growth that we're talking about here today that is not in the plan, should it come in the plan, then it's possible that we will explore the hybrid market when we look at that growth.

And we may – and we may also look at it regardless depending on the market and how the hybrids are pricing relative to other instruments. So yeah, definitely an area that we're exploring.

Operator

John Mould, TD Cowen.

John Mould - TD Cowen and Company LLC - Equity Analyst

Hi, good morning everybody. I'd like to take another stab on the large load front in a couple of places, maybe just starting with ITC. And I'm not asking for a view on in-service dates, but I'm just wondering if you can provide a little more detail on how the timing of the connection requests are paced and, you know, this 3 gigawatts of growth that you've seen since last quarter, you know in particular, the pacing of at least what customers are looking for.

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

So, are you asking like how soon they come in before they need it? Or just (multiple speakers)

John Mould - TD Cowen and Company LLC - Equity Analyst

Yeah, how soon they're seeking to get connected, like just if I was trying to map out the timing of all those requests, is there a particular time period to which it's weighted.

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yeah. Let me -- I don't have any visibility to that. Linda, do you have a view on kind of the detailed queue, I guess, CODs that they're looking for?

Linda Apsey - ITC Holdings Corp - Chief Executive Officer

Look, I mean, I think I would be sort of generalizing, but I think back to Dave, I think on an earlier comment you made is that look, they all want to be connected as soon as possible. Certainly, there's practical realities just in terms of where they are looking to locate their facilities, you know are they co-located with existing transmission infrastructure? If not, what is the infrastructure that's necessary? The MISO approval process to get that infrastructure through the MISO queue.

So it's a difficult question. I guess I would generalize and say for the majority, I would say, of the conversations that we are involved with, you know prospective customers I would say that many of their requests as well as what is you know reasonably doable, we're looking at the outer years of that existing five-year plan. Obviously, there's different ramp, you know perspectives around those because some of them want to move more aggressively faster, some of them, you know are willing you know to be able to take what they can get as quickly as possible, so I think it's a really difficult question to you know give any specificity on, but I would say you know at least for the existing conversations that we are engaged with, I would say, the majority of those requests are looking at the latter part of our existing five-year plans. So out into the '28, '29, '30 timeframe. So hopefully, that (inaudible)

John Mould - TD Cowen and Company LLC - Equity Analyst

Yes. That's very helpful colour. And then just on Arizona and the new IRPs that you're planning to file in 2026. By what time would you need on the large load side to have something more definitive you know in place so that you know that's reflected in the broader IRP and also you know allows you to potentially demonstrate the rate benefits that could potentially come from that in the various IRP portfolios? Just wondering what the timing looks like there.

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Yeah. So the IRP is going through its process. They've had a couple of workshops, and we'll continue more for -- through 2026 with a target of filing those integrated resource plans, I think, in August of next year. But there will be a bunch of different resource portfolios based on you know different load growth scenarios with and without data centers. And I think even if we file an integrated resource plan and it doesn't include something that we need later, we just we just update that, right?

I mean, it's just -- that's basically putting a stake in the ground for sort of the bread and butter resources that we need to serve our load growth. But any of these additional investments that we would see and need and require for additional data center growth. I kind of think of it as almost like, its own little mini IRP and rate base, that would have its own revenue requirement that would be served by, or that would be met by these customers.

So it's a bit of a different model. You wouldn't necessarily need to put them all together. And it's not like we filed this thing in August and say, okay, we got to close up shop any more data centers that come in and ask us for energy, we can figure this out. I mean, this is basically what we've been doing for the past you know couple of years while we've had the 2023 integrated resource plan in effect is we still have these conversations, look at how we can meet the load, and then adjust accordingly.

Operator

Patrick Kenny, National Bank Capital Markets.

Patrick Kenny - National Bank Financial - Research Analyst

Thank you and good morning everyone. Just looking at the rate base CAGRs by utility and seeing Alberta and BC continuing to lag the 7% portfolio average. You touched on some upside in the Okanagan, but I'm just wondering if there might be any other macro or political tailwinds that you're watching out for that might help these two utilities close the gap relative to the group average growth profile, say, over the next three to five years?

David Hutchens - Fortis Inc - President, Chief Executive Officer, Director

Oh, yeah, for sure. So the Okanagan one is -- actually, it's a smaller part of the BC utility portfolio but I think has some good substantial growth opportunities there. So I know we don't usually talk too much about the electric business in BC because of the gas business is so big, but that does definitely have some additional opportunities there.

And then on the LNG front, I mean, this is all about not just the extra upsized, I'll call it, storage tank that just got approved by the BCUC. That's one piece of additional investment. But also the additional LNG liquefaction capacity that we could put there for increased bunkering -- mostly for increased bunkering at that Tilbury site. And there are some political tailwinds, I know there's been a lot of conversations about you know some major projects in and across Canada related to trying to get the economy jump started. I think maybe some of the more of those details might come out later today when the budget is released, but there is some good emphasis on LNG investments in BC.

We hope some of that bleeds down and has some good impact on looking at additional LNG investments for bunkering for BC. So there are some investments there.

And I should note, I'll come to BC's defense here a little bit as well. These things are cyclical, right? So, the load growth when you complete a bunch of big projects, and then do a new five-year plan it might not look as robust as the last one, but believe me, there's a lot of stuff in there. They've executed well on the past and look to you know add to that on a going-forward basis.

Patrick Kenny - *National Bank Financial - Research Analyst*

Okay. That's great, thanks for that David. And then maybe for Jocelyn, just back on the funding plan, looking at that five-year average cash flow to debt ratio of, call it, 12.4%. Is that 40 basis points above S&P's threshold anyway? Is that where you'd like to see it on a sustained basis, or would you still like to see a little bit more cushion built over time? I guess maybe a different way to look at it, like how much dry powder might you have based on your debt metrics to flex the capital program or to handle any further weakness in the Canadian dollar.

Jocelyn Perry - *Fortis Inc - Chief Financial Officer, Executive Vice President*

Yeah. Thanks, Patrick. Yeah, you're right. The average for the S&P metric over the five years is 12.4%. But as you get to the latter part of the plan, we're actually pushing more like 100 basis points. And you've probably heard me say before that that's sort of where we have been targeting our cushion. It gives us a lot of dry powder to have the flexibility to finance the projects that are not in our capital plan that we're talking here today.

So yeah, so this is a plan that sets us up nicely to actually get to that adequate ample cushion in the latter part of the plan. I'll actually say 100 basis points is actually a lot of cushion. So I feel comfortable really having like 75 to 100 bps above the threshold of 12% and we're getting there.

And so it's -- this plan has actually improved over the prior year plan, which is a good thing and in large part, it came from the fact that we've done some asset dispositions and we've continued our DRIP. So yeah, the cushion is certainly met on average of 12.4%, but we do get to the, I want to call it the ideal cushion by the latter part of the plan.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Ms. Amaimo for any closing remarks.

Stephanie Amaimo - *Fortis Inc - Vice President - Investor Relations*

Thank you, Betsy. We have nothing further at this time. Thank you, everyone for participating in our third-quarter results and new five-year capital outlook conference call. Please contact IR should you need anything further and have a great day.

Operator

This brings to a close today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

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