

# FORTIS



**Karl Smith**  
Executive Vice President & Chief Financial Officer

**CIBC 18<sup>th</sup> Annual Whistler Institutional Conference**  
January 21, 2015

# Forward-Looking Statement

*Fortis includes forward-looking information in this material within the meaning of applicable securities laws in Canada (“forward-looking information”). The purpose of the forward-looking information is to provide management’s expectations regarding the Corporation’s future growth, results of operations, performance, business prospects and opportunities, and it may not be appropriate for other purposes. All forward-looking information is given pursuant to the safe harbour provisions of applicable Canadian securities legislation. The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management’s current beliefs and is based on assumptions developed using information currently available to the Corporation’s management. Although Fortis believes that the forward-looking statements are based on information and assumptions which are current, reasonable and complete, these statements are necessarily subject to a variety of risks and uncertainties. For additional information on risk factors that have the potential to affect the Corporation, reference should be made to the Corporation’s continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, including those risks described under the heading “Business Risk Management” in the Corporation’s annual and quarterly Management Discussion and Analysis. Except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.*

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

Leader in Electric & Gas Utilities  
in North America



- Fortis is entering a period of **significant organic growth**, with a 4-year CAGR in rate base through 2018 estimated at **7%**.
- Fortis is also pursuing **two new projects in British Columbia** – further expansion of the **Tilbury LNG facility** and the **Woodfibre gas pipeline expansion** – these projects could increase the above rate of growth to **approximately 8.5%**.

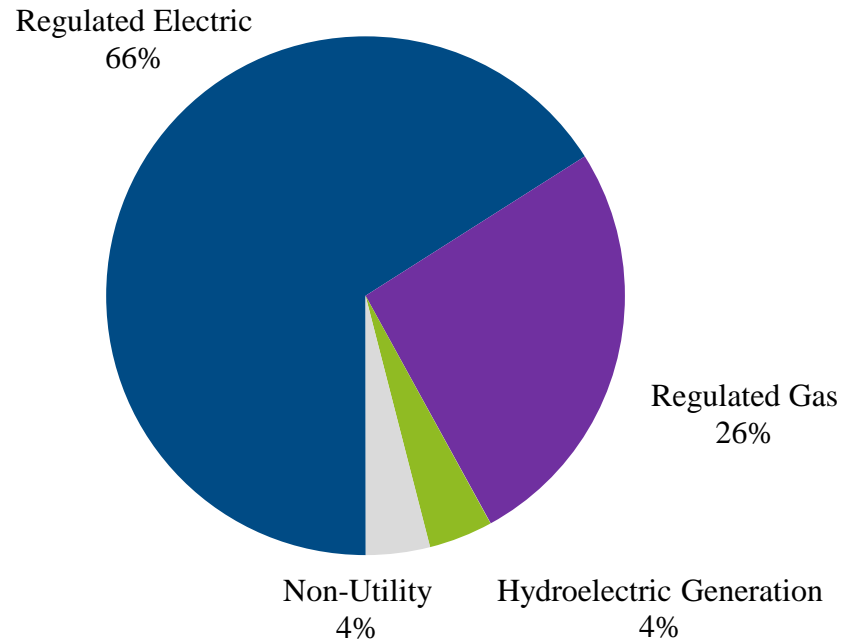
# Leader in Electric & Gas Utilities in North America

- Regulated Utilities
  - 9 utilities serving 3.1 million customers (1.9 million electric, 1.2 million gas)
  - 7,600 employees
- 2014F midyear rate base \$14 billion
- Market cap \$11 billion
- S&P/TSX 60 Index member

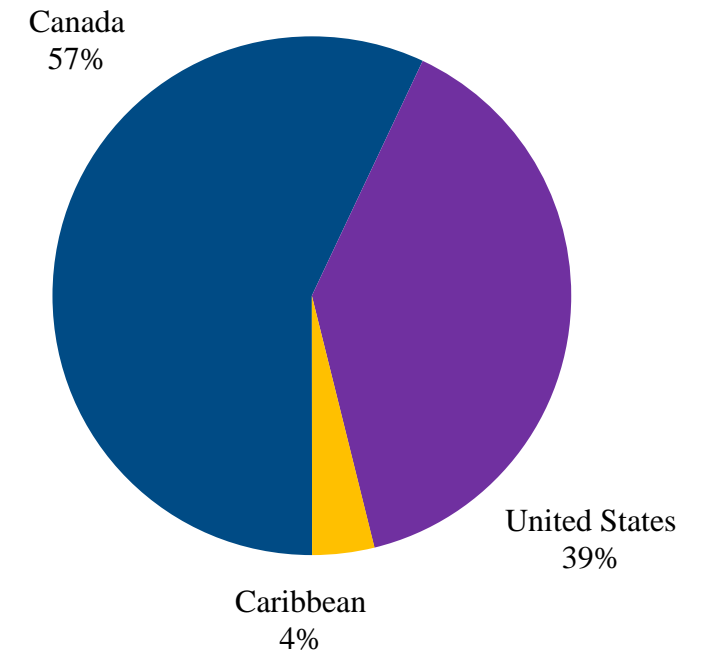


Total Assets  
\$25.5 Billion <sup>(1)</sup>

## Business Segment



## Regulated Assets



(1) As at September 30, 2014, excluding \$1.2 billion installment receivable

# Strategic Review of Non-Utility Business: Fortis Properties

- Announced review on September 29, 2014
- Successful high-performing business
- Owns and operates 23 hotels and 2.8 million square feet of commercial real estate
- In 2013 revenue was ~\$250 million and EBITDA was ~\$80 million
- Strategic options could include sale of all or a portion of the assets, sale of shares of Fortis Properties or an initial public offering

# Non-Regulated Waneta Expansion Project

**FORTIS**

- 2 Unit 335-MW Hydroelectric Plant
- \$900 million (51% FTS)
- Supported by 40-year PPAs with BC Hydro and FortisBC Electric
- Earnings commence Q2/2015 (upon completion)
- Ongoing unit assembly and commissioning
- First unit water-up completed in Q4/2014





# LNG – FortisBC Strategic Advantage



- Existing infrastructure
- Brownfield sites
- Proximity to Asia/Hawaii
- Scalable
- Alignment with provincial energy objectives
- Constructive First Nations relationships
- Low-risk tolling model
- No commodity risk
- Local and export demand

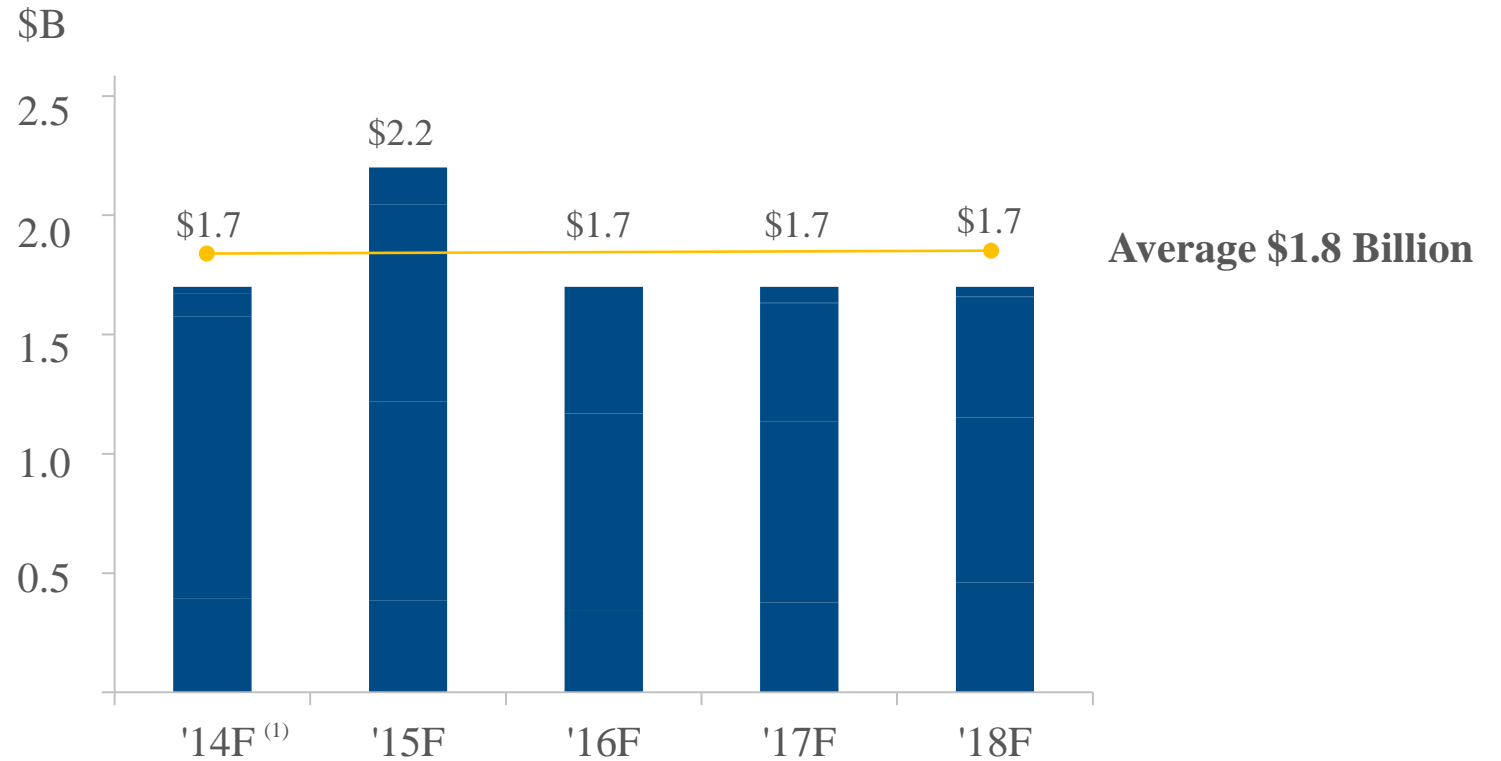
# Tilbury LNG Phase 1A



- Operating since 1971
- 600,000 GJ storage and 5,000 GJ/day liquefaction
- Phase 1A expansion to add a 1,000,000 GJ storage tank and up to 36,000 GJ/day liquefaction capacity
- Construction started
- Estimated cost \$400 million (included in current forecast)
- Approved in regulated rate base

# 5-Year Capital Expenditures

\$9 Billion



(1) includes forecast capital expenditures for UNS Energy from the date of acquisition, August 15, 2014

# Tilbury LNG Potential Expansion



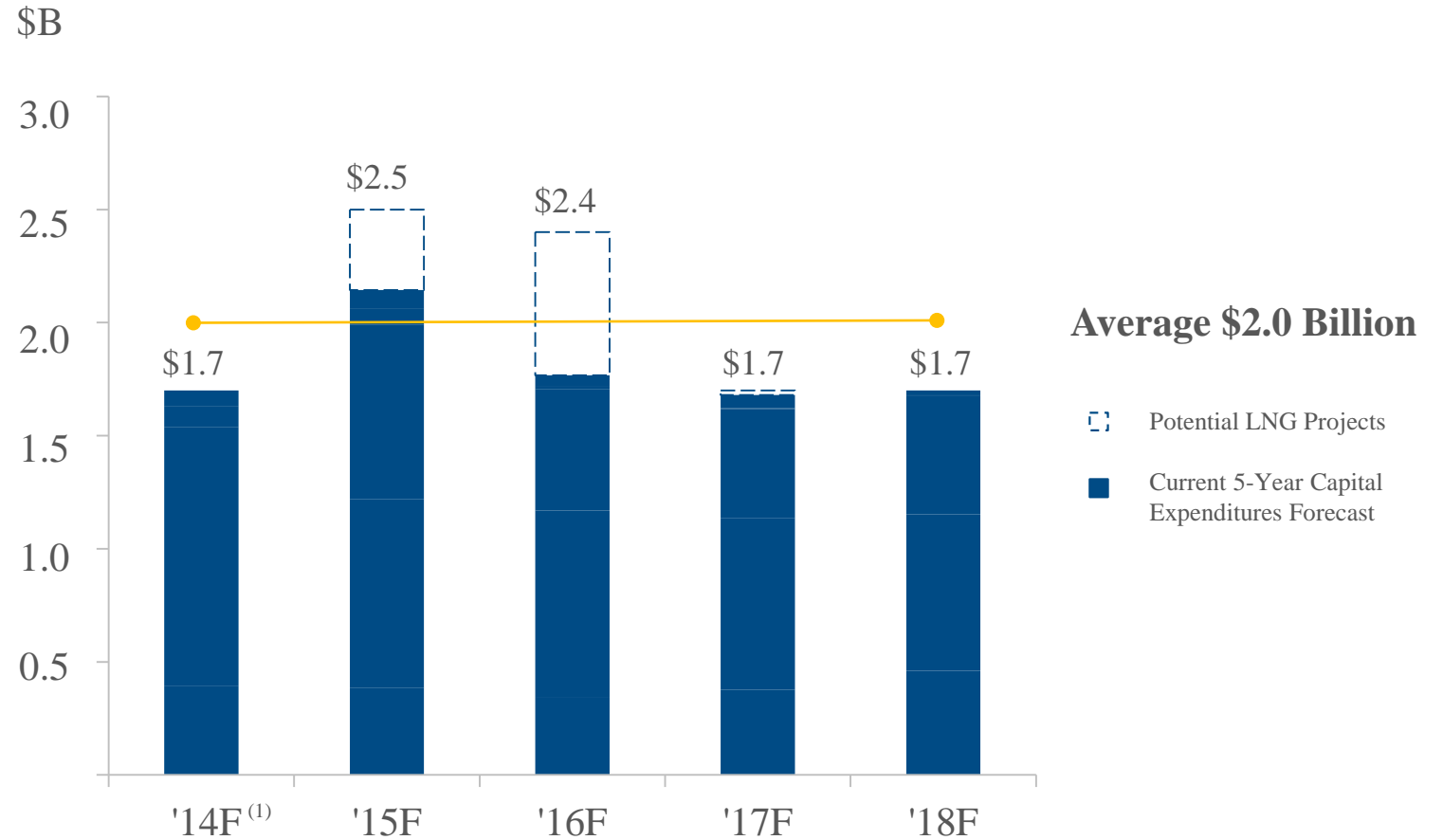
- 35-acre site zoned for LNG
- Ocean access
- Tilbury Phase 1B adds 140,000 GJ/day of liquefaction at an estimated rate base addition of \$450 million (not in forecast)
- Conditional contract with Hawaiian Electric
- Site suitable for further staged expansion
- Full build out estimated at 3 million metric tonnes per annum / 450,000 GJ/day of liquefaction
- B.C. Government Order in Council provides clarity on regulatory direction

# Woodfibre LNG Pipeline Expansion



- Opportunity to expand compression and pipeline from Eagle Mountain to the Woodfibre LNG site near Squamish
- Privately owned LNG processing and export facility expected to be operational by Q1/2017
  - Brownfield development – subject to various approvals
- 2.1 million metric tonnes of production per annum
- Pipeline and design permitting underway
- Estimated rate base addition of \$600 million (not in forecast)

5-Year  
Capital  
Expenditures  
+  
Potential  
LNG Projects  
\$10 Billion

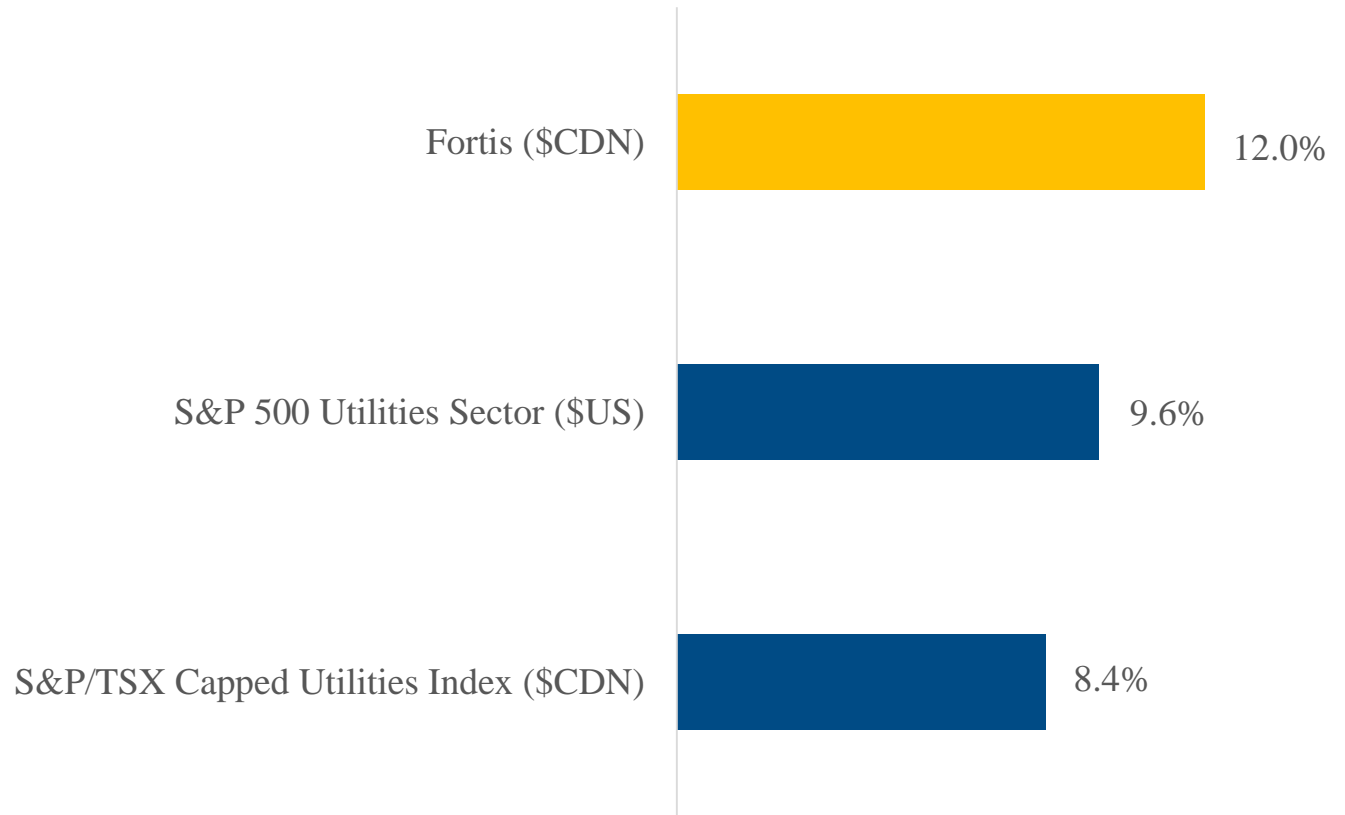


(1) includes forecast capital expenditures for UNS Energy from the date of acquisition, August 15, 2014

A Decade  
of Strong  
Shareholder  
Returns

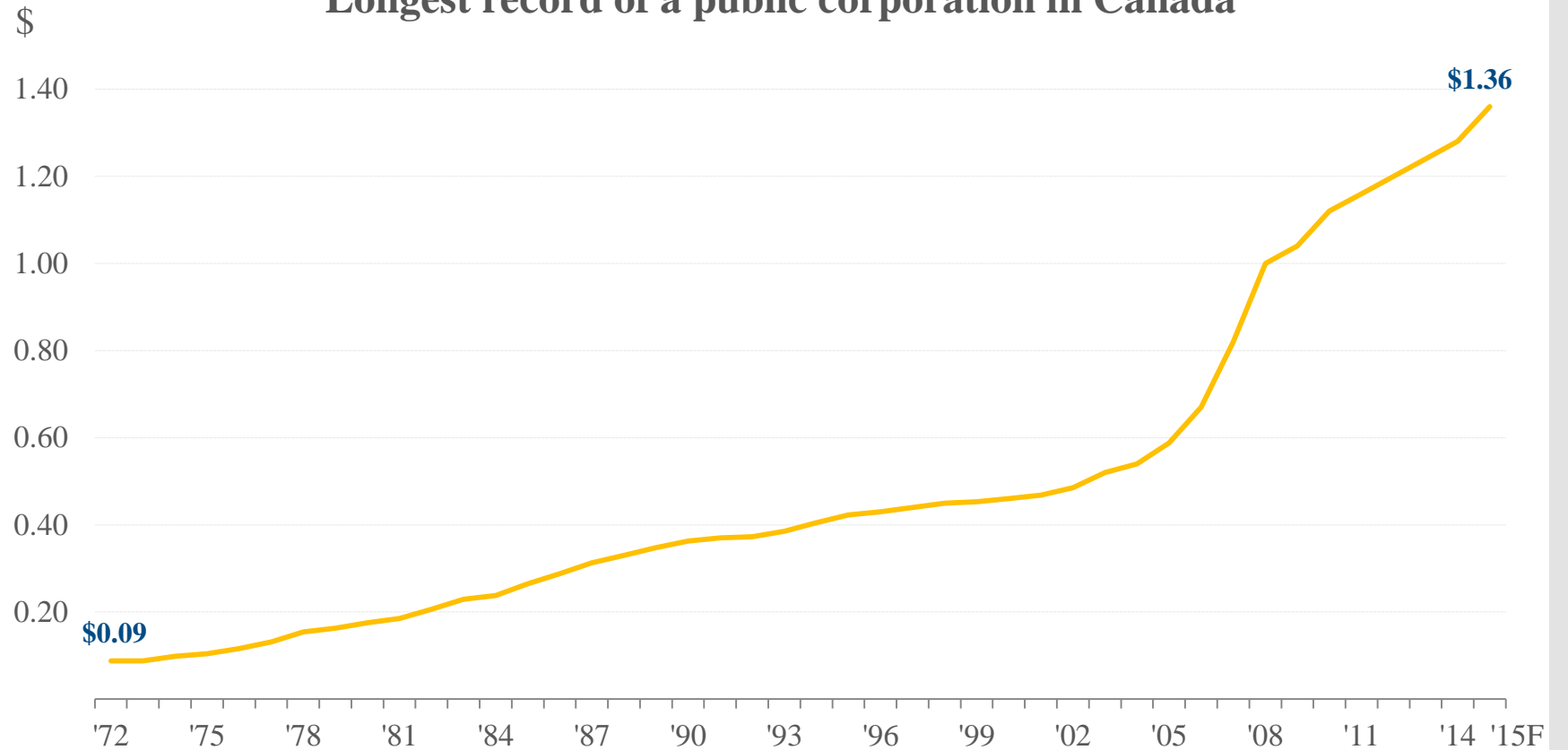


## 10-Year Average Annualized Total Return *(as at December 31, 2014)*



# Dividend Growth

**42 consecutive years of annual dividend increases**  
**Longest record of a public corporation in Canada**





# Earnings

	Year-to-Date September 30		
	2014	2013	Change
Revenue (\$M)	3,708	2,818	890
Adjusted Net Earnings (\$M) <sup>(1)</sup>	284	243	41
Adjusted Basic Earnings per Common Share (\$) <sup>(1)</sup>	1.32	1.22	0.10

(1) Adjusted to exclude interest on convertible debentures, acquisition-related expenses, Part VI.1 tax impacts, Exploits River Hydro Partnership extraordinary gain and discontinued operations associated with Griffith Energy Services, Inc. See Appendix A for reconciliation of adjusted earnings.

# Financial Strength

- Strong credit ratings: S&P: A- DBRS: A(low)
- Ample consolidated credit facilities (excluding acquisition facilities)
  - \$3.5B total; \$2.6B unused (as at September 30, 2014)
- Low consolidated debt maturities & repayments
  - \$340M average annual over next 5 years (as at September 30, 2014)
- UNS Energy acquisition long-term financing substantially complete:
  - \$1.8B common shares
  - \$600M preference shares

# Funding

- Target 'A-' credit rating
- Debt primarily at operating company level
- Common equity: Dividend Reinvestment Plan ~\$100 million annually
- Non-core asset divestitures
- Financing non-regulated energy infrastructure opportunities

# Regulatory Environment: Significant Proceedings

## **FortisAlberta**

- Capital Tracker Proceeding
- Generic Cost of Capital Proceeding

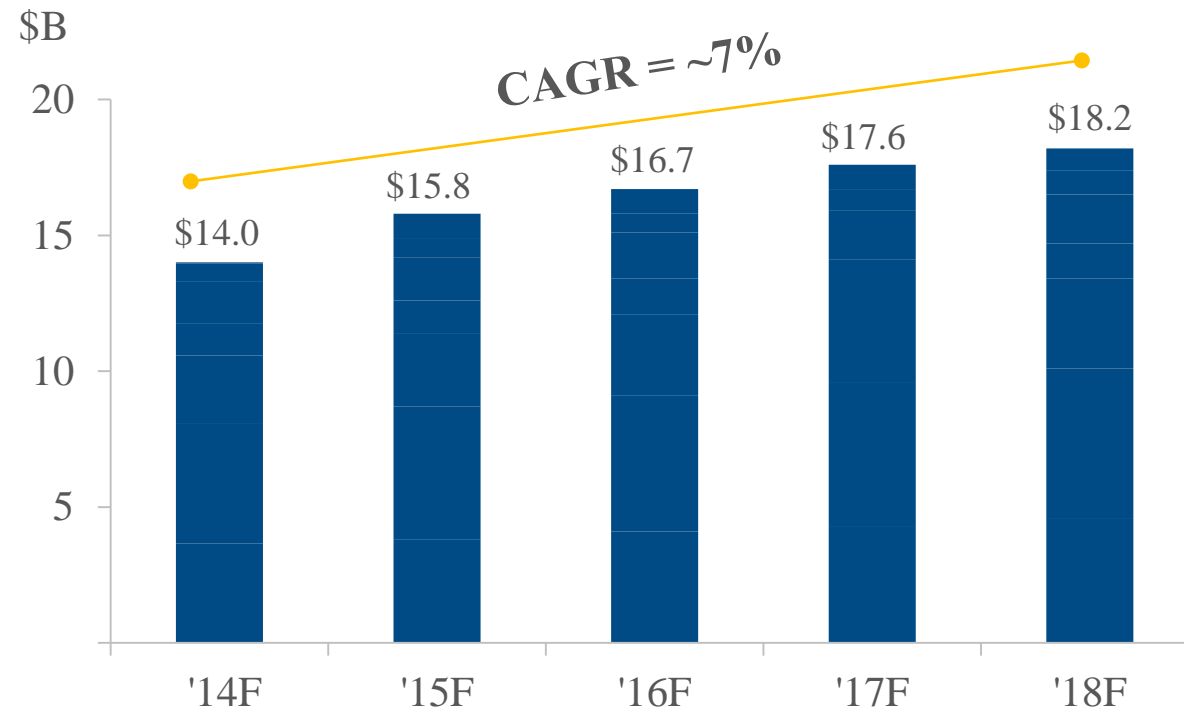
## **UNS Energy**

- Clean Power Plan

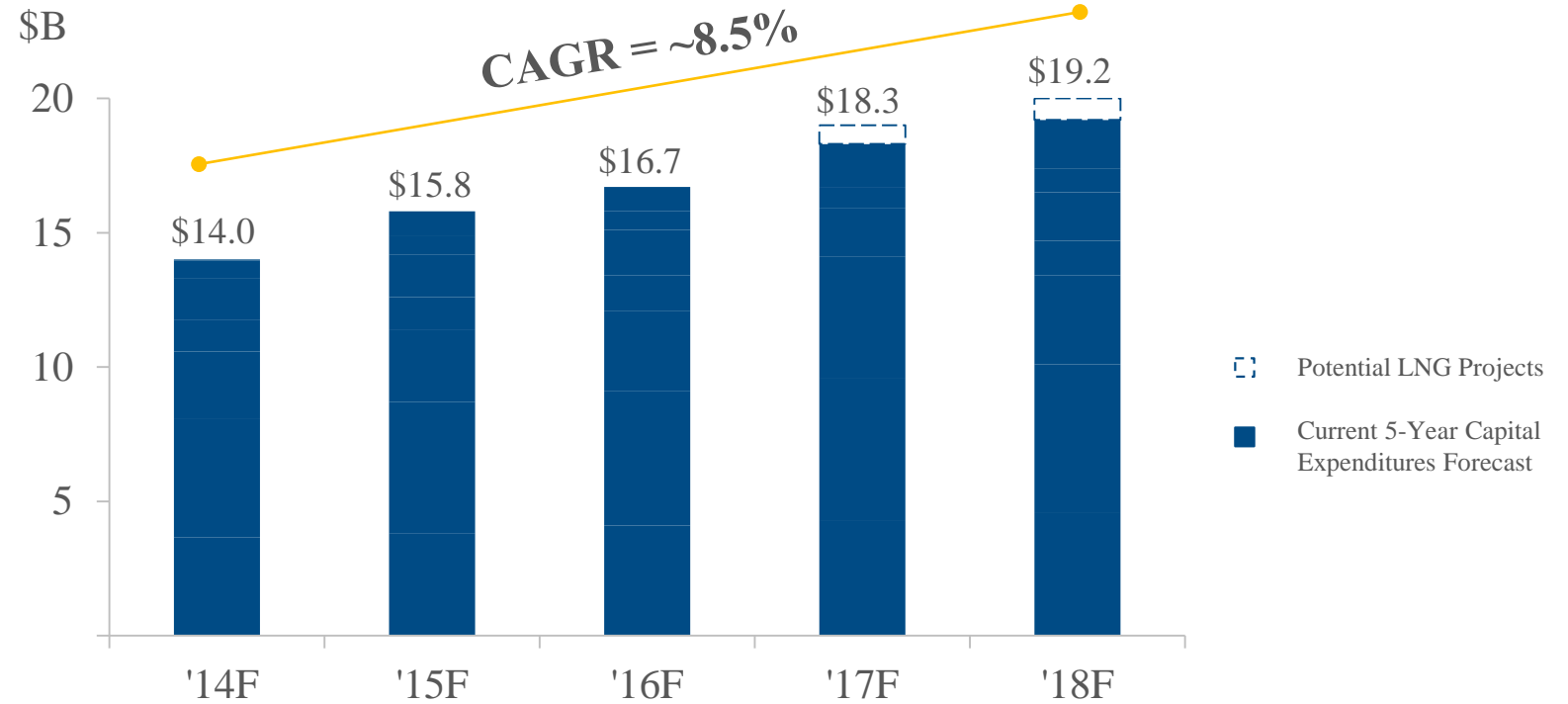
## **Central Hudson**

- General Rate Application
- Generic Proceeding: Reforming the Energy Vision (REV)

# Rate Base Growth & Waneta Investment



Rate Base  
Growth  
&  
Waneta  
Investment  
+  
Potential  
LNG Projects



# Why Invest in Fortis?

- Focus on regulated utility business and long-term contracted energy infrastructure
- Mix of electric and gas infrastructure
- Geographic and regulatory diversity
- Strong organic earnings growth
- Strong balance sheet and credit ratings
- 42 years of consecutive dividend increases. Record in Canada.

Leader in Electric & Gas Utilities  
in North America



Adjusted  
Earnings

(\$M)	Year-to-Date September 30		
	2014	2013	Change
Net Earnings Attributable to Common Shares	204	253	(49)
Adjusted items:			
Interest on convertible debentures	47	-	47
Acquisition-related expenses	38	32	6
Part VI.1 tax impacts	-	(23)	23
Exploits River Hydro Partnership extraordinary gain	-	(22)	22
Discontinued operations associated with Griffith Energy Services, Inc.	<u>(5)</u>	<u>3</u>	<u>(8)</u>
Adjusted Net Earnings	284	243	41

