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# EDITED TRANSCRIPT

FTS.TO - Fortis Inc Annual Shareholders Meeting

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## CORPORATE PARTICIPANTS

**David Norris** *Fortis Inc - Chairman of the Board of Directors*

**David Bennett** *Fortis Inc - VP, Chief Legal Officer and Corporate Secretary*

**Barry Perry** *Fortis Inc - President and CEO*

**Karl Smith** *Fortis Inc - EVP and CFO*

## CONFERENCE CALL PARTICIPANTS

**Rob White**

**Denise O'Keefe** *Shareholder*

**Kealey Martin** *Shareholder*

**Jeff Churchill** *Shareholder*

**Tony Hancock** *Shareholder*

**Karen Wade** *Shareholder*

**Stephanie Walsh** *Shareholder*

**Gordon Payne** *Shareholder*

**Mark MacRoberts** *Shareholder*

**Fred Colburne** *Shareholder*

**Lindsay Hollett** *Shareholder*

**Ray Small** *Shareholder*

**Derek Hutchens** *Shareholder*

**Carol Roberts** *Shareholder*

## PRESENTATION

**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Well, good morning, ladies and gentlemen. I wish to call this 29th Annual and Special Meeting of Fortis to order. My name is David Norris, and I will serve as chair of this meeting.

I'd like to begin today's meeting by welcoming shareholders, guests and employees to the Holiday Inn in St. John's and, of course, everyone listening to these proceedings via our webcast.

I would particularly like to welcome some former directors who are here with us this morning by asking them to stand and be recognized for their contribution to your company over the years. I know that Mr. Bruce Chafe and Dr. Linda Inkpen are here with us this morning. Bruce and Linda?

With me at the podium this morning are Barry Perry, your President and CEO, Karl Smith, Executive Vice President and CFO, and David Bennett, Vice President and Chief Legal Officer and Corporate Secretary.

Ladies and gentlemen, this continued to be very significant times in the history of Fortis. 2015 has been a remarkable year for our company in so many ways. And Barry and Karl will tell you about the many exciting developments of the past year later in the meeting.



The momentum of 2015 carried on into 2016 as we announced on February 9th the pending acquisition of ITC Holdings Corporation. This acquisition clearly represents the most significant and transformative acquisition that Fortis has ever undertaken. The proposed acquisition of ITC Holdings Corporation has given rise to the special business to be considered at this meeting.

Ladies and gentlemen, the formal proceedings this morning will follow the usual format with four main items of business. We will begin with the election of your directors, followed by the appointment of your auditors for 2016 and the authorization of the directors to fix their remuneration.

Then our annual advisory vote on the Company's approach to executive compensation will follow. The final piece of business will be consideration by the shareholders of the resolution approving the issuance of common shares of the Company in connection with the acquisition of ITC Holdings Corporation.

The formal meeting will be followed by management's presentation to you on the activities of Fortis during 2015 and in the first quarter of 2016 and the outlook for the company. We will be pleased to take your questions after Barry and Karl finished delivering management's presentation.

As in prior years, in order to expedite the meeting, several shareholders have agreed to move and second the formal motions, and I will call on them at the appropriate times.

Computershare Trust Company of Canada acts as our transfer agent and registrar of our common shares, and with your consent, I appoint Mark Thompson, Relationship Manager for Computershare, and Janine Bradbury, Financial Accountant at Fortis, Inc. to act as scrutineers for the meeting.

I further appoint David Bennett, Vice President and Chief Legal Officer and Corporate Secretary of Fortis to act as secretary for this meeting.

On the basis of shareholder registrations today and proxies submitted prior to the meeting, it is clear that we have exceeded our quorum requirement. I see that the scrutineers have completed their tabulation and I would ask David to read the scrutineers' report. David?

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**David Bennett** - Fortis Inc - VP, Chief Legal Officer and Corporate Secretary

Mr. Chair, we have received an affidavit from Computershare, our transfer agent, the documents required to be delivered to shareholders, were mailed on or before April 6, 2016 to the shareholders of record as of March 18, 2016.

The scrutineers have reported that at least 30 shareholders representing in person or by proxy, approximately 149 million common shares or 52.5% of the shares outstanding are present this morning.

Notice of the meeting having been given within the time prescribed in the bylaw and a quorum being present, I can confirm that this meeting is validly constituted for the transaction of business.

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**David Norris** - Fortis Inc - Chairman of the Board of Directors

Thank you, David. The secretary has reported that notice was properly given and that the quorum is present. I therefore declare this meeting validly constituted for the transaction of business.

As with last year, the 2015 annual report, was mailed to shareholders who indicated their preference to receive printed copy, while others were able to benefit from the interactive electronic version on our website.

Additional copies of the annual report are available on the table in the back of the room. Both the paper and electronic versions of the annual report present the Fortis consolidated statements for the year-ended December 31st, 2015, on pages 81 through 147. The unqualified opinion of your auditors, Ernst & Young, is found on page 82 of the report.

I would ask that you hold any questions on the financial statements until after the presentation from Barry and Karl.

Shareholders who did not vote their shares by proxy were given ballots when they registered for this meeting. And so before we begin the business of the meeting, I wish to explain our voting practice.

As with most public companies, the vast majority of Fortis shares are voted by proxy, and these votes have been tabulated by Computershare up to the proxy cutoff time of 10:30 A.M. on Tuesday, May 3rd, 2016.

As you heard from the scrutineers' report, almost 52% of our shares were voted by proxy as compared to less than 1% of shares which are personally represented in the room.

Commencing with the introduction of our majority voting policy for the election of directors at the 2010 annual meeting, we implemented a ballot vote so as to ensure that all shares voted at the meeting, both in person and by proxy, are tabulated and reported.

I'm pleased to report that all resolutions received strong support from shareholders voting by proxy. And since the vast majority of shareholders have expressed their wishes by proxy, we can confirm that all matters to be considered by the shareholders at this meeting have been approved by the requisite number of shareholders represented in person or by proxy.

We do wish to tabulate all votes cast by proxy and in person, and so I'd ask those persons receiving ballots to complete your voting and pass your ballots to the scrutineers. Please hold up your hand so that your ballots may be collected and your vote tabulated.

Ladies and gentlemen, in February, we announced with regret the resignation of Paul Bonavia from our board of directors. Paul resigned in order to remain in compliance with the rules of another entity of which he was a director. These rules would not permit him to serve as a director of Fortis, Inc. following the announcement of Fortis agreement to acquire ITC Holdings.

From the very outset of Paul's tenure on our board, he impressed every individual member of the board of directors and the executive management team with his tremendous experience, knowledge and wisdom, which he generously shared with us always in a thoughtful and constructive manner. We sincerely thank Paul for his contribution to Fortis and extend to him our warmest good wishes for the future.

I'd like to move to the election of directors for 2016 and I believe Denise O'Keefe has a motion to place before us. Denise?

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**Denise O'Keefe** - *Shareholder*

I move that Tracey Ball, Pierre Blouin, Peter Case, Maura Clark, Margarita Dilley, Ida Goodreau, Douglas Haughey, Harry McWatters, Ronald Munkley, David Norris, Barry Perry and Jo Mark Zurel be elected as directors of the corporation to hold office until close of the next annual meeting or until their successors are elected or appointed.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, Denise. I will ask Kealey Martin to second the motion.

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**Kealey Martin** - *Shareholder*

I second the motion.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, Kealey. If you haven't already returned your ballot, please raise your hand so that the scrutineers may collect the ballot.

I am advised that the tabulation of the shares represented by proxy confirms that each of the nominees received more votes in favor than votes withheld, and that no nominee received less than 99.4% favorable vote. So on the basis of the proxy vote, I can declare your directors elected.

I will now ask each of the directors present to stand as I call their name and that you hold your applause until I have introduced all of them.

First, I'd like to begin with our newest directors. Please welcome Margarita Dilley. And Margarita is also chair of our Central Hudson operation in New York. And Jo Mark Zurel, who as many of you may know is also chair of Newfoundland Power.

Next, I move to our returning directors. Tracey Ball, Tracey was recently appointed chair of Fortis Alberta. There's no shortage of chairs around here today. Pierre Blouin, Peter Case, Maura Clark, Ida Goodreau, Douglas Haughey, Harry McWatters, Ronald Munkley, Barry Perry, and yours truly, David Norris. Ladies and gentlemen, your Fortis board of directors.

Our next item of business is to appoint the auditors for 2016 and to authorize the directors to fix their remuneration. I believe that Jeff Churchill has a motion in this regard.

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**Jeff Churchill** - *Shareholder*

I move that Ernst & Young, LLP be appointed auditors of Fortis, Inc until the close of the annual meeting or until their successors are appointed, and that the directors be and are hereby authorized to fix the remuneration of the auditors at such amount as they may in their discretion determine.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you. Well, I'd ask [Tony Hancock].

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**Tony Hancock** - *Shareholder*

I second the motion.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, [Tony]. Is there any discussion? On the basis of proxy information we have received, 99.6% of the proxy votes were cast in favor of the reappointment of Ernst & Young, LLP as auditors. I therefore declare Ernst & Young, LLP are appointed auditors of Fortis, Inc for 2016 and that the directors are authorized to fix their remuneration.

The next item of formal business is the advisory vote on the Fortis approach to executive compensation. As part of the Company's ongoing commitment to strong corporate governance practices, the board adopted an annual nonbinding advisory vote to accept the Company's approach to executive compensation. The resolution is discussed on page 15 of the circular. And I ask Karen Wade to propose the resolution in this regard.

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**Karen Wade** - *Shareholder*

I move on an advisory basis and not to diminish the role and responsibilities of the board of directors of the corporation, the shareholders of the corporation except the approach to executive compensation as described in the compensation discussion and analysis section of the Management Information Circular of the corporation dated March 18th, 2016.

**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, Karen. I ask [Stephanie Walsh] to second this motion.

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**Stephanie Walsh** - *Shareholder*

I second the motion.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, [Stephanie]. Are there any questions relating to this item of business? The proxy results indicate that 97.5% of the shares voted by proxy accept the Company's approach to executive compensation, and therefore I declare the motion carried.

Our last item of business is an ordinary resolution approving the issuance of up to 117 million common shares of the Company to ITC Holdings Corporation's shareholders as partial consideration for the acquisition of ITC Holdings Corporation.

The full text of the relevant resolution is set forth on page 16 of the Company's Management Information Circular dated March 18th, 2016. Your approval of this resolution is required under the rules of the Toronto Stock Exchange. In order to be effective, the ordinary resolution must be approved by a majority of the votes, 50% plus 1%, cast by or on behalf of shareholders present in person or by proxy at the meeting.

I believe Gordon Payne has a motion in this regard.

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**Gordon Payne** - *Shareholder*

I move that the ordinary resolution pursuant to Section 611C of the Toronto Stock Exchange company manual which is set out on page 16 of the Management Information Circular of Fortis dated March 18th, 2016 be approved and adopted.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you. I will ask Mark MacRoberts to second the motion.

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**Mark MacRoberts** - *Shareholder*

I second the motion.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, Mark. On the basis of the proxy information we have received, 92.5% of the proxy votes were cast in favor of the resolution approving the issuance of the common shares of the company and partial consideration for the proposed acquisition of ITC Holdings Corporation. I therefore declare that the resolution approving the issuance of common shares in connection with the acquisition of ITC Holdings Corporation is authorized and approved.

Ladies and gentlemen, this concludes the formal business of the meeting. Before Barry and Karl deliver management's presentation and we take your questions, we must first terminate the formal portion of the meeting and I would ask Fred Colburne for a motion to terminate.

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**Fred Colburne** - *Shareholder*

I move that the meeting be terminated.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, Fred. Will Lindsay Hollett second motion?

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**Lindsay Hollett** - *Shareholder*

I second the motion.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you, Lindsay. All those in favor of the motion, please raise your hand. Thank you. Contrary? Carried. I declare this 29th Annual and Special Meeting of Fortis, Inc terminated. And I will ask our President and CEO Barry Perry and our CFO Karl Smith to present their report on the Company's Activities in 2015, and some of the recent developments in 2016. Barry?

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**Barry Perry** - *Fortis Inc - President and CEO*

Good morning everyone. Before I get started, I just want to stop scrolling here, just a comment on Alberta. You know, our thoughts and prayers with the citizens of Alberta at this point in time.

And as you know, we have a big operation in Alberta. Fort McMurray is not our service territory. It's in our coast service territory, but Phonse Delaney who runs our Alberta business has told me that we've provided to Atco -- or we said to them, whatever they need from us, we will -- we will provide and -- but it is a terrible situation there. And we'll help out in any way we can at this point in time.

So good morning, everyone, and thank you for joining us. It's good to be here with you today to report on the progress your company has made over the past year.

Let me start, however, by thanking you for your vote earlier this morning in support of the ITC transaction. I'll discuss that transaction some more in a few moments.

In a minute, I'll ask Karl to review our financial results in more detail, including a recap of our first quarter results released on Tuesday, and the financing plan for the ITC acquisition.

And then I'll come back up to review our operations, the pending acquisition of ITC and our future as a transmission and distribution business.

First, I'd like to extend a special welcome to some of ITC executives who are here with us today. I'll ask each of you to stand after I call your name. Joe Welch, ITC's Chairman, President and CEO. Rejji Hayes, Senior VP and Chief Financial Officer. Linda Blair, Executive Vice President, Chief Business Unit Officer and President, ITC Michigan. And Jon Jipping, Executive Vice President and Chief Operating Officer. Joe, we hope this is the first of many visits for you and your team to St. John's. Welcome.

Let me now introduce our operating company CEOs and our Fortis, Inc EVPs. Here are the CEOs of our businesses: Bill Daley, FortisOntario; Phonse Delaney, FortisAlberta; John Gaudet, Maritime Electric; Richard Hew, Caribbean Utilities; David Hutchens, UNS Energy; Michael Mosher, Central Hudson; Eddinton Powell, Fortis Turks and Caicos; Gary Smith, Newfoundland Power; and Lynn Young, BECOL; and Michael Mulcahy of FortisBC who couldn't join us here today.



Each of these CEOs runs their own business. They are tasked to deliver safe, reliable and cost-effective energy to their customers and to grow their businesses.

To drive our future growth, we have made two important appointments at Fortis, Inc. Jim Laurito, please stand up, Jim, was appointed Executive Vice President of Business Development. Jim will help identify and execute important investments to further fuel our growth. Jim was most recently the President and CEO of Central Hudson. He was heavily involved in the due diligence of both the UNS acquisition and the pending ITC acquisition.

Talent is a key advantage for Fortis. Across our businesses, we have great people, with deep industry knowledge and capability.

We have asked Nora Duke who was CEO of our properties business -- where's Nora, please stand up, Nora -- to focus on people and talent development as Executive Vice President of Corporate Services and Chief Human Resource Officer.

As we grow, we need a pipeline of leaders and experts, people who can help us accelerate progress and growth. And, we want to open opportunity for strong leaders to move across our businesses to share know-how and expertise which is exactly what we have done with Jim and Nora. Congratulations to both of you.

And the best for last I guess, Earl Ludlow, our Executive Vice President of Eastern Canadian and Caribbean Operations. Ear is an industry veteran, and really represents the best of Fortis. His insight and expertise is invaluable across the organization.

With that, I'll pass the floor to Karl, our EVP and CFO, and I will be back to speak with you some more in a few minutes. Karl?

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**Karl Smith - Fortis Inc - EVP and CFO**

Thanks, Barry, and good morning, everyone. And before I begin, please take note of our forward-looking statements and disclosure. That's the most important thing I would say all day.

We discussed our full year results for 2015 in February, and recently announced our first quarter results for 2016. So I won't go into enormous detail, but I would like to touch on a few points for you. And for those on the webcast, unless otherwise indicated, any dollar figure I quote is Canadian.

We delivered strong results across all meaningful financial measures in 2015. We reported record earnings, and continued our commitment to dividend growth. We ended the year with CAD29 billion in assets, virtually all of which are regulated.

We reported earnings of CAD728 million. Adjusted net earnings were CAD589million or CAD2.11 per share, higher by CAD195 million compared to the previous year. Adjusted earnings per share grew by 21%.

Our earnings per share grew relative to 2014, mainly due to a full year of contribution from UNS Energy as well as improved results at FortisAlberta. In addition, there was a positive impact from the strong U.S. dollar, contribution from the Waneta expansion plant, new rates at Central Hudson and growth at FortisBC Energy.

We invested a record CAD2.2 billion in capital, and we generated cash from operations of CAD1.7 billion, a 70% increase.

2015 marked the 42nd consecutive year of annual dividend increases, the record for any public company in Canada. We can never emphasize this enough. We are very proud of this record.

In fact, in 2015, we increased our quarterly dividend twice, resulting in our dividend increasing by over 17%.

While significantly advancing our business, we also introduced dividend guidance for the first time. We are targeting an increase to our dividend of 6% on average annually to 2020. We were able to do this due to our underlying confidence in the business, our financial strength, and our strong performance in 2015.





At the same time as executing on our record capital program and significantly increasing our dividend, we also strengthened our balance sheet. At the end of the year, our capital structure included 37% of common equity, and that compares to 35% at the beginning of the year. This supports our strong investment-grade credit ratings.

We also raised \$1 billion of debt to fund our capital programs and divested non-core assets raising approximately \$900 million in cash.

We have a light near-term debt maturity profile with almost 90% of our long-term debt, other than credit facility borrowings, having maturities beyond five years. This, along with significant financial capacity from our unused credit facilities, positions us to fund both new investment opportunities and organic growth.

Our first quarter earnings issued earlier this week reaffirms our confidence in the business. We are on track, with financial results that demonstrate the benefits of our low risk and diversified portfolio of utilities. We reported CAD190 million in adjusted earnings, or CAD0.67 per common share. Our cash flow from operations was CAD483 million, and we invested CAD\$426 million in capital assets.

Turning to our capital plan, we continue to execute well on our CAD9 billion low-risk five-year capital plan, with a planned spend of CAD1.9 billion in 2016. This capital plan has a balance of sustaining and growth capital which produces average annual rate base growth through 2020 of about 4.5%.

Our capital program is largely focused on transmission and distribution assets across our utilities, and is reflective of our ongoing capital needs in each business to continue to provide safe, reliable and cost-effective energy to our customers.

Our rate base growth, which is directly linked to the amount of capital we invest, is expected to grow to more than CAD20 billion by 2020. In 2016, our midyear rate base is expected to be CAD17.5 billion.

Before I close my portion of the presentation, I wanted to touch on the funding plan for the acquisition of ITC. We structured the financing of this transaction to maintain our relative capital structure and support our investment-grade credit ratings.

To fund the purchase, we will issue approximately U.S. \$3.5 billion in Fortis shares; assume approximately U.S. \$4.4 billion in ITC debt; issue U.S. \$2 billion in new debt later this year; and raise U.S. \$1.228 billion through the minority investment by GIC that we announced a few weeks ago.

Looking at 2016 and beyond, we will continue to focus on executing our capital plan, growing rate base and earnings. We are managing an active regulatory calendar. The most important of which is UNS Energy's general rate application for Tucson Electric Power.

There are several areas that will receive an increased focus going forward. We have created a new business development role and we will enhance our investor outreach. As we continue to grow, particularly with the New York Stock Exchange listing which Barry will discuss a little later, we will need to broaden our investor base.

With that, I'd like to turn the presentation back to Barry.

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**Barry Perry** - Fortis Inc - President and CEO

Thank you, Karl. I'd like to accomplish two things over the next few minutes. As always, I want to discuss the progress of our business since we last met, the major initiatives we've completed and what they mean to our future. But I also want this presentation to introduce Fortis to our ever-expanding shareholder base.

Fortis is fortunate to have loyal, long-term shareholders, individuals and institutions who believe in our business and our strategy for growth. With the steps we are taking to grow in the United States, the Company is welcoming new shareholders to Fortis.



Those of you who know Fortis know our track record. We've made strategic acquisitions over the years that complement our portfolio, expand our rate base, diversify geographic reach and reduce regulatory risk. Across our business, we have invested, managed and advanced key projects to drive growth in the portfolio. Our performance provides clear evidence of our ability to execute.

In 2015, we made progress on many fronts across our businesses. We successfully completed the integration of UNS Energy. We completed the \$900 million, 335-megawatt Waneta expansion project ahead of schedule and on budget.

We achieved new rates for Central Hudson with a three-year rate plan. We delivered strong EPS growth and increased the dividend twice; and we announced the acquisition of the Aitken Creek Gas Storage facility.

Our success is the result of our business model. We give our leaders the autonomy they need to plan, invest and drive their respective businesses. We are unique in that respect. This model is a competitive advantage, our empowered leaders step up to improve their operations and grow their businesses.

Our philosophy is this, we charge our CEOs to be CEOs, to build their businesses, and identify and seize new opportunities within their business and their markets.

As we have discussed before, an important factor in our continued growth is our utility operations finding incremental investments in our franchise regions. This means creating opportunities that are incremental to the base capital plan and rate base that Karl presented a few minutes ago.

The acquisition of Aitken Creek by FortisBC, which we closed in April, is an example of this approach in action, a valuable, strategic acquisition that fits into FortisBC's growth strategy, and expands our footprint in energy infrastructure.

With our record \$2.2 billion capital plan in 2015, we advanced many projects. I thought I would spend some time on a few.

First, the expansion of the Tilbury liquefied natural gas facility at FortisBC, which we expect to be in service around the end of 2016. This expansion will increase LNG production and storage capabilities and includes a second LNG tank and a new liquefier.

The expansion will be included in regulated rate base with a total project cost of \$440 million. And yes, that is Premier Clark in the picture. The Premier and her government are very supportive of LNG-related opportunities that we are pursuing in British Columbia.

Second, at UNS, we completed the U.S. \$79 million Pinal Transmission Project which opened new energy import capacity for TEP.

And third, we initiated a multi-year project to advance our Solar Program. You may not be aware that UNS is already one of the top U.S. utilities installing new solar capacity. Working with local solar company partners, UNS Energy has a pilot program that allows us to own and install rooftop solar systems for customers in Arizona. Consumer demand for clean energy continues to grow, and our goal is to be an important player in this growth market.

To further sharpen our focus, in 2015 we divested certain non-core assets, including our commercial real estate and hotel business, Fortis Properties, and a number of small, non-regulated generation assets in the U.S. and Canada.

These actions generated proceeds of approximately \$900 million, a net gain of over \$100 million, and allowed us to focus on our core utility operations. Our timing and execution on this was impeccable. Thank you, Nora, wherever you are for that great work on that. I don't we've got a gain of \$100 million now if we were getting out now.

So as I said in my opening, we are a transmission and distribution business, with a relatively small amount of generation. Our strategy is to continue to tighten this focus, to build transmission – to build a transmission and distribution company that operates in diversified markets within constructive regulatory environments.



In terms of acquisitions, our results are a reflection of the businesses we've acquired and the subsequent growth they've delivered. In 2004, we acquired Aquila in B.C. and Alberta. In 2007, it was Terasen, both are now integral parts of the Fortis family. Central Hudson was an important deal in 2013, and gave us a U.S. presence in a new regulatory environment.

And, in 2014, we completed the game-changing acquisition of UNS, which allowed Fortis to become a North American leader in our industry. These deals continue to drive value and contributed to our performance in 2015 and in the first quarter.

And, of course, the agreement to acquire ITC made earlier this year, which I'll discuss in a moment. Each of these businesses contributes to our growth, diversification and strength.

For the past decade, Fortis has delivered superior shareholder returns. Over this period, we delivered an average annualized total return to shareholders of 8.2%, exceeding the S&P Utilities and Composite indices, which delivered average annual performance of 4.6% and 4.2%, respectively.

And while Karl spoke to this, our recent decision on dividend guidance bears repeating. We introduced dividend guidance, and are targeting to increase our dividend on an annual basis by 6%, on average through 2020.

In 2015 we also increased our quarterly dividend twice, representing an increase of over 17%, and maintained our record for consecutive annual dividend increases in Canada.

With strong financial performance, a growing business, and confidence in our future, we took another important step in February with the announcement of a U.S. \$11.3 billion acquisition for ITC.

ITC further strengthens and diversifies our business within favorable economic regions with significant growth prospects. It is expected to be accretive to EPS in the first full year following close.

ITC brings us a strong, low-risk, transmission platform across eight U.S. states with a supportive regulator. ITC owns approximately 25,000 kilometers of transmission. And that's equivalent of the distance between St. John's and Victoria, B.C., multiplied by five, so an amazing amount of infrastructure.

And importantly, it is well-managed. Our strategy direction is clear and ITC is a perfect fit. This is another key and transformative acquisition for Fortis. Once concluded, approximately 60% of Fortis regulated earnings and assets will come from the United States. And Fortis will become one of the top 15 North American public utilities ranked by enterprise value.

But the goal here isn't just to achieve scale, it is to achieve a broader base upon which to build low-risk, profitable growth. For example, our 2016 midyear rate base would increase from \$17.5 billion to approximately \$26 billion pro forma for ITC. ITC's rate base is expected to grow at a compound annual growth rate of approximately 7.5% through 2018. Fortis standalone's rate base is growing on average at 4.5% through 2020. ITC is going to accelerate our growth.

As ITC upgrades its network and invests in new programs, Fortis will support and help enable ITC's future, creating new value for shareholders.

The work needed to conclude the acquisition is ongoing and progress is being made. On April 20th, we crossed an important milestone with the announcement of a strong minority partner, GIC.

GIC has a proven track record in North American infrastructure investment. They share our vision for ITC, investing U.S. \$1.228 billion for a 19.9% stake. With the minority investor secured, we are advancing the regulatory process, with the FERC filing submitted last week.

With our shareholders approving the transaction this morning, we now look forward to the ITC shareholder vote for their approval of the transaction. Overall, we expect the transaction will close by the end of 2016.

In anticipation of a broader, more visible U.S. presence, we also announced our intention to list on the New York Stock Exchange. We submitted our application in April, and we expect the listing to take place in the fall prior to the closing of the transaction.

Including ITC, Fortis through acquisitions, has removed three companies from the New York Stock Exchange over the past few years, and it's time to list one, and that's Fortis.

I look forward to seeing the Fortis ticker run across the NYSE, to ring the bell and open the market, and to create demand and trading activity for Fortis' shares in the U.S.

This company, your company, is opening new opportunities to continue to serve our customers well, or rate base expansion, for earnings growth, for enhanced performance. We will conduct business in a responsible manner with deep respect for our regulators, for the environment and the communities we serve. It's who we are.

And as we grow and extend that commitment to new communities across Canada and the United States, we also remain firmly rooted here at home in St. John's where the first steps were taken in 1885 by local business leaders to build a great company and where, today, we continue to participate in the city and the province's future.

Fellow shareholders, I am proud of the results our team has achieved, results that would not have been possible without thousands of people pulling together and driving the business forward. As we build for tomorrow, we thank all of our 7,700 employees for their hard work and dedication for the performance culture they adhere to, for their continued commitment to their customers.

All of us at Fortis are focused on safely delivering reliable and cost-effective energy to our customers and on building shareholder value. I thank you for being with us today. At this time, we're going to open the floor to questions. I'm sure there's going to be a few. Where's Stan?

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**Rob White**

Rob White St. John's. I'd like to -- a question [as well as the] nominating committee for overlooking at what I think would be not nominating more engineers to the board of directors. I think we are probably overweighed with CAs. And I think if you would like electrical engineers to a transmission facility would be most appropriate. Thank you.

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**Barry Perry** - Fortis Inc - President and CEO

It's a good comment. By the way, I should have mentioned that when we close the ITC transaction, Mr. Joe Welch, who's going to be coming on our board and he's an electrical engineer and probably one of the best in the industry. So that's going to add one engineer to our board. David, do you want to --

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**David Norris** - Fortis Inc - Chairman of the Board of Directors

I guess when we look at the approach to selection of directors, we look for a broad base of background and in many cases, a number of our directors would have very significant operational experience where they would have overseen various kind of operations.

So they may not be technical engineers but they do have some experience with running large operations and have interacted with the engineering profession.

We also have very substantial debt throughout our management team with respect to engineering matters. And I can assure you that to the extent that we require engineering background and input, we do get that as we require it.

But suffice it to say that we do look at multiplicity of skills and backgrounds and we have very substantial depth on our board which will be further enhanced in the coming months with Joe joining our board.

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**Rob White**

Thank you.

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**Barry Perry** - Fortis Inc - President and CEO

Any further questions? Mr. Small? Good morning, Ray.

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**Ray Small** - Shareholder

Good morning. I'm very sorry, it's takes long to get the microphone. I can't believe there were no questions today.

So without questions and there may be more questions, people should get up and ask, I just simply wanted to take this moment to -- I think shareholder meetings are appropriate times to do this.

And I guess I wanted to congratulate Fortis' corporate entity and more importantly, the management team, both the current management team and the previous management team. We as shareholders, and I've been a long-time shareholder, many people that I know closely who are long-time shareholders.

And I guess we're all very pleased that we have had a strong hand at the pillar. We had strong management team who have been very deliberate and thoughtful in the way you've approached the business and you've expanded the business in the United States at a time when our Canadian dollar was very strong, a very shrewd investing I must say. And as a shareholder, and I think on behalf of all the shareholders, congratulations to the past and we look -- we look forward to the future.

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**Barry Perry** - Fortis Inc - President and CEO

Thank you, Ray. Mr. Hutchens?

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**Derek Hutchens** - Shareholder

Mr. Perry, how are you?

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**Barry Perry** - Fortis Inc - President and CEO

Great. Thank you.

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**Derek Hutchens** - Shareholder

Mr. Small would steal some of my thunder here this morning, no doubt. But as a long-time shareholder and that's about 40 years for me, I'm very proud of this Company, very proud to be a shareholder.

For those who have been on board like Mr. Small and myself for a long time and I guess many of you, guys, yes, we've had a heck of a ride. But I can tell you that I'm staying in there. And for my children and my grandchildren, yes, they're onboard too. So we're glad to be around for a long time as well.

It's a -- boy, I'd tell you, it's well run company. I had a little chat with Mr. Smith earlier before the meeting. And for a little operation that came from Newfoundland, we're on the map and thanks very much for -- to the board and the management team, past and present. Thanks very much.

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**Barry Perry** - *Fortis Inc - President and CEO*

Thank you, Derek.

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**Derek Hutchens** - *Shareholder*

You're welcome. I'd also like to say, and I know, Mr. President, you did make reference to the employees, for all the people down in the trenches, I tell you, it doesn't happen. You, guys, look good, we all look good for the people down in the trenches, the people that are the employees, I'd like to refer to 7,700, I really, really thanks all of you, guys, for your hard work day in and day out because without you, we wouldn't -- we wouldn't be here today.

Having said that, I know you didn't make reference to the people in Fort McMurray and the support that Fortis would -- are prepared to give there, Mr. Chairman and Mr. President, I would like to -- if you, guys, would even consider today make the public announcement of maybe some financial contributions to the people at Fort McMurray who may take that under advisement today as well besides there to support or provide them.

I've just got a couple of comments and questions here, if you may. With regard to the acquisition of ITC and now a minority shareholder climbing in bed with us here on this, is this a new direction that the Company is taking to have minority shareholders?

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**Barry Perry** - *Fortis Inc - President and CEO*

I would say no at this point. Clearly, ITC was a large transaction and the bringing in of a minority shareholder helped us finance that transaction and allowed us to preserve our balance sheet and our strong investment grade credit ratings. I will say our preferences to own our businesses out right. But when we look at ITC, it was such, you know, a great opportunity for our Company and we designed s transaction that we could win frankly, and that's why we went that way.

Now, I will say this minority investor is the cream of the crop. You know, they already own positions in several U.S. utility organizations. They know the business. They are more about the governance of the company rather than the operations that's going to be left to Fortis and ITC management. So we're thinking we've got the best party that could be involved with us for this transaction.

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**Derek Hutchens** - *Shareholder*

Thank you very much for that comment. And another thing that's I guess always being a hot topic here in Newfoundland in recent months is Nalcor and Muskrat Falls.

And I know I've raised this issue a number of years ago. I'm just wondering now that our former CEO is now across the street with Nalcor. Does Fortis have any interest, desire initiative to engage in any talks with Nalcor with or without Muskrat Falls?



**Barry Perry** - *Fortis Inc - President and CEO*

I would -- you know, I just want to reiterate, we've always been interested in doing more business in Newfoundland. You know, Newfoundland Power at one point was 100% of our company. When we closed ITC, it's going to be 3% of our company.

So, you know, we've got -- we've got a lot of capital, we want to invest in Newfoundland, so we're open to those opportunities. And I made that know to successive premiers and we'll continue to do that. Newfoundland Power is a strong company, it has great people, and we can do more in this province.

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**Derek Hutchens** - *Shareholder*

A couple of things I noticed in the information circular and the management report that caught my attention and one of which was kind of it's been hanging around for quite a few years and I think it kind of got buried in there.

And I know we've been talking very, very positive things here this morning, but one thing that kind of bugs me and probably now a few other shareholders, and that was the investment that we had down in Belize.

And I noticed that things have now been I believe put to bed and there was \$9 million loss, fairly substantially loss. And yet that came out of our pocket and shareholders. I don't know if it came out of the pockets of the senior management people who were involved with making the decisions down there. Maybe you'd like to comment on that, Mr. Perry.

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**Barry Perry** - *Fortis Inc - President and CEO*

Well, let me you what was that risk. It was more like \$125 million. That's what we had invested in the utility. So we manage to come through that in a good spot. We are -- we are still running our hydro operations there which generate good earnings for the Company.

We have normalized our relationships with the country. We were spending a lot of money on legal fees defending our case and which we felt was a real -- it was a strong case. When I became CEO, I did take the initiative with my team to normalize those relationships.

And frankly, of course, all the things to look at in 2015, one of the prouder ones -- or one of the things I'm more proud of is settling the Belize situation. And, you know, I'm looking forward in the future frankly to continuing to improve our relationships in that -- in that country.

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**Derek Hutchens** - *Shareholder*

I guess that kind of just leads to I guess my final point. And you made reference to how we got out of the hotel business and the real estate business and we thank Mrs. Duke for her contribution whatever down there.

But our senior -- our senior management people in my opinion are very, very well paid, and when it comes to, I'll call it the golden handshakes, and I signed that report this time around in a couple of situations for golden handshakes.

I guess my question is probably directed to the board to Mr. Norris and the board in particular. What are the board's [sort of stuff] to golden handshakes?

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

You asked a general question, and I think -- I think the response is that when we are dealing with longstanding people who have made tremendous contribution to the company over the years and shown tremendous leadership, we look at the appropriate arrangements for them on their retirement and we consider all of the factors that are out there.

We look at why is common practice in industry for companies of our size, and the arrangements that that we've made in the past, we have got the best advice that we could get as to why it's appropriate in these circumstances.

And the arrangements that we have made and the agreements that we have reached in the past have reflected that kind of understanding, and it's quite possible in the future, there could be other situations. On an individual basis, where we look at circumstances, get advice and deal with them appropriately.

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**Derek Hutchens** - *Shareholder*

With all due respect, Mr. Chairman, I guess the short answer, to answer my question is no, you don't do that, but it just kind of frustrates me that when things go very good, yes, you're -- you know, the board is all there to hand out those golden handshakes.

But when we -- when we have a situation investment that goes sourly down in Belize and we take a \$9 million loss, I don't see our senior management people taking a cut in pay in a situation like that. So what's good for one is not good for the other and it leaves a little bit of sour taste in my mouth.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Well, I guess that's unfortunate from your perspective. I'd like to say --

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**Derek Hutchens** - *Shareholder*

That's just not my perspective, Mr. Chairman. I think that's perspective of many shareholders that I speak to as well.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

I understand.

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**Derek Hutchens** - *Shareholder*

Thank you very much.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

I understand your point. I just would say that our compensation arrangements are fully disclosed as required and the whole approach to the Company's executive compensation was put out there. It's been voted on by the shareholders, and the overwhelming vote, 97.5% in favor of our approach to compensation fully endorsed by shareholders.

And I would say as well that in today's world, the advisory votes on executive compensation have been trending down. And this year at 97.5%, we're higher than we've been in the last three or four years.

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**Derek Hutchens** - *Shareholder*

May I just say just in closing that when I read the report and you talked about the performance metrics that are implemented in used for the senior management people.





May I suggest to the board that year after year when I look at it, I've been looking at it for 40 years now, I look at it and say, time after time after time, the senior management people exceed not just 1% or 2% or 3% but 20%, 30%, 40%. I would suggest that you, Mr. Chairman, that you tighten up the performance metrics.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

I guess in response to that, if you compare the performance metrics, the disclosure that we had put in this year compared with prior years, it has been substantially enhanced and the performance metrics are reflective of what you would see in similar companies.

And if you look at the graph showing the performance of our company and the substantial growth and the continuation of dividend growth then I think that reflects the considerable efforts of our very strong management team.

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**Derek Hutchens** - *Shareholder*

No doubt, sir. I agree with you 100% and I'm very, very happy about that. I'd like to -- as I said in closing for you just to bear in kind some of those things for future, but thanks very much for your guidance this past year and we look forward to another success for the year in 2016.

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**David Norris** - *Fortis Inc - Chairman of the Board of Directors*

Thank you very much. Thank you.

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**Barry Perry** - *Fortis Inc - President and CEO*

Okay. Any other questions? Go ahead.

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**Carol Roberts** - *Shareholder*

Hi. [Carol Roberts], a shareholder for a long time.

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**Barry Perry** - *Fortis Inc - President and CEO*

Thank you.

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**Carol Roberts** - *Shareholder*

And, you know, also started off as a Twin Falls Power Churchill Falls through the whole energy business. I just want to say how -- when I was reading the ITC acquisition, I was really impressed with the financing.

And particularly, it took me a while kind of to understand how that worked, the minority and -- the minority shares of GIC. And then when I saw what they were involved in which also was the Ontario Teachers' Federation so many, you know, huge undertakings, it seemed quite interesting. And also the fact that it saved you a lot of [debt] so I think that was very important.

Also, when you talked about performance, I think the fact that Ms. Duke, you know, with Fortis Properties was able to throw that together at \$900, you know, million. And I think that was pretty impressive, and \$100 million of that was, you know.

**Barry Perry** - Fortis Inc - President and CEO

Went to the bottom-line.

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**Carol Roberts** - Shareholder

Right, and I thought that was really, really impressive. So, and also, just to be here today and to have the ITC people here.

One question. When the ITC shareholders, so they will receive a certain amount of money plus roughly three quarters share of Fortis when they're -- when will that -- when will that be finished? When will that be --

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**Barry Perry** - Fortis Inc - President and CEO

Well, we -- we're in a process with the SEC to get clearance so that ITC can provide their circular to their shareholders. I think the earliest is probably mid-June timeframe but it's in that sort of second half of June, first half of July kind of timeframe. That's what we're shooting for at this point in time. So that process is well underway. We're just finalizing with the SEC, you know, the approach to that at this point.

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**Carol Roberts** - Shareholder

Thank you very much.

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**Barry Perry** - Fortis Inc - President and CEO

Thank you. Thank you for your comments.

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**Carol Roberts** - Shareholder

So keep at it.

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**Barry Perry** - Fortis Inc - President and CEO

Thank you. Thank you so much. Any other questions? Going once, twice, we're done. Lunch is next door. Our management team is going to be there. The board is going to be there. Feel free to make your way over and engage with them and ask them any questions you may like. Thank you very much. Bye-bye.

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