

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

FTS.TO - Q3 2014 Fortis Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 07, 2014 / 3:00PM GMT



## CORPORATE PARTICIPANTS

**Donna Hynes** *Fortis Inc - Manager, Investor & Public Relations*

**Barry Perry** *Fortis Inc - President & Incoming CEO*

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

## CONFERENCE CALL PARTICIPANTS

**Linda Ezergailis** *TD Securities - Analyst*

**Paul Lechem** *CIBC World Markets - Analyst*

**Robert Kwan** *RBC Capital Markets - Analyst*

**Matthew Akman** *Scotiabank - Analyst*

**Ben Pham** *BMO Capital Markets - Analyst*

**Andrew Kuske** *Credit Suisse - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. This is the conference call operator. Welcome to Fortis third-quarter 2014 conference call and webcast.

(Operator Instructions)

At this time, I would like to turn the conference over to Donna Hynes, Manager, Investor & Public Relations for Fortis. Please go ahead, Ms. Hynes.

---

### Donna Hynes - *Fortis Inc - Manager, Investor & Public Relations*

Thank you, and good morning, everyone. Welcome to the Fortis Inc third-quarter 2014 earnings call. Fortis participants on the call this morning are Barry Perry, President and Incoming CEO; and Karl Smith, Executive Vice President and CFO; as well as additional members of our senior management team.

This conference call is webcast, and the supporting PowerPoint slide show associated with this call is available on the Fortis Inc website at [www.FortisInc.com](http://www.FortisInc.com). A replay of the call will be available later today, and the transcript will be posted to our website shortly thereafter. Our third-quarter earnings release and related materials are also available on our website.

I would like to remind you that all forward-looking information provided during this conference call is subject to the Safe Harbor statement contained in the supporting PowerPoint slide show. All non-GAAP financial measures referenced in our prepared remarks are reconciled to the related GAAP financial measures in the PowerPoint slide show. Also, unless otherwise specified, all financial information referenced is in Canadian dollars.

Barry Perry will begin with a corporate update, and then Karl Smith will review the financial results in detail and discuss regulatory matters. The presentation will be approximately 10 minutes, after which time we will turn the call over to the conference operator for your questions.

During the question-and-answer period, we will take questions from the investment community first, followed by the media, if time permits. In order to provide everyone with an equal opportunity to participate, we ask that you limit yourself to two questions. If you have additional questions, please re-enter the queue.



Also, we ask that you focus your questions on our industry, our corporate strategy, recent developments and key elements in the Corporation's financial performance. If you have any detailed questions, please follow up with us after this call and we would be pleased to discuss them with you at that time. I will now turn the call over to Barry Perry.

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Thank you, Donna, and good morning, everyone. The third quarter has been a period of major growth and transition for Fortis. There is significant momentum in our Company right now.

Our big news this quarter, of course, was the closing of the acquisition of UNS Energy Corporation on August 15, 2014. UNS Energy operates in Arizona and serves approximately 658,000 electric and gas customers. Its largest utility, Tucson Electric Power, provides electricity to Tucson and surrounding areas.

The aggregate purchase price was approximately US \$4.5 billion, including the assumption of approximately \$2 billion US of debt. One-time acquisition-related cost had a significant impact on our Q3 results, which Karl will discuss shortly.

However, I would point out that we had initially targeted a UNS Energy closing to occur at the end of this year, so we are capturing UNS earnings earlier than expected. As well, we believe that accretion and earnings per common share attributable to UNS Energy will surpass our initial expectations.

The acquisition of UNS Energy has also further diversified the Corporation's assets geographically, and by regulatory jurisdiction, which is supportive of our strong investment-grade credit rating. The total assets of Fortis now surpass CAD25 billion, including nearly CAD7 billion at UNS Energy. Regulated utilities comprise approximately 90% of our total assets, with the approximate breakdown of regulated assets being 39% in the United States, 57% in Canada and 4% in the Caribbean.

Our largest regulatory jurisdiction, British Columbia, now accounts for 32% of regulated assets, down from almost half of our regulated assets prior to the UNS Energy acquisition. Fortis has completed all of the equity-based financing for the UNS Energy acquisition through a combination of common and preferred equity. We have also made a number of executive appointments, as well as changes to our corporate level structure to better support a much bigger Fortis, now that we own UNS Energy.

In late September, we announced a review of the strategic options for our successful hotel and commercial real estate business, operated as Fortis Properties. This non-core subsidiary, which currently represents approximately 3% of the Corporation's total assets, owns and operates 23 hotels in 8 Canadian provinces, representing over 4,400 rooms. And 2.8 million square feet of commercial and retail real estate, primarily in Atlantic Canada.

The review is consistent with our focus on the regulated utility business on long-term contracted energy infrastructure. Strategic options may include a sale of all or a portion of the assets, a sale of the subsidiary shares, or Initial Public Offering. The review process is ongoing and is expected to continue through the balance of 2014 and into 2015.

Looking to the future, Fortis is entering a period of significant organic growth. The CAD900 million non-regulated Waneta hydroelectric expansion, of which Fortis holds a 51% interest, continues on time and on budget. This investment is supported by 40-year power purchase agreements with BC Hydro and with the Corporation's wholly owned subsidiary, FortisBC. Completion of the Waneta Expansion remains scheduled for the spring of 2015.

Last month, FortisBC announced the start of construction for its CAD400 million Tilbury LNG facility expansion project in British Columbia. The expansion will add 1.1 million gigajoules of LNG storage and 34,000 gigajoules per day of liquid fraction capacity. The project will provide natural gas for the transportation industry, for remote communities and for the marketplace in general. The investment will be included in FortisBC's regulated rate base, and completion is targeted for the second half of 2016.



FortisBC is in a unique position to meet further growing demand for LNG from domestic and foreign markets by leveraging its existing infrastructure to rapidly and cost-effectively increase supply. Our Tilbury site has 35 acres of LNG-zoned land, with ocean access, that is suitable for further expansion.

FortisBC is currently working towards a possible second expansion at the site, at an estimated cost of CAD450 million, which would also be included in FortisBC's regulated rate base. This expansion would add further liquid fraction capacity of 144,000 gigajoules per day.

A 15-year conditional contract is in place with Hawaiian Electric for most of this liquefaction capacity. The project is subject to a variety of regulatory and other approvals, including approval of the Hawaiian Electric contract by the Hawaii Public Utilities Commission.

FortisBC is also pursuing an opportunity to expand its pipeline and compression infrastructure to the Woodfibre LNG site near Squamish, British Columbia. Woodfibre is a privately owned LNG processing and export facility that is expected to be operational by the first quarter of 2017.

Pipeline and design permitting are underway, and FortisBC is currently negotiating a transportation service agreement with the owner of the facility. This project, if successful, would add an estimated CAD600 million to FortisBC's regulated rate base.

During the quarter, we continued to successfully execute our 2014 capital expenditure program, which is expected to total CAD1.8 billion, including CAD450 million at UNS Energy from the date of the acquisition. In particular, I note that UNS Energy expects to close the purchase of a 550-megawatt gas-fired combined section unit at the Gila River Generating Station for US \$219 million in December 2014.

Additionally, in early October, Caribbean Utility Corporation, in which Fortis holds an approximate 60% controlling ownership interest, announced that it was successful bidder to build and operate new generation on Grand Cayman. The estimated project cost is US \$85 million, with the diesel power plant to be commissioned no later than June 2016.

Over the five-year period through 2018, our capital expenditures are expected to exceed CAD9 billion, and the compound average growth rate and rate base in the Waneta Expansion through 2018 is estimated to be approximately 7%. Including the potential second Tilbury Expansion and the Woodfibre project, the compound annual growth rate rises to approximately 8.5%.

We are very excited about these opportunities, which we expect to drive growth in earnings and cash flow, and support increasing dividends to our common shareholders. Our Q4 dividend has been declared at CAD0.32 per common share, which represents an annualized dividend of CAD1.28 for the year. Fortis has increased its annualized dividends to common shareholders for 41 consecutive years, the longest record of any public corporation in Canada.

The number one priority of Fortis, as always, is the provision of safe, reliable and cost-efficient energy service to our customers. Now that our initial push into the United States utility market has been accomplished, our focus for the next 12 to 18 months will be on the full integration of UNS Energy, execution of the Corporation's capital expenditure program and a strategic review of Fortis properties.

In all, I believe that we are well-positioned for a strong and successful 2015. And with that update, I'll now turn things over to Karl, who will discuss our financial results and key regulatory matters.

---

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

Thanks, Barry. Good morning, everyone. Earnings attributable to common equity shareholders for the third quarter of 2014 were CAD14 million or CAD0.06 per common share, compared to CAD48 million or CAD0.23 per common share for the third quarter of 2013. As Barry mentioned, the acquisition of UNS Energy had a major impact on our financial results this quarter, and is the most significant factor in assessing our quarter-three earnings.



As you can see on this slide, an analysis of adjusted earnings for the quarter, we moved CAD58 million of one-time costs incurred in the quarter that relate specifically to the acquisition of UNS. This amount includes interest on the convertible debentures, customer benefits totaling US \$30 million, and professional fees.

On this basis, adjusted earnings for the quarter were CAD72 million or CAD0.33 per common share. This represents an increase of CAD24 million or CAD0.10 per common share, compared to the same quarter last year. When we compare adjusted earnings for the quarter to the same quarter last year, the primary driver of the increase is the earnings associated with UNS, which were CAD37 million.

This amount of earnings for the quarter was positively impacted by a favorable movement in foreign exchange rates, the earlier-than-planned closing of the transaction and a positive seasonality impact. Third quarter is the largest contributor to annual earnings for UNS.

This positive impact was partially offset by an approximate CAD9 million increase in corporate costs. This is a result of higher financing costs and operating costs compared to the same quarter of last year. Corporate costs will be higher going forward, largely due to increased financing costs related to the permanent financing for UNS.

Year to date in 2014, Fortis and its regulated subsidiaries raised over CAD1 billion of long-term debt financing at attractive rates. This includes US \$500 million issued by Fortis Inc, CAD275 million issued by FortisAlberta, and CAD200 million issued by FortisBC Electric. In all cases, net proceeds were used primarily to refinance maturing debt.

In the third quarter of 2014, Fortis issued CAD600 million of preference shares, with a coupon of 4.1%, as part of the permanent financing for the UNS Energy acquisition. In October 2014, Fortis Inc received CAD1.2 billion in connection with the final installment under the convertible debentures issued in connection with the acquisition of UNS Energy. Fortis issued approximately 58.2 million common shares upon conversion of the debentures, and this completes the common equity financing for the transaction.

Net proceeds were used to pay down the related acquisition bridge facilities, leaving a balance of approximately CAD275 million. This amount, along with CAD225 million of acquisition-related borrowings sitting in Corporation's committed credit facility, represents the remaining CAD500 million of permanent financing required for the UNS acquisition. We expect to apply the net proceeds of any transaction associated with the strategic review of Fortis Properties to this balance.

Fortis has a relatively light debt maturity profile, with an average of CAD300 million maturing annually over the next five years. Additionally, at September 30, 2014, Fortis and its subsidiaries had un-utilized credit facilities of CAD2.6 billion, providing the Corporation with ample liquidity.

The conversion of convertible debentures has returned Fortis's capital structure to its targeted range. On a pro forma basis reflecting the conversion, the Corporation's consolidated capital structure at September 30, 2014 was 55.5% debt, 9.5% preferred equity and 35% common equity.

As we expected, the receipt of the final installment and conversion of the convertible debentures resulted in S&P reinstating the stable outlook on the Corporation's A- credit rating. We expect DBRS will conclude its review of the Corporation's credit rating outlook soon, as well. Additionally, S&P upgraded its credit rating for Tucson Electric Power from BBB to BBB plus. We expect this will have a positive impact on the future cost of capital for that utility, which will benefit its customers.

On the regulatory front during the quarter and year to date, in July, Central Hudson filed a general rate application for mid-2015 rates. This should provide the revenue required to support the US \$215 million of capital expenditures made during the two-year rate freeze agreed to by Fortis in order to achieve regulatory approval of the Central Hudson acquisition.

Proceedings referred to as Reforming the Energy Vision have started in New York State. These are generic proceedings aimed at redefining the role of distribution utilities, and aligning their investments and earning with New York State policy goals.

In September, a decision was received on multi-year PVR applications in British Columbia. The decision covers the period 2014 through 2019, and is generally not expected to have a material impact on our earnings.



In October, a hearing was held regarding FortisAlberta's Capital Tracker application for the years 2013 through 2015. This application seeks revenue increases related to FortisAlberta's capital expenditure program. FortisAlberta has recognized Capital Tracker revenue based on an interim decision by its regulator granting 60% of the amounts applied for.

It has also applied for a higher level of interim rates associated with Capital Tracker expenditures for 2015 to reflect 90% of the applied for amounts. A decision on the Capital Tracker application is expected in the first quarter of 2015.

And finally, we expect decisions on FortisAlberta's annual rates application, and on its 2013 and 2014 generic cost of capital in the fourth quarter of this year. That concludes my prepared remarks, and I'll turn things back to Donna.

---

**Donna Hynes** - Fortis Inc - Manager, Investor & Public Relations

This concludes the Fortis Inc third-quarter earnings presentation. I will now ask the conference operator to please open the phone lines for the question-and-answer segment of the call.

---

## QUESTIONS AND ANSWERS

**Operator**

Thank you.

(Operator Instructions)

Linda Ezergailis, TD Securities.

---

**Linda Ezergailis** - TD Securities - Analyst

Good morning.

---

**Barry Perry** - Fortis Inc - President & Incoming CEO

Good morning.

---

**Linda Ezergailis** - TD Securities - Analyst

Quick question on one of your comments at the beginning of the call. Barry, you were saying that you now think UNS Energy will surpass expectations of accretion out the gate. Can you describe what the drivers behind that are? Is it strong operations, is it FX, is it lower-than-expected financing costs, all of the above?

---

**Barry Perry** - Fortis Inc - President & Incoming CEO

Linda, the UNS Energy operation -- we're really expecting, in US dollars, them to deliver earnings consistent with what they had indicated prior to us buying the company. There are some real upside related to FX rates, clearly, from the time that we announced the deal to where the Canadian-US exchange rate is today. There's been a very much -- a strengthening of the US dollar. We have also, I would say, financed the transaction slightly better in terms of the rates we achieved on both the common equity pricing and preferred share pricing, than what we had anticipated initially.



---

**Linda Ezergailis** - *TD Securities - Analyst*

That's helpful context. And moving on to your strategic review for properties -- you must have gotten a lot of inbound calls by now. What is the range of the options you're exploring, and do you think you'll have to trade off between price maximization versus execution risk at any point, potentially?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Linda, we have gotten a lot of interest. I will say it's a little early to even suggest what the outcome will be. We are very optimistic that we can execute on an exit of the business. So I would leave it at that.

---

**Linda Ezergailis** - *TD Securities - Analyst*

Great, thank you.

---

**Operator**

Paul Lechem, CIBC.

---

**Paul Lechem** - *CIBC World Markets - Analyst*

Thank you, good morning. On your CapEx plan for the year, you have a CAD1.8 billion target. I see you've got CAD875 million year to date. Can you give us some sense of how you spent almost CAD1 billion in the last quarter, other than you have the Gila River facility. But other than that, is there any other major elements we should be aware of?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Well, the other -- you identified one big one, which is the Gila River purchase in December, Paul. We also got started on Tilbury Phase 1A, that CAD400 million project. There was fairly significant capital in Q4 related to the initial start of that project, probably in the range of over CAD100 million, and then the build-up of all the subsidiaries. At this point in time, we're fairly comfortable that, that CAD1.8 billion is a doable number for this year.

---

**Paul Lechem** - *CIBC World Markets - Analyst*

All right. And on Waneta, the write-up says CAD648 million spent to-date. It's coming into service in the spring. I don't know if you can be more specific in terms of what that means, spring? And also, how do you spend the rest of the CAD900 million in the next few months? What are the major elements to spend there?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Well, we are confident at this point -- obviously anytime you start up a large plant, there's always risk. But schedule-wise, in terms of start-up, we're in that April, May time period. There are more funds to be spent during construction. We do have about CAD60 million of contingency on that project that we've not utilized a whole lot yet at this point. There are also bonuses and various other payments that have to be made to S&C, if they bring the contract in under certain pre-determined levels.

There's a fairly significant amount of payments that occur at the end of the process. So again, at this point we're not willing to commit to lowering the overall target, but we're in good shape.

---

**Paul Lechem** - *CIBC World Markets - Analyst*

S&C could sure use those bonuses. (laughter) You talked a little bit about Tilbury 1B with Hawaiian Electric. Can you give us some sense of timing when the PUC and Hawaii might make some decision on that, and other regulatory requirements to actually move that project forward? And timing on that?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Obviously, it's for the PUC and Hawaii to determine their timing. But we do believe we're into the first half of next year before we get a good indication from that process in Hawaii, Paul. That still allows us to have this project up and running in that four-year growth period that we've outlined. It's moving along nicely, we're focused on it and we're very excited, actually, about the prospects of doing business with Hawaiian Electric.

---

**Paul Lechem** - *CIBC World Markets - Analyst*

Okay. Thanks a lot, Barry

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Thank you.

---

**Operator**

Robert Kwan, RBC Capital Markets.

---

**Robert Kwan** - *RBC Capital Markets - Analyst*

Good morning. Just on Central Hudson, absent the cold weather in Q1, you're under-earning, for all the reasons you've talked about within the rate freeze. Just wondering, if you get what you filed, is there anything structural in your application that stops you from earning the 9% on CAD48 million out of the gate?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

No

---

**Robert Kwan** - *RBC Capital Markets - Analyst*

Okay. And then turning to the capital tracker application and the 2015 rates application, and I think you mentioned that you filed for 90% recovery. The AUC has already granted that level of recovery for another utility. I'm wondering, is there anything you see in your application versus theirs that would materially differ, or could that be a decent rate-through?

---



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

Robert, this is Karl. We don't see anything from our end that would set us apart from other utilities that have been granted 90%. We do expect to hear back on that sometime in the next couple of weeks, but our expectation is that we should receive the 90% interim rate for 2015.

---

**Robert Kwan** - RBC Capital Markets - Analyst

Okay, that's great. If I can just ask one small cleanup here on corporate, understanding what was in the number, and then what you normalized for. Was there a cost in third quarter to carry the equity component you had, to fund to UNS until you got the cash from the installment receipts? And if that was in the number, was that something you normalized for?

---

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

Robert, not specifically. I would suggest that the interest in that number is a proxy for any capital-carrying costs, but there weren't any capital costs, per say.

---

**Robert Kwan** - RBC Capital Markets - Analyst

Sorry, Karl -- a proxy? So you didn't incur the cash?

---

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

No, we did have interest expense in the corporate cost for the third quarter and for the second quarter. Throughout the year, we've had carrying costs associated with the subordinated debentures.

---

**Robert Kwan** - RBC Capital Markets - Analyst

I'm thinking outside of the debentures, though.

---

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

No

---

**Barry Perry** - Fortis Inc - President & Incoming CEO

Robert, just to clarify. The extra equity that we put in, was put in post-quarter-end, first of all. It's part of our overall plan to really start bringing up the equity thickness of UNS Energy, and we're really optimistic over a reasonable period we can get that up to 50% at this point. But that was funded post-quarter-end.

---

**Robert Kwan** - RBC Capital Markets - Analyst

Okay, sorry. I was just looking at the difference there to fund the actual acquisition itself. So to fund on the acquisition bridge line?

---

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

Sorry. Say that again, Robert?

---

**Robert Kwan** - *RBC Capital Markets - Analyst*

The acquisition bridge line, did you have to draw that in terms of timing before closing?

---

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

Absolutely. We had borrowings outstanding basically all year associated with the first installment of those installment receipts.

---

**Robert Kwan** - *RBC Capital Markets - Analyst*

Okay, that's great, thank you.

---

**Operator**

Matthew Akman, Scotiabank.

---

**Matthew Akman** - *Scotiabank - Analyst*

Thank you, good morning. On UNS, Karl, I wasn't sure if you mentioned anything specific about weather, and the quarter sales were up year over year for the full quarter in Q3 year over year. I'm just wondering, can you make any comment on weather in Arizona during the quarter?

---

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

Yes, it's hot in Arizona during that the quarter. (laughter)

---

**Matthew Akman** - *Scotiabank - Analyst*

Was it normally hot or crazy hot?

---

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

It was a little bit less than normal, not crazy hot. But I would characterize it as normal, not exceptional. Just a little bit less than they would have experienced the previous year.

---

**Matthew Akman** - *Scotiabank - Analyst*

Okay. And yet, sales were up during the quarter?

---

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

Yes, well, there's industrial sales that are coming back, as well, on the wholesale side.

---



**Matthew Akman** - Scotiabank - Analyst

Yes, okay. Second question is Alberta; you made a filing for 2015 rates. Does that assume that you get 100% of the capital tracker?

---

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

Well, the application that we just mentioned a couple of minutes ago, Matthew, we've applied for interim rates associated with the 2015 CapEx at 90% of the applied for. We applied for 100%, but we've asked for 90% interim, rather than the 60% that's been the case over the last couple of years. So whatever that order comes back at, that's what we'll book as revenue for 2015.

---

**Matthew Akman** - Scotiabank - Analyst

Okay. I knew there was an interim filing for 90%. Is there a final filing for 100% as well?

---

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

Each year there's an application made for the capital spend, including what would be characterized now as capital tracker spending. That's always applied for at 100%. And that's what the regulator in Alberta is working his way through, and it's taking quite a long time, as you know. But that final order on capital tracker, because it's the initial capital tracker application, we expect a decision probably second quarter next year

---

**Matthew Akman** - Scotiabank - Analyst

Okay. So that might come after the final rates decision for 2015?

---

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

Yes, and the rates decision for 2015 therefore won't be final until the capital tracker decision.

---

**Matthew Akman** - Scotiabank - Analyst

Yes, I understand that. Okay, thanks. Those are my questions, thank you.

---

**Operator**

Ben Pham of BMO Capital Markets.

---

**Ben Pham** - BMO Capital Markets - Analyst

Good morning, everybody.

---

**Barry Perry** - Fortis Inc - President & Incoming CEO

Good morning.

---



**Ben Pham** - *BMO Capital Markets - Analyst*

I just wanted to follow up on that last question about the PVR. I wanted to clarify, just given your recording 60% of the revenues on the capital trackers, are you aligning that with the amount of CapEx that you're spending this year? Or is there going to be a pick-up of CapEx in the future pending a potential change in that percentage?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Ben, we really have not substantially changed our capital budgets for FortisAlberta. We're really doing what we need to do to run the operation. We haven't really altered in any material way, I'd say, our approach to CapEx. We're obviously very hopeful that we end up getting the revenues that we need to fund that CapEx. There was a very positive sign sent recently when the commission awarded this 90% number to the other utility.

---

**Ben Pham** - *BMO Capital Markets - Analyst*

Okay. So your spending this year and your future budget is based on 100% recovery of the capital trackers?

---

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

With an expectation that -- our expectation all along is that what we apply for is what the appropriate level of revenue should be. We haven't adjusted our capital spending to compensate for the fact that it's just interim revenue. We'll soon be entering year three, so we'll need a decision on this before too long. As I say, we'll probably get that second quarter of next year. But we always prepare our capital budgets on that basis of what's necessary and appropriate for the business, and that hasn't changed.

---

**Ben Pham** - *BMO Capital Markets - Analyst*

Okay. And you had some earlier comments about your track record on the dividend, and you're heading into the month that you typically look at the dividend. Just given the change in business mix of your business geographically, and also more towards the regulated side, with that sale of the hotels -- or the potential sale. Is there any thoughts about revisiting your payout ratio that you paid out in the past?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

All I'd say, Ben, is, we're pretty excited about having that discussion with our Board come this December. Clearly we are predominantly a regulated business at this point in time, and we're looking forward to keeping our record on a go-forward basis. It's going to be a little more interesting discussion than it's been for the last two or three years.

---

**Ben Pham** - *BMO Capital Markets - Analyst*

Okay, very good. That's it for me. Thanks, everybody.

---

**Operator**

(Operator Instructions)

Andrew Kuske, Credit Suisse.

---



**Andrew Kuske** - *Credit Suisse - Analyst*

Thank you, good morning.

The question is for Barry. In the context of all the growth that you've got for the next five years, what are really your marching orders to the guys running the individual groups? Is it really delivering that growth over the next five years? And then when you're looking for incremental, is it really trying to extend the growth? Or just deepen the growth that you've got in the next five, at this point in time?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Good question, Andrew. Clearly I need the team to deliver what we're expecting from each of our businesses. We have a philosophy that we look at each of the franchise areas that we serve, and we're really looking for energy-related opportunities in those areas. And that could be outside the more traditional regulated utility investment, and things like we're doing in BC, with the LNG.

We're encouraging our teams in the various jurisdictions to really start looking at opportunities in those service territories. I do expect that we'll have more of those opportunities going forward. For example, at Investor Day, we talked about a possible pipeline expansion in New York State. And we're continuing to pursue that opportunity. But it's another example that -- you have the geography, the footprint, let's try to find those incremental opportunities.

As far as growth beyond that, clearly once we get settled with UNS and re-establish the earnings record of the Company, we are open to further acquisition growth down the road, but it's not our immediate focus at this point.

---

**Andrew Kuske** - *Credit Suisse - Analyst*

With the comments of the asset footprint expanding, and then seeking other opportunities within that, I know you mentioned renewable at the Investor Day, which is something you really haven't been that involved in in the past. Do you have any kind of quantification of that embedded opportunity within your existing asset base, whether it be wind or solar anything along that line? Or is it still too early to really assess?

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

It's too early. But I can tell you that we're looking at that stuff. I look at Arizona and I look at the real support that's there for the solar industry. I would like to find some investment opportunities in that area, as an example. So we're going to push those, and we'll see what we get.

---

**Andrew Kuske** - *Credit Suisse - Analyst*

Okay, that's very helpful, thank you.

---

**Operator**

Thank you. As there are no further questions, I would like to turn the call back over to Mr. Perry for any closing remarks

---

**Barry Perry** - *Fortis Inc - President & Incoming CEO*

Thank you, everyone. This is our first call, and we will be doing this on a go-forward basis. We really have nothing further to add at this time. Just want to thank everyone for participating, and enjoy the rest of your day.

**Operator**

Thank you for participating, ladies and gentlemen. This concludes today's conference. You may now this connect.

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2014, Thomson Reuters. All Rights Reserved.