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FTS.TO - Q4 2014 Fortis Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 19, 2015 / 3:00PM GMT



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PRESENTATION

Operator

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

(Operator Instructions)

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

Donna Hynes - *Fortis Inc - Director, Investor and Public Relations*

Thank you and good morning, everyone. Welcome to the Fortis Inc. 2014 earnings call. Fortis participants on the call this morning are Barry Perry, President and 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. A replay of the call will be available later today and the transcript will be posted to our website shortly thereafter. Our 2014 Earnings Release and related materials are also available on our website.

I would like to remind you that our forward-looking information provided during this conference call is subject to the forward-looking information disclaimer 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 20 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 reenter the queue.

Also, we would ask that you focus your questions on our industry, our corporate strategy, recent developments and key elements of 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 and CEO*

Thank you, Donna. Good morning, everyone.

2014 was a transformative year for Fortis. The acquisition of UNS Energy Corporation has transformed Fortis from the largest investor-owned distribution utility in Canada to a leader in electric and gas utilities in North America. Fortis now owns nine utilities, five in Canada, two in the United States and two in the Caribbean and serves more than three million electricity and gas customers.

We acquired UNS Energy on August 15, 2014. This \$4.5 billion acquisition is the largest acquisition in the Corporation's history, bolstering assets by approximately one-third. UNS Energy operates in Arizona and serves approximately 658,000 electric and gas customers. Its biggest utility, Tucson Electric Power, provides electricity to Tucson and surrounding areas.

We had initially targeted the UNS Energy closing to occur at the end of 2014. Earnings from the early closing along with one-time acquisition-related costs had a significant impact on our 2014 results which Karl will discuss shortly. Excluding one-time acquisition-related costs, the acquisition of UNS Energy was immediately accretive to earnings per common share.

The total assets of Fortis are now more than CAD26 billion, up almost 50% over the last year and include nearly CAD7.5 billion at UNS Energy. Regulated utilities comprise approximately 93% of total assets, with the approximate breakdown of regulated assets being 55% in Canada, 41% in the United States, 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.

Our focus during the fourth quarter of 2014 was primarily in three areas. First, the integration of UNS Energy, which is proceeding well and as planned. Second, the completion of our record CAD1.7 billion capital program, which was successfully accomplished. And third, the strategic review of Fortis Properties.

Fortis Properties, which currently represents approximately 3% of the Corporation's total assets, is a successful business that Fortis built from the ground up. It owns and operates 23 hotels in eight Canadian provinces representing over 4,400 rooms and 2.8 million square feet of commercial Real Estate, primarily in Atlantic, Canada. The strategic review continues to move forward. While timelines are inherently difficult to predict, we are targeting to complete the process in the second quarter of 2015.

2015 also kicks off a period of significant organic growth for Fortis. The CAD900 million 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 the Corporation's wholly owned subsidiary FortisBC. The completion of the Waneta Expansion remains scheduled for spring 2015 and we are targeting our share of 2015 earnings in the range of CAD20 million to CAD25 million.

The combination of the expected on-time completion of Waneta, a full year of earnings contributions from UNS Energy and the anticipated implementation of new rates at Central Hudson in July after a two-year rate freeze, positions Fortis for a strong 2015. A reasonable outcome for the capital tracker applications at FortisAlberta would further build on our momentum for 2015.

Turning now to our LNG opportunities. Construction of the CAD400 million Tilbury LNG Facility Expansion project in British Columbia which commenced in October of last year is proceeding as planned. The expansion will add a second storage tank and a new liquefier. The project will provide natural gas for the transportation industry for remote communities and for the marketplace in general. Investment will be included in FortisBC's related rate base and completion is expected before the end of 2016.

Earlier this month FortisBC announced it has entered into a liquefied natural gas supply agreement with BC Ferries to provide up to 300,000 gigajoules of LNG annually over the next 10 years for BC Ferries' three new intermediate class ferries. The LNG will be supplied from FortisBC's LNG facility.

Since we initially announced our LNG expansion plans back in 2013, there has been considerable interest for LNG supply from Pacific Northwest, Hawaii, Alaska, and other International markets. 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's zoned-land with ocean access that is suitable for further expansion. FortisBC is working towards a possible second expansion at the site at an estimated cost of approximately CAD450 million. This expansion would add further liquefaction capacity of 140,000 gigajoules per day. A 15-year conditional contract is in place with Hawaiian Electric for most of this liquefaction capacity. This contract is subject to the approval by the Hawaii Public Utilities Commission.

FortisBC also continues to move forward with 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 export facility that is expected to be operational in 2018. Pipeline and design permitting are underway and FortisBC is currently negotiating a transportation services agreement with the owner of the facility. The estimated project cost is approximately CAD600 million.

In the fourth-quarter of 2014, FortisBC received an Order in Council from the government of British Columbia that positions the Company to further progress the potential second phase of the Tilbury expansion and the Woodfibre project. The Order in Council effectively approved the estimated capital expenditures of over CAD1 billion that I just noted and a further CAD200 million to upgrade the existing coastal gas transmission system in support of the projects.

The Tilbury approval is conditional upon having long-term energy supply contracts in place for 70% of the additional liquefaction capacity. However, no further regulatory approval by the BC Utilities Commission is required for either project. Expenditures would be included in FortisBC's regulated rate base.

We continue to invest prudently in our existing electric and gas networks to ensure the safe and reliable delivery of energy to our customers. Our record CAD1.7 billion capital expenditure program in 2014 represents an increase of almost 50% over 2013 and included CAD444 million at UNS Energy from the date of acquisition. In particular, I note that UNS Energy closed the purchase of a 550-megawatt gas-fired combined cycle unit at the Gila River generating station for US \$219 million in December 2014. This purchase will reduce UNS Energy's reliance on coal and on wholesale energy market purchases.

Our capital expenditure program is projected to further grow by nearly 30% to CAD2.2 billion in 2015. Over the five-year period through 2019, capital expenditures are expected to approach CAD9 billion, driving a 36% increase in forecast midyear rate base from CAD14 billion in 2014 to CAD19 billion in 2019. This would represent a combined five-year compound annual growth rate of approximately 6.5% through 2019. Including the potential second Tilbury Expansion and Woodfibre project, this growth rate rises to 7.5%.

We are excited about our opportunities which we expect will drive growth and earnings and cash flow and support increasing dividends to our common shareholders. Our Q1 2015 dividend has been declared at CAD0.34 per common share which represents an annualized dividend of



CAD1.36 for 2015, an increase of 6.25% over last year. Fortis has increased its annualized dividend to common shareholders for 42 consecutive years, the record for a public corporation in Canada.

Looking forward, our key message remains unchanged from our last earnings call; namely, now that our initial push into the US 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, progressing our LNG opportunities and the completion of the strategic review of Fortis Properties. And, as always, the number one priority of Fortis will be the provision of safe, reliable and cost-efficient energy service to our customers. In all, I am very optimistic about our prospects for 2015 and beyond.

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. And good morning, everyone. Let me begin with earnings and earnings per share. Earnings attributable to common equity shareholders for the fourth quarter of 2014 were CAD113 million or CAD0.44 per common share, compared to CAD100 million or CAD0.47 per common share for the fourth quarter of 2013.

For the year, earnings attributable to common equity shareholders were CAD317 million or CAD1.41 per common share, compared to CAD353 million or CAD1.74 per common share for 2013. As Barry mentioned, the acquisition of UNS Energy had a major impact on our 2014 financial results. Additionally, when comparing these results to 2013, several significant non-recurring items must be considered.

The slide now being webcast provides an analysis of fourth-quarter and annual adjusted earnings and earnings-per-share. It removes from our results three material non-recurring items which are: Acquisition-related costs pertaining to the acquisition of UNS Energy and Central Hudson, including interest on the convertible debentures, customer benefits associated with the transactions and professional fees, 2013 positive tax adjustments associated with Part VI.1 tax and an extraordinary gain recognized in 2013 in connection with the expropriation settlement for the Exploits River Hydro Partnership.

On this basis, adjusted earnings for the fourth-quarter were CAD118 million or CAD0.46 per common share, compared to CAD104 million or CAD0.49 per common share for the same quarter last year. While adjusted fourth-quarter earnings were up CAD14 million, adjusted earnings per share declined by CAD0.03. Both these results were driven largely by UNS Energy, which had a slightly dilutive impact on earnings per common share in the fourth quarter due to the seasonality of its earnings.

Only 13% of the annual 2014 earnings for UNS Energy occurred in the fourth quarter. Our fourth-quarter results also reflect the continued impact of the two-year post acquisition rate freeze, as well as higher storm restoration costs and other non-recurring expenses at Central Hudson.

Adjusted earnings for the year were CAD407 million, or CAD1.81 per common share, up CAD63 million or CAD0.11 per common share over last year. The increase in adjusted annual results was due primarily to the acquisition of UNS Energy. Annual results also reflect the fact that we owned Central Hudson for a full-year in 2014 versus approximately one-half year in 2013. These positive impacts were partially offset by increased corporate costs, due largely to financing costs for both acquisitions and higher operating expenses.

UNS Energy's earnings were CAD23 million in the fourth quarter and CAD60 million for the period August 15 to December 31, 2014. These results reflect seasonality in the sales, as the third quarter is the largest contributor to annual earnings for UNS Energy, whereas the fourth quarter is the smallest contributor.

Going forward, given that approximately 38% of our total assets are now in the United States, we estimate that on average, each CAD0.05 or 5% change in the US dollar to Canadian dollar exchange rate would have an approximate CAD0.04 impact on annual earnings per common share. Future corporate costs will naturally reflect the fact that Fortis is now a much larger Company. We are currently projecting in corporate costs in the range of CAD125 million to CAD130 million for 2015, which will include a full year of financing costs for UNS Energy.



Turning now to our financing highlights, in 2014 Fortis and its regulated subsidiaries raised over CAD1 billion of long-term debt financing at attractive rates. This included US \$500 million issued by Fortis Inc, [CAD]275 million issued by FortisAlberta and [CAD]200 million issued by FortisBC Electric. Net proceeds were used primarily to refinance maturing debt and to fund capital expenditure programs.

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 the fourth quarter of 2014, Fortis received CAD1.2 billion related to the final installments under the convertible debentures that were issued in connection with the acquisition of UNS Energy. Fortis subsequently issued approximately 58.5 million common shares in connection with the conversion of the debentures. And this completes the common equity financing related to the transaction.

Net proceeds were used to pay down the related acquisition bridge facilities. We expect to apply the net proceeds of any transaction associated with the strategic review of Fortis Properties for the remaining permanent financing required for the UNS Energy acquisition.

Cash flow from operating activities was CAD982 million for 2014, an increase of approximately 9% from 2013. This increase was driven by higher cash earnings associated with the acquisition of UNS Energy and a full year of earnings from Central Hudson in 2014 compared to approximately one-half year in 2013. Fortis has a relatively light debt maturity profile with an average of CAD240 million maturing annually over the next five years, excluding credit facility borrowings.

Additionally at December 31, 2014, Fortis and its subsidiaries had unutilized committed credit facilities of CAD2.2 billion, providing the Corporation with ample liquidity. Fortis continues to have strong access to capital and October 2014, following the completion of the equity financing associated with the UNS Energy transaction, S&P confirmed the Corporation's A-minus credit rating and reinstated its outlook to stable. DBRS followed suit in December 2014, confirming our A low rating and reinstating a stable outlook.

Additionally S&P upgraded its credit rating for Tucson Electric Power from BBB to BBB+. We expect this will have a positive impact on the future cost of capital for that utility which will benefit its customers.

Moving on to the regulatory front, in July 2014, Central Hudson filed a general rate application to establish new rates effective July 1, 2015. These rates should provide the revenue required to support the US \$215 million of expected capital expenditures during the two-year rate freeze agreed to by Fortis.

A joint settlement proposal was filed on February 6, 2015, to set new rates for a three-year period beginning July 1, 2015. This proposal provides for a return on common equity of 9% and a common equity thickness of 48%. Earnings above an ROE of 9.5%, but less than or equal to 10%, would be shared 50-50 between customers and Central Hudson. Public statement hearings are expected to be held in March or April with the joint settlement proposal targeted to go to the regulator in June for consideration and approval.

Proceedings referred to as reforming the energy division have started in New York State. These are generic proceedings aimed at redefining the role of distribution utilities and aligning their investments and earnings with New York State policy goals.

In September 2014, a decision was received on multiyear performance-based rate-setting applications in British Columbia. The decision covers the period 2014 through 2019. It incorporated incentive mechanisms for improving operating efficiencies and provided for a 50-50 sharing of variances from formula-driven expenditures over the PBR term. The decision did not have a significant impact in 2014 earnings.

In October 2014 a hearing was held regarding FortisAlberta's capital tracker application for 2013 through 2015. This application seeks revenue increases related to FortisAlberta's capital expenditure program. FortisAlberta has recognized capital tracker revenue in 2013 and 2014 based on an interim decision by its regulator granting 60% of the amounts applied for.

In December 2014 FortisAlberta received a decision granting it, on an interim basis, 90% of the applied-for 2015 capital tracker amounts. A decision on the capital tracker application is expected in the first quarter of 2015.

The difference between the applied-for revenue amounts, if granted, and the amounts received on an interim basis for 2013 and 2014 that would be recognized as a true-up to revenue in 2015 is approximately CAD26 million. Lastly, we expect a decision on the generic cost of capital proceeding in Alberta in the first quarter of 2015.

That concludes my prepared remarks and I'll now turn things back to Donna.

Donna Hynes - Fortis Inc - Director, Investor and Public Relations

This concludes the Fortis Inc. 2014 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

I have a question about the settlement for CH Energy. Were there any key dissenters or abstainers in participation that might influence how the regulator looks at this settlement? And what would you perceive to be the most contentious issues?

Barry Perry - Fortis Inc - President and CEO

Linda, really, we had strong support for the settlement from commission staff, from the industrial intervenors. They signed on and said that they supported the settlement.

There were a couple parties that said they would not oppose the settlement. That's their standard way of not signing on to anything that has a rate increase attached to it.

So, Jim Laurito, can you offer any other comment on the status of the parties? Jim is our CEO of Central Hudson.

Jim Laurito - Central Hudson - President & CEO

Yes. Good morning, Barry.

As Barry said, strong support -- those that are filing in support and signed on to the joint proposal are the State Department of Public Service staff. As Barry mentioned, the multiple intervenors, the large industrials, the Retail Energy Supply Association, which typically does not sign on, signed on to this settlement. And importantly, two environmental groups, Pace Energy and Climate Center and the Sabin Center for Climate Change Law at Columbia Law school. So we think there is widespread support for this settlement and are very pleased with those parties that signed on.



Barry Perry - Fortis Inc - President and CEO

Thank you, Jim.

Linda Ezergailis - TD Securities - Analyst

Congratulations on that, I guess. But we'll see in June. With respect to the cleanup question on your 2015 CapEx. The consolidated CapEx of CAD2 billion, that would include 100% of Waneta or just Fortis' share?

Barry Perry - Fortis Inc - President and CEO

That would be 100%.

Linda Ezergailis - TD Securities - Analyst

Okay. Thank you.

Operator

Paul Lechem, CIBC.

Paul Lechem - CIBC World Markets - Analyst

I have a couple of questions on the BC gas transmission pipelines. I think it was mentioned an expansion of the coastal transmission system. I think you mentioned the number of CAD200 million. Is that in your CapEx budget at this point in time?

And then also in the writeup in the MD&A, it was mentioned that there might be an additional expansion required on the Southern Crossing Pipeline. I'm wondering what that could entail or how much that could be and when that might come in?

Barry Perry - Fortis Inc - President and CEO

Thanks, Paul. The answer to your first question is, yes, it is included.

And the Southern Crossing Pipeline is an interesting opportunity. Really, as we use more gas in our LNG facilities, there is a need to increase the ability to get gas to the southern part of the province, so there is some opportunity to expand. It's a bit early yet, but that's one of the ones we're pursuing.

Paul Lechem - CIBC World Markets - Analyst

Do you at least give an order of magnitude of what would be involved there?

Barry Perry - Fortis Inc - President and CEO

John Walker is here. John, any sense of size?



John Walker - Fortis Inc - EVP of Western Canadian Operations

It's probably in the broad range of about CAD400 million to CAD500 million.

Barry Perry - Fortis Inc - President and CEO

Thanks, John.

Paul Lechem - CIBC World Markets - Analyst

Thanks. And also, on the Tilbury 1B expansion, the estimate you put out there is CAD450 million. In the writeup, you've given on the Order in Council, it's supposed an upper limit of CAD400 million on each phase of the expansion. So how do those two numbers square away?

Barry Perry - Fortis Inc - President and CEO

I think if you read it closely, the OIC uses words related to carrying costs, AFUDC, and development costs. So when you add all those together, Paul, that's where the number comes from.

Paul Lechem - CIBC World Markets - Analyst

You'll still be on side with the Order in Council even (multiple speakers)?

Barry Perry - Fortis Inc - President and CEO

Yes. We would expect to be. It's obviously at the start of the project, so it's -- but we would expect that the CAD450 million is a good number.

Paul Lechem - CIBC World Markets - Analyst

Okay. Lastly, on the Tilbury 1B expansion, is the gating factor here an approval by the Hawaiian regulator on the Hawaiian electric proposal? Is that really what you're looking for to move forward on that expansion?

Barry Perry - Fortis Inc - President and CEO

That would be a really good thing. We're really, obviously, hoping that that will happen, but there are a lot of other interests in that site. So there are potential other parties that we could work with on the site. We are focused, obviously, on the HICO contract and very hopeful that that will proceed in Hawaii.

Paul Lechem - CIBC World Markets - Analyst

Okay. Thank you.

Barry Perry - Fortis Inc - President and CEO

Thanks, Paul.



Operator

Andrew Kuske, Credit Suisse.

Andrew Kuske - Credit Suisse - Analyst

You've gone through pretty painstaking efforts to have individual operating utilities on a utility-by-utility basis across the jurisdictions. But I'm wondering, as you get bigger, do you really revisit part of that strategy and have, say, a consolidated call center outside of the core utilities as there was in the old Terasen and with the CustomerWorks JV? Do you plan on going down that path as things get bigger and you have more scale?

Barry Perry - Fortis Inc - President and CEO

I would say no, Andrew. Really, our Company's been built on the concept of standalone businesses in each of the regulatory jurisdictions. The regulators support that approach.

Anytime you start to share services, we believe introduces complexity in the business. And you spend a lot of time justifying in front of particular regulator for whose benefit did you do it? Was it the other jurisdiction or was it the shareholder? So that's not a strategy Fortis would pursue.

I will say though if there's anyone jurisdiction we're operating in, let's say we buy multiple utilities in that jurisdiction, we would look to integrate those businesses, like we did in British Columbia with our gas and electric business. We do believe having one Management team in each jurisdiction is sort of important.

Andrew Kuske - Credit Suisse - Analyst

Okay. That's helpful.

And then just on your FX, how do you think about your US dollar exposure? How much cash do you plan on effectively repatriating back into Canada to the US operations versus keeping in the US to fund those businesses and then to fund maybe potential future opportunities in the US?

Barry Perry - Fortis Inc - President and CEO

Well, I think you hit it nicely there. The growth that's happening in our US businesses will require investment on the part of Fortis and that's why we're so excited about New York and Arizona. These two utilities are going to continue to grow.

Clearly, the Company has more FX exposure at this point in time with 40% of assets in the US. With this trend they will be strengthening US dollar, I guess that's positive.

It is one area that we're going to consider going forward. We really traditionally have only used US dollar debt as a natural hedge against our US dollar assets. We will look to explore other ways of, I guess, managing that risk going forward, but at this point in time we are on the positive side of it, obviously.

Andrew Kuske - Credit Suisse - Analyst

Thank you.

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan - RBC Capital Markets - Analyst

Just in terms of the PBR and Western Canadian jurisdictions, I think you made a comment that it was not a material driver in 2014. But I'm just wondering as you head into second years there, and often you can try to get some of those costs out early on, just your expectation for PBR performance in 2015 in both BC and Alberta?

Barry Perry - Fortis Inc - President and CEO

I would say, Robert, there's more opportunity probably in Alberta than in BC. The BC mechanism, if you dig through it, really limits the Company's ability to put some more earnings on the bottom line to really operating costs only.

And we've taken a lot of the risk out of that business. Just about every other line item on our P&L is really subject to a deferral account essentially. And the sharing mechanism in BC also says the first dollar above your allowed return is basically shared equally between the customer and the shareholder. So in order to get CAD1 million of earnings, you've got to actually get CAD2 million essentially.

So there are some ability to improve our earnings in British Columbia from the base business. But our bigger opportunities lie in the expansion of our LNG facilities there, for sure.

In the case of Alberta, I think there are continued opportunities once we get this capital tracker issue behind us. There are also some real opportunities, I think, to expand, to consolidate some rural electric associations as well, so we're looking forward to focusing on that in Alberta.

Robert Kwan - RBC Capital Markets - Analyst

In the interest on Alberta in terms of the PBR anything you might be able to give directionally on either dollars for PBR, or even just percentage over the base ROE?

Barry Perry - Fortis Inc - President and CEO

No, I wouldn't. Traditionally the utility has done better than its allowed ROE. We do expect that will continue going forward. But I just feel that we do have slightly more opportunities to improve in Alberta and there's not -- the sharing mechanism is a little more favorable from a shareholder perspective.

Robert Kwan - RBC Capital Markets - Analyst

Okay. I guess my second question is on the UNS performance, whether it's the quarter or the year. The quarterly number you booked is significantly higher than what UNS has typically reported in the fourth quarter. So I'm just wondering, is it reallocations that you've done into the corporate segment or is there some sort of amortization in the purchase price that positively impacted the way fourth quarter is falling?

Barry Perry - Fortis Inc - President and CEO

No. I think what you have to really look to, Robert, is the really results of the outcome of the last rate case at Tucson Electric Power. That really was reflected fully in the fourth quarter, so UNS had the best year ever, I think, last year because of the outcome of the rate case and getting the revenues needed for all the CapEx that they had put into the business.

So as we look forward to 2015, we do expect UNS to deliver earnings in the range that they were indicating to the market when they were a public company, which is in that \$150 million or so US dollar range. And we still see that as a very much a possibility.

Robert Kwan - RBC Capital Markets - Analyst

Put differently, the \$144 million US that you had in your release on a full-year basis, the year-over-year pretty much all completely fell into the fourth quarter? When you look at that number versus the 2013 number which was about \$10 million lower?

Barry Perry - Fortis Inc - President and CEO

Dave Hutchens is -- David is on the phone, our President and CEO of UNS. David, did you get that question?

David Hutchens - UNS - President & CEO

I got it, but I don't really have a good answer for you, Barry. I think the earnings that we've seen year-over-year have been pretty even across the year. The pickup was probably a little bit more from a year-over-year perspective in the first two quarters because the rate impact was full year this year, but only July through the end of the year in 2013.

So I wouldn't say there was anything really big or specific that stood out in the fourth quarter, although sometimes the exchange rate throws me off a little bit in comparison, in comparing what we had down here in our K and what is published up in Fortis'.

Robert Kwan - RBC Capital Markets - Analyst

Sure. Thank you very much.

Barry Perry - Fortis Inc - President and CEO

Thanks, Robert.

Operator

Ben Pham, BMO Capital Markets.

Ben Pham - BMO Capital Markets - Analyst

I just wanted to go back to the Tilbury expansions. And I'm assuming that the ROE, that's going to be the BC generic. But I was wondering with all other utilities on PBR, how does the Tilbury expansions work from a regulatory perspective once it is in rate base?

Barry Perry - Fortis Inc - President and CEO

The answer to the first question on ROE was yes. It will be just the same ROE.

In terms of the expansions, they are going to go into rate base. Maybe you could repeat your second part of your question there, Ben?

Ben Pham - *BMO Capital Markets - Analyst*

Does it get effectively consolidated into FortisBC Energy? And then you operate under that or are you going to go back and file a separate cost-of-service application?

Barry Perry - *Fortis Inc - President and CEO*

No. It just gets consolidated into the overall rate base of Fortis BC Energy. So that's the beauty of these projects. With these regulatory orders that we've gotten Orders in Council, we just roll this into our regular structure.

Ben Pham - *BMO Capital Markets - Analyst*

Okay. It's going to be effectively PBR, then?

Barry Perry - *Fortis Inc - President and CEO*

Effectively.

Ben Pham - *BMO Capital Markets - Analyst*

Okay.

I just wanted to switch over to the Caribbean Utilities and I'm just noticing the capital spending for that segment. It's quite small overall and it is becoming a smaller part of your business. I do know that Caribbean Utilities, they do need to issue equity at some point and you did backstop them at the last offering. Just curious what your appetite is in terms of backstopping them again or would you rather just want to dilute yourself over time?

Barry Perry - *Fortis Inc - President and CEO*

We would backstop any need for equity at Caribbean Utilities.

Ben Pham - *BMO Capital Markets - Analyst*

Okay.

Barry Perry - *Fortis Inc - President and CEO*

So consistent with our past practice.

Ben Pham - *BMO Capital Markets - Analyst*

Okay. So no thoughts about getting out of the Caribbean overall?

Barry Perry - *Fortis Inc - President and CEO*

Nothing to report.



Ben Pham - *BMO Capital Markets - Analyst*

Okay. All right. Thank you. That's it for me.

Barry Perry - *Fortis Inc - President and CEO*

Thanks.

Operator

Matthew Ackman, Scotia Bank.

Matthew Akman - *Scotiabank - Analyst*

My first question was actually leading -- was led into just now is as you've come to the end of the strategic review process and finalized your decision on real estate and properties, would you consider looking at any other assets that might be non-core as a follow-on to that? And Caribbean, obviously, could be one of those. I'm not asking you to speculate on Caribbean necessarily, but just generically is that a process that you plan to undertake more regularly going forward?

Barry Perry - *Fortis Inc - President and CEO*

I would say yes, Matthew. We're always going to be looking at non-core assets and deciding what path we want to go with them, so we don't really -- when you look past the properties' business, there's very few assets that remain, I would think, that are non-core, in terms of assets that are not in the utility business or, say, long-term contracted energy infrastructure. So I think this work we're doing reviewing properties is really key and once we get through that, I don't see any material transactions in the near future.

Matthew Akman - *Scotiabank - Analyst*

And Caribbean, obviously if that ever did come as non-core, you wouldn't want to sell it unless things were going well -- or as well as you'd expect them. What is your multi-year outlook for Caribbean now? It seems to be improving again a little bit, but it's been pretty choppy. How do you see things, as best you can, unfolding over the next few years there?

Barry Perry - *Fortis Inc - President and CEO*

I actually am very positive right now on those two jurisdictions, Turks and Caicos and Grand Cayman. Cayman, we just received our approval to build new generation on the island. And we're happy about that and we're really digging into that at this point in time.

Turks and Caicos, we're starting to see some real lift in sales there. And so the outlook largely related to the strengthening US economy is pretty good right now. So we are hoping that we'll start to see more contributions to the Company from those jurisdictions.

Matthew Akman - *Scotiabank - Analyst*

So it feels like you think Fortis can still improve the operations with the assets in your own hands at this time?



Barry Perry - *Fortis Inc - President and CEO*

That would be my position right now, Matthew, but obviously we look at things on a -- when we look at our strategy, we'll continue to review it but we're pretty excited about the prospects in Turks and Caicos and Cayman right now.

Matthew Akman - *Scotiabank - Analyst*

Thank you very much. Those are my questions.

Operator

(Operator Instructions)

Winfried Fruehauf, W. Fruehauf Consulting, Limited. Please proceed with your question.

Winfried Fruehauf - *W. Fruehauf Consulting, Ltd. - Analyst*

In the fourth quarter of last year, what was the currency impact on Fortis, A, from the Caribbean; B, from the United States?

Barry Perry - *Fortis Inc - President and CEO*

It wasn't overly material, Winfried. We don't have the number. We can get the number for you and we'll send it to you.

Karl Smith - *Fortis Inc - EVP & CFO*

It wouldn't be any more than CAD0.01 or CAD0.02, Winfried.

Winfried Fruehauf - *W. Fruehauf Consulting, Ltd. - Analyst*

Thanks very much.

Operator

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

Barry Perry - *Fortis Inc - President and CEO*

Thank you, everyone, for joining the call. Again, we're very excited about 2015 and look forward to talking to you all when we release our first-quarter results. Thank you.

Operator

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



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