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December 11, 2024

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

Re: FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (together, FortisBC or the Companies)

Application for Establishment of Equity Issuance Cost Deferral Account and Recovery of Equity Issuance Costs

FEI hereby applies to the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA) seeking approval of the establishment of a new non-rate base deferral account, for each of FEI and FBC, titled the Flotation Costs deferral account, attracting a weighted average cost of capital (WACC) return. FortisBC is seeking approval to record the actual after-tax flotation costs attributable to each of FEI and FBC from equity injections from their parent company, Fortis Inc. incurred in 2023 and 2024 in the Flotation Costs deferral account, as well as to record future actual flotation costs as described in the attached Application.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

Attachments



**FORTISBC ENERGY INC.
AND
FORTISBC INC.**

**Application for Establishment of Equity
Issuance Cost Deferral Account and
Recovery of Equity Issuance Costs**

December 11, 2024

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1. INTRODUCTION

On September 5, 2023, the British Columbia Utilities Commission (BCUC) issued its Decision and Order G-236-23 in the Stage 1 Generic Cost of Capital (GCOC) proceeding (2023 GCOC Decision), establishing a deemed equity component of 45.0 percent and an allowed return on equity (ROE) of 9.65 percent for FortisBC Energy Inc. (FEI), and a deemed equity component of 41.0 percent and an allowed ROE of 9.65 percent for FortisBC Inc. (FBC) (together, FortisBC or the Companies). As part of the 2023 GCOC Decision, the BCUC accepted that any reasonable and prudently incurred flotation costs (also referred to as equity issuance costs) are recoverable from customers over and above the approved costs of capital. The BCUC noted that FortisBC can request recovery of actual costs incurred by the parent company, Fortis Inc., by providing supporting documentation when FortisBC issues additional equity.¹

In this Application, FortisBC describes the methodology that it has developed to determine the actual incurred flotation costs² attributable to each of FEI and FBC as a result of the Companies' ultimate parent company, Fortis Inc.'s, equity injections. FEI and FBC are seeking approval, based on this methodology, to recover actual incurred flotation costs for 2023 and 2024 by recording these costs in a non-rate base deferral account, attracting a weighted average cost of capital (WACC) return. This new deferral account, titled the Flotation Costs deferral account, will also be used to capture future flotation costs, as further explained in this Application.

In particular, the information in this Application shows:

- The 2023 and 2024 flotation costs of \$18.5 million and \$1.9 million for FEI and FBC, respectively, are associated with Fortis Inc.'s equity injections received by each utility from January 1, 2023 to December 31, 2024, which aligns with the effective date of the new capital structure and ROE established by the BCUC in the 2023 GCOC Decision.³
- FortisBC's calculation of the 2023 and 2024 flotation costs represents approximately 2.74 percent before-tax (which nets to 2.0 percent after factoring taxes applied in rates) of the issued equity value. As further explained in this Application, the proposed 2.0 percent issuance cost for FortisBC's 2023 and 2024 equity injections is below Fortis Inc.'s actual historical weighted average issuance cost for the last 18 years of 6.3 percent (bought equity offerings and at-the-market (ATM) offerings). That is because for FortisBC's 2023 and 2024 equity injections, Fortis Inc. was able to rely primarily on its Dividend Reinvestment Plan (DRIP) to raise its equity capital during this period, which is lower cost than bought deal offerings that Fortis Inc. has used in the past.

¹ 2023 GCOC Decision, pp. 126-127.

² The methodology developed in this Application does not capture the indirect costs of equity issuances such as market pressure costs as per the previous approved methodology (the ROE premium adder approach). As these are real costs, FortisBC may in the future propose a methodology to capture these costs for future equity issuances.

³ Directives 1 and 2 of Order G-236-23.

- The standalone issuance costs for FEI and FBC would have been higher than what is being proposed, showing that customers are benefitting from the utilities' relationship with its parent, Fortis Inc.

1.1 APPROVALS SOUGHT

Pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), FEI and FBC are seeking approval from the BCUC of the following:

- To each establish a new non-rate base deferral account, titled the Flotation Costs deferral account, attracting a WACC return, to capture the actual flotation costs attributable to FEI and FBC from their parent company Fortis Inc. Please refer to Appendix D which addresses the considerations identified in the BCUC's Regulatory Account Filing Checklist as they pertain to the proposed new non-rate base deferral accounts for FEI and FBC.
- Approval for FEI to recover \$18.5 million in actual flotation costs incurred in 2023 and 2024. The after-tax costs will be captured in the newly established Flotation Costs deferral account, with an amortization period for these costs to be determined in a future rate-setting process.
- Approval for FBC to recover \$1.9 million in actual flotation costs incurred in 2023 and 2024. These after-tax costs will be captured in the newly established Flotation Costs deferral account, with an amortization period for these costs to be determined in a future rate-setting process.

Draft forms of orders sought are provided in Appendix E-2 and E-3 for FEI and FBC, respectively.

1.2 PROPOSED REGULATORY PROCESS

FortisBC proposes a written public hearing process for the review of this Application. FortisBC believes that a written process with one round of information requests (IRs) will provide for an appropriate and efficient review of the Application.

FortisBC proposes the regulatory timetable set out in Table 1-1 below, which is based on the BCUC issuing a procedural order by Friday, January 10, 2025. A draft procedural order is included as Appendix E-1.

Table 1-1: Proposed Regulatory Timetable

| ACTION | DATE (2025) |
|--|-----------------------|
| FortisBC provides notice of Application | by Friday, January 31 |
| FortisBC provides confirmation of compliance with public notice requirements | Thursday, February 6 |
| Intervener registration deadline | Thursday, February 13 |

| ACTION | DATE (2025) |
|-------------------------------------|-----------------------|
| BCUC Information Request (IR) No. 1 | Thursday, February 13 |
| Intervener IR No. 1 | Thursday, February 20 |
| FortisBC responses to IR No. 1 | Thursday, March 13 |
| FortisBC final argument | Thursday, April 3 |
| Intervener final arguments | Thursday, April 17 |
| FortisBC reply argument | Thursday, May 1 |

2. BACKGROUND

As explained by FortisBC's expert in the 2023 Stage 1 GCOC proceeding (Mr. Coyne of Concentric Energy Advisors), flotation costs relate to the financing and market pressure costs arising at the time of the sale of new equity. The Fair Return Standard requires that the investors must be compensated not only for the risk of the investment, but also the cost of the equity issuance itself. Otherwise, the utility will not have the opportunity to recover its full cost of capital and its earned return will always be lower than its authorized return.⁴ Mr. Coyne further provided a quote from Dr. Shannon Pratt's book titled "Cost of Capital Estimation and Applications" where different types of flotation costs are explained⁵:

Flotation costs occur when new issues of stock or debt are sold to the public. The firm usually incurs several kinds of flotation or transaction costs, which reduce the actual proceeds received by the firm. Some of these are direct out-of-pocket outlays, such as fees paid to underwriters, legal expenses, and prospectus preparation costs. Because of this reduction in proceeds, the firm's required returns on these proceeds equate to a higher return to compensate for the additional costs. Flotation costs can be accounted for either by amortizing the cost, thus reducing the cash flow to discount, or by incorporating the cost into the cost of capital. Because flotation costs are not typically applied to operating cash flow, one must incorporate them into the cost of capital.

It is common practice for Canadian regulators to allow an adjustment in the form of an ROE adder to compensate the equity investors for equity issuance related costs. In previous BCUC decisions,⁶ the flotation costs were recovered through an ROE adder of 50 basis points (bps)⁷. However, in the 2023 GCOC Decision, the BCUC deviated from that approach to compensation:

⁴ 2023 Stage 1 GCOC proceeding, Exhibit B1-20, FortisBC Response to BCUC IR2 83.3 on FortisBC Evidence.

⁵ Shannon P. Pratt, Cost of Capital Estimation and Applications, Second Edition, at 220-221.

⁶ 2012 Stage 1 GCOC Decision and Order G-75-13 dated May 10, 2013, p. 80; Decision and Order G-129-16 dated August 10, 2016, in the FEI Application for its Common Equity Component and Return on Equity for 2016, p. 84.

⁷ This method is similar to the method approved by the BCUC in the GCOC Stage 2 Decision and Order G-321-24 where a deemed 50 bps premium is used to account for debt issuance costs for utilities with third party debt instead of using actual incurred cost of debt issued by their parent companies.

1 The Panel accepts that any reasonable and prudently incurred flotation costs
2 incurred by a public utility are recoverable from ratepayers, over and above the
3 approved costs of capital... FEI and FBC can request recovery of actual costs
4 incurred by the parent company by providing applicable invoices or other
5 supporting documentation from the parent when FEI and FBC issue additional
6 equity. Those expenditures, if and as incurred, can be considered for recovery from
7 the ratepayers of FEI or FBC through review and approval as part of each utility's
8 revenue requirement process.⁸

9 The new approach to recovery of the equity flotation costs requires a new method to determine
10 the costs incurred in providing equity to FortisBC as FEI and FBC are not publicly traded and,
11 therefore, do not issue equity directly. Instead, they receive the equity from their ultimate parent
12 company, Fortis Inc., which funds the equity injections through a combination of different equity
13 sources, not necessarily through public equity issuances as discussed further in this Application.
14 For instance, Fortis Inc.'s Third Quarter 2024 Report states that the necessary common equity
15 proceeds to fund its capital plan are expected to be primarily funded by the DRIP:⁹

16 The five-year capital plan is expected to be funded primarily by cash from
17 operations and regulated utility debt. Common equity proceeds are expected to be
18 provided by the Corporation's DRIP, assuming current participation levels. The
19 Corporation's \$500 million ATM Program remains available and provides funding
20 flexibility as required. [Underlines added]

21 In this Application, FortisBC will provide the necessary supporting documents to determine the
22 equity issuance cost Fortis Inc. incurred to fund FEI's and FBC's common equity issuances for
23 the 2023 and 2024 fiscal years. Further, the Application demonstrates that the equity issuance
24 costs that FortisBC is requesting to recover at this time are in the low range of flotation costs that
25 Fortis Inc. and other Canadian publicly listed utilities have incurred over the last 18 years when
26 considering the public bought deal equity transactions.

27 This information included in this Application also shows that FortisBC is benefitting from raising
28 equity via Fortis Inc., a larger entity with more economies of scale than if FEI and FBC were to
29 raise equity on a standalone basis. As explained in the 2023 GCOC Decision, the standalone
30 principle means that the utility should be regulated as if it were a standalone utility, raising capital
31 on the merits of its own business and financial characteristics, regardless of affiliations within the
32 holding company structure.¹⁰ While the BCUC has consistently acknowledged the standalone
33 principle in cost of capital matters (including in the recent Stage 2 Decision and Order G-321-
34 24¹¹), the 2023 GCOC Decision deviated from this principle when the BCUC stated that the
35 recovery of flotation costs should be based on Fortis Inc.'s incurred costs rather than the issuance

⁸ 2023 GCOC Stage 1 Decision, pp. 126-127.

⁹ Fortis Inc. 2024 Third Quarter Report, p. 17: https://www.fortisinc.com/docs/default-source/finance-regulatory-reports/quarterly-reports/q3-2024-pr-mda-and-fs.pdf?sfvrsn=1b50fe2a_1

¹⁰ 2023 GCOC Stage 1 Decision, p. 6.

¹¹ 2024 GCOC Stage 2 Decision, p. ii.

costs of FEI and FBC as if they were standalone companies. In this Application, FortisBC is not seeking reconsideration so as to recover the cost that the utilities would have incurred on a standalone basis; however, the fact that the standalone issuance costs would have been higher than what is being proposed (as discussed further in this Application) is another reference point demonstrating the reasonableness of FortisBC's requests.

2.1 EQUITY ISSUANCE COSTS BENCHMARKS FROM RECENT REGULATORY PROCEEDINGS

In the 2023 Stage 1 GCOC proceeding, the BCUC's expert, Dr. Lesser of Continental Economics, stated that costs associated with issuing new equity typically range between 2.0 percent and 5.0 percent of the issued equity value.¹²

Dr. Lesser further referred to a table published as part of a peer-reviewed article titled "The Costs of Raising Capital" (provided as Appendix A to this Application) showing that as the size of the equity funding increases, the percentage of flotation costs decreases:

See, e.g., Morin (1996), p. 324, Table 10.1. Morin provides a range of flotation cost estimates, which decrease as a percentage of issuance cost as the issuance amount increases. He shows an average flotation cost of 7.11 percent which includes issuances less than \$10 million, having an average cost of 13.28 percent.¹³

Dr. Lesser's table (Appendix A) shows that for equity issuances less than \$10 million the average flotation cost can be as high as 13.28 percent which gradually decreases as the equity issuance size increases. When the equity issuance reaches \$500 million and more, the average flotation cost can be as low as 3.15 percent of the total capital raised. This means that larger corporations, that are able to issue larger tranches of common stock, pay lower fees as a percentage of total capital raised. This is particularly the case for public bought deal equity transactions.

Another reference point would be a recent submission by the Enbridge treasury department in response to an undertaking in the ongoing Ontario Generic Cost of Capital proceeding which shows that these costs have ranged from 2.2 percent to 10.2 percent and averaged 5.18 percent for a select group of North American utility and infrastructure fund equity issuances over the past seven years.¹⁴

¹² 2023 Stage 1 GCOC proceeding, Exhibit A2-3, p. 82.

¹³ 2023 Stage 1 GCOC proceeding, Exhibit A2-20, Dr. Lesser's response to BCUC IR2 6.2.1 to Dr. Lesser.

¹⁴ EB-2024-0063 Generic Cost of Capital, Undertaking Response J3.4.

3. SOURCES OF COMMON EQUITY FINANCING

A public company can raise equity capital in a number of ways. These include, but are not limited to, registered direct offerings, ATM programs, public bought deals, private investments in public equity (PIPEs) and/or DRIP programs.

Choosing the appropriate source of equity capital may depend on the characteristics of the issuer, its funding needs, the amount of time it has, and the administrative requirements of each offering type.

The two most common sources of equity funding used by Fortis Inc. to finance equity requirements of its subsidiaries are as follows:

- **DRIP program:** DRIP programs are a cost-effective form of issuing new shares on a regular basis and are widely used by public utilities, including Fortis Inc.
- **Equity offering programs:** Fortis Inc. currently has a base shelf prospectus¹⁵ valid for a potential public bought deal offering as well as for its ATM program¹⁶.

In the following sections, each of these common sources of equity funding used by Fortis Inc. is explained in more detail.

3.1 DRIP PROGRAMS

The DRIP program allows shareholders of public companies to reinvest their cash dividends into additional shares which are bought directly from the public companies and are often offered at a discount. This enables public companies to retain the cash, that otherwise would have been paid out as cash dividends, to support equity requirements of their operating subsidiaries. As discussed below, there is an observable issuance cost for DRIP programs, which is the discount a shareholder receives on reinvestment of dividends.

3.1.1 The Discount Shareholders Receive on Reinvestment Is an Issuance Cost

The Fortis Inc. DRIP program shares are issued at a discount to incentivize shareholder participation.¹⁷ This discount essentially represents a recurring cost that is paid every time shares

¹⁵ Fortis Inc. Short Form Base Shelf Prospectus dated November 21, 2022, valid 25 months, for aggregate principal amount of CAD \$2 billion in issuances of common shares, first preference shares, second preference shares, subscription receipts, and debt securities

¹⁶ Fortis Inc. Prospectus Supplement dated September 19, 2023 to the Short Form Base Shelf Prospectus dated November 21, 2022, establishing an ATM program for aggregate common share issuances CAD \$500 million.

¹⁷ In certain circumstances the DRIP discount may be discontinued for a period of time. For instance, a public company may discontinue its DRIP discount if it believes that its market price is significantly lower than its intrinsic value or when it already completed a significant equity offering program and does not need to issue additional equity.

are reinvested under the DRIP program. Under the terms of the Fortis Inc. DRIP program,¹⁸ Fortis Inc. can elect to issue the equity to shareholders at up to a 5.0 percent discount to incentivize participation in the program. Since 2009, when the Fortis Inc. Amended and Restated DRIP Dividend Reinvestment Plan (Appendix B) became effective, the discount has been set at 2.0 percent.¹⁹ This discount along with all other equity issuance costs is netted against the equity funds raised on the balance sheet and leads to a permanent reduction in a utility's shareholder's equity. The discount is not deductible for tax purposes.

3.1.2 DRIP Discount Offered by Fortis Inc. and its Peer Group

To benchmark the 2.0 percent discount offered to shareholders in Fortis Inc.'s DRIP program, FortisBC gathered information on the DRIP discounts offered by Fortis Inc.'s peer group.

Table 3-1: Fortis Inc. and Peer Group DRIP Discounts

| Company | Last Instance DRIP Offered ² | Most Recent DRIP Discount for Shareholders |
|-------------------------------------|--|--|
| Fortis Inc. | 2024 | 2.00% |
| Algonquin Power and Utilities Corp. | 2023 | 3.00% |
| AltaGas Ltd. | 2020 | 3.00% |
| Canadian Utilities Limited | 2024 | 2.00% |
| Emera Inc. | 2024 | 2.00% |
| Enbridge Inc. | 2018 | 2.00% |

Notes to Table:

1. Information on the above companies' DRIP programs was obtained from the following sources: DRIP program documents published by the companies, prospectus documents, annual information forms, 10K filings, annual financial statements, press releases and investor relations websites.
2. Based on last dividend payment date where shareholders were eligible to participate in the company's DRIP.
3. For comparability purposes, only peer companies that issue equity from treasury to facilitate their DRIP programs were included.

As shown in Table 3-1 above, the DRIP discount utilized by Fortis Inc.'s peer group ranges from 2.0 percent to 3.0 percent. As further outlined in Section 3.3 below, this is within the range of costs for ATM programs and is substantially lower than public bought deal equity transaction costs.

¹⁸ Fortis Inc. Amended and Restated Dividend Reinvestment and Share Purchase Plan effective January 1, 2009, Fortis Inc. Second Amended and Restated Dividend Reinvestment and Share Purchase Plan, dated May 17, 2017, Fortis Inc. First Amendment to the Second Amended and Restated Dividend Reinvestment and Share Purchase Plan.

¹⁹ Fortis Inc. Amended and Restated Dividend Reinvestment and Share Purchase Plan effective January 1, 2009, p. 4. The 2.0 percent discount was discontinued for a brief period in 2020, from March 1, 2020 to November 30, 2020. The 2.0 percent discount was reinstated effective December 1, 2020 and has been in effect since.

FortisBC notes that Table 3-1 above only shows the discount paid to the shareholders and does not include additional costs that are incurred in maintaining a DRIP program. For example, companies issuing shares under the DRIP program can often experience market pressure costs which are costs to the public companies in the form of a lower share price in anticipation of large volume of shares being issued under the DRIP program. This leads to dilution of shareholder value. As explained earlier, FortisBC may in the future propose a methodology to capture these costs for future equity issuances. Other costs to maintain a DRIP program that are not reflected in Table 3-1 above are legal, administration, rating agency, auditor fees and filing fees.

FortisBC notes that if FEI and FBC were public companies, they could on a standalone basis pursue a DRIP program to raise equity but they likely would not have access to as many shareholders as Fortis Inc., who are willing to accept additional equity in lieu of cash dividends for a 2.0 percent discount. Therefore, FortisBC would likely not be able to solely fund the equity portion of its capital structure via a similar DRIP and would have to either increase the discount or resort to other potentially more costly methods of raising equity. This reinforces that FortisBC ratepayers are benefitting from FortisBC being part of the Fortis group of companies, with Fortis Inc. as its ultimate parent.

3.2 EQUITY OFFERING PROGRAMS

Periodically, Fortis Inc. may publicly issue equity under a shelf prospectus (i.e. a bought deal equity offering or an ATM program). For example, in November 2022, Fortis Inc. filed a short-form base shelf prospectus with a 25-month life under which it may issue common or preference shares, subscription receipts, or debt securities in an aggregate principal amount of up to \$2.0 billion. Additionally, in September 2023, Fortis Inc. established an ATM program pursuant to the above noted November 2022 short-form base shelf prospectus, that allows it to issue up to \$500 million of common shares from treasury to the public from time to time, at its discretion, effective until December 22, 2024. As at September 30, 2024, the ATM program was unused and Fortis Inc. still had \$500 million available under the ATM program and \$1.5 billion remained available under the short-form base shelf prospectus.

The main difference between the bought deal equity offerings and the ATM program is that under a bought deal, the investment bank agrees to purchase an entire equity offering from the issuer and then resell it to investors. This enables the issuing company to raise a substantial amount of equity all at once and mitigates execution risk; however, bought deals come with higher fees than ATM programs. Further, the newly issued shares are sold at a discount to the investment bank to compensate the bank for the risk that it is taking on in initially purchasing the entire equity issuance.

On the other hand, the ATM program allows the issuing company flexibility to sell equity in an open market over a period of time as needed, usually in smaller increments, in comparison to the bought deal transactions. The fee for ATM programs is an agent's commission that is paid to the investment bank(s) that execute trades, which is typically lower than what is paid in the bought

equity deals. When issued through the ATM program, the equity is not sold at a discount as it is simply sold in the open market directly to the interested buyers over extended periods of time. Furthermore, an ATM program requires more ongoing coordination between the agent(s) and the issuer when compared to a bought deal equity issuance. Historically, the ATM program has been less commonly used by Fortis Inc. and its peers versus the bought deal equity offerings. For example, Fortis Inc. established its first ATM program only recently, in 2018, and has only utilized it once, in 2019, to issue shares that resulted in gross proceeds of \$212 million²⁰ whereas it has been executing bought deal equity offerings for decades.

3.2.1 Equity Issuance Costs Associated with Equity Offering Programs for Fortis Inc. and Its Peers

The evidence filed in Appendix C to this Application details bought deal equity issuance costs, as well as agents' commissions for ATM programs, for Fortis Inc. and its peer companies' equity offerings from January 1, 2007 to December 2, 2024 provided by the Bank of Montreal (BMO). These peer companies were selected based on the Canadian Proxy Group assembled by Mr. Coyne for FortisBC's evidence submitted in the 2023 Stage 1 GCOC proceeding.²¹ FortisBC has summarized the conclusions from Appendix C in the table below.

Table 3-2: Fortis Inc. and Peer Company Equity Issuance Costs

| | Discount | Fee | Total |
|-----------------------------------|--------------|--------------|--------------|
| Bought Equity Issuance | | | |
| Fortis Inc. | 2.90% | 4.00% | 6.90% |
| Emera Inc. | 1.40% | 4.00% | 5.40% |
| Hydro One Ltd. | 2.70% | 2.00% | 4.70% |
| Enbridge Inc. | 2.60% | 3.79% | 6.39% |
| Algonquin Power & Utilities Corp. | 2.90% | 3.67% | 6.57% |
| AltaGas Ltd. | 4.00% | 4.19% | 8.19% |
| Average | 2.75% | 3.61% | 6.36% |
| At-the-Market Offerings | | | |
| Enbridge Inc. | n/a | 2.00% | 2.00% |
| Emera Inc. | n/a | 2.00% | 2.00% |
| Fortis Inc. | n/a | 1.67% | 1.67% |
| Algonquin Power & Utilities Corp. | n/a | 2.00% | 2.00% |
| Average | | 1.92% | 1.92% |

In reviewing this evidence, FortisBC notes the following:

²⁰ As per Fortis Inc.'s 2019 Annual Financial Statements.

²¹ 2023 Stage 1 GCOC Evidence, Exhibit B1-8-1, Appendix C, Cost of Capital Report Prepared for FortisBC Energy Inc. and FortisBC Inc., Mr. James Coyne, dated January, 2022, p. 40.

- The companies are large Canadian-based utilities and energy entities with large economies of scale that would benefit from the lowest flotation costs compared to smaller entities such as FEI and FBC.
- For bought equity issuances, the bank underwriting fees, labelled as “Fee”, alone range between 2.0 percent and 4.19 percent. For ATM programs, the commission fee paid to the agents ranges from 1.67 percent to 2.0 percent.
- The discount at which bought equity was issued, labelled as “Discount”, was in the range of 1.4 percent to 4.0 percent. This means that when combining the underwriting fee and discount columns, the total flotation costs could be as high as approximately 8.2 percent of gross proceeds.
- The equity issuance costs included in the table above only include the discount and the underwriting fee paid to the investment bank and do not factor in other equity issuance costs such as market pressure costs, legal, administration, rating agency, auditor fees and filing fees; therefore, the actual flotation costs incurred for an equity issuance would be even higher than the range shown in the above table.

Additionally, in reviewing the data provided by BMO in Appendix C, FortisBC observed a direct correlation between deal size and issuance costs whereby larger companies issuing larger amounts of equity incur a lower issuance cost, whereas smaller companies issuing smaller amounts of equity incur higher issuance costs. FortisBC has summarized the BMO data from Appendix C in Table 3-3 below. As shown in Table 3-3, equity issuances for Fortis Inc. and its peer companies below \$150 million had an average issuance fee (before discount) of 4.5 percent, equity issuances between \$150 million and \$1.5 billion had an issuance fee of 4.0 percent, and issuances above \$1.5 billion had the lowest issuance fee of 2.9 percent. This clearly shows that smaller corporations that issue public equity are subject to higher fees.

Table 3-3: Issuance Size vs. Issuance Cost

| Total Deal Size (millions) | Average Issuance Fee | Average Discount ¹ | Total Issuance Cost |
|----------------------------|----------------------|-------------------------------|---------------------|
| <\$150 | 4.50% | 2.82% | 7.32% |
| \$150 to \$1,500 | 4.00% | 2.82% | 6.82% |
| >\$1,500 | 2.90% | 2.82% | 5.72% |

Note to Table:

1. The discount is not correlated to the size of the issuance and is impacted by a number of other factors. Therefore, the average discount for Fortis Inc. equity issuances as per Appendix C has been applied to all deal sizes.

In Table 3-4 below, utilizing the same data provided by BMO in Appendix C summarized in Table 3-3 above, FortisBC estimated what an implied flotation cost would have been for FortisBC equity injections in the last 10 years had the equity requirements been raised by the utilities on a

standalone basis through bought deal transactions. The issuance cost equivalent in the table is comprised of the discount and fee as disclosed in Table 3-3 above.

Table 3-4: Implied FEI and FBC Combined Issuance Cost

| For the period 2015-2024 | | | |
|--------------------------|---|------------------------|-------------------------------------|
| | Equity Injection Range (CAD \$ millions) | Issuance Cost Range | Average Issuance Cost Equivalent |
| FEI | \$30 million to \$400 million | 6.82% to 7.32% | 7.15% |
| FBC | \$30 million to \$50 million | 7.32% | 7.32% |

As shown in Table 3-4 above, the average implied issuance cost for FEI and FBC is 7.15 percent and 7.32 percent, respectively, had both utilities issued equity on a standalone basis through a public bought deal equity offering. Therefore, if FEI and FBC were to seek recovery of equity issuance costs on a standalone basis, rather than based on Fortis Inc.'s actual cost, the issuance cost under the bought deal transaction equity injection method would have been in the 7.0 percent range.

To summarize, the flotation costs (combined discount and fee) observed at Fortis Inc. and its peer company equity offerings over the last 18 years in Table 3-2 ranged from as low as 1.67 percent in the case of Fortis Inc.'s ATM program and as high as 8.19 percent for AltaGas Ltd.'s bought deal equity issuance. Further, the flotation costs in the tables above do not include any of the other costs such as market pressure costs, legal, rating agency, audit fees and filing fees that are incurred when equity is publicly raised, therefore the all-in flotation costs would be even higher. In addition, Table 3-3 shows that smaller equity issuances are correlated with higher issuance fees on a percentage basis, reinforcing that FEI and FBC issuing equity on a standalone basis would likely be subject to flotation costs in the range of 7.15 to 7.32 percent under the bought deal transaction equity financing approach.

3.3 SUMMARY OF EQUITY FUNDING BENCHMARKS

In Table 3-5 below, FortisBC summarizes the average equity issuance costs discussed throughout this Application as observed in bought equity deal offerings, ATM programs, and the DRIP for Fortis Inc. and its peer companies. Additionally, FortisBC has included the equity issuance cost range as discussed by Dr. Lesser in the 2023 Stage 1 GCOC proceeding.

Table 3-5: Summary of Flotation Cost Benchmarks

| | Minimum | Maximum |
|--|---------|---------|
| Historical DRIP Discounts ¹ | 2.00% | 3.00% |
| ATM Programs ² | 1.67% | 2.00% |
| Bought Deal Underwriting Fees ² | 4.70% | 8.19% |
| Implied FortisBC Bought Deal Underwriting Fees ³ | 6.82% | 7.32% |
| Flotation Costs Reference Table - Dr. Lesser's Evidence ⁴ | 3.15% | 13.28% |

Notes to Table:

1. As presented in Table 3-1.

2. As presented in Table 3-2.

3. As presented in Table 3-4.

4. As presented in Appendix A and discussed in Section 2.1 of the Application.

As shown in the table above, the range observed for funding raised through the various sources discussed in this Application is between 1.67 percent and 13.28 percent. Also, as discussed above, these costs do not include any other fees other than the discount and the underwriting fees. Further, the evidence in this Application shows that if the standalone principle is applied to the estimation of FEI's and FBC's implied issuance costs (rather than adhering to the BCUC's direction to use the actual incurred cost of the parent), the issuance cost would have been higher. The proposed 2.0 percent after-tax issuance cost for FortisBC's 2023 and 2024 equity injections is lower than Fortis Inc.'s actual historical weighted average issuance cost of 6.3 percent (bought deal offerings and ATMs) over the last 18 years as it is only based on the DRIP discount and excludes more costly bought deal transactions that Fortis Inc. has completed in the past.

4. CALCULATION OF THE 2023 AND 2024 EQUITY ISSUANCE COSTS

As discussed in the previous sections, DRIP and equity offering programs (such as ATMs and bought deals) are the two common sources of common equity financings used by Fortis Inc. in any given year, with DRIP being the primary source of Fortis Inc.'s new common equity funding in recent years. As there were no bought deal equity offerings or equity issued under the ATM program by Fortis Inc. in the 2023-2024 period to fund FortisBC equity injections, FortisBC is requesting to recover the DRIP discount of 2.0 percent after-tax as this is the actual issuance cost incurred by Fortis Inc. to fund FEI's and FBC's equity injections.

The 2.0 percent DRIP discount is expressed on an after-tax basis as this cost is not deductible for tax purposes and tax expense would have to be incurred when these costs are recovered. This means that in order to recover 2.0 percent on an after-tax basis, the recovery of the cost needs to be expressed in before-tax terms. Using FortisBC's Canadian federal and BC combined statutory income tax rate of 27.0 percent, 2.0 percent after-tax is equivalent to approximately 2.74

percent²² before-tax. Therefore, in order to calculate FEI's and FBC's 2023 and 2024 before-tax issuance costs, FortisBC applies the before-tax discount fee of 2.74 percent to the issued common equity for each company.

Using the 2.74 percent flotation cost benchmark, FEI and FBC calculated the flotation costs for FEI and FBC for the equity injections that occurred from January 1, 2023 to December 31, 2024, as shown in the following table.

Table 4-1: Equity Injections and Flotation Cost Calculation

| FortisBC Energy Inc. | 2023 | 2024 | Total |
|--|----------------|----------------|-----------------------|
| Equity Injections | \$ 400,000,000 | \$ 275,000,000 | \$ 675,000,000 |
| Benchmark Flotation Cost Requested (before-tax) | 2.74% | 2.74% | 2.74% |
| Total Amount for Recovery in Customer Rates (before-tax) | \$ 10,958,904 | \$ 7,534,247 | \$ 18,493,151 |
| FortisBC Inc. | 2023 | 2024 | Total |
| Equity Injections | \$ 40,000,000 | \$ 30,000,000 | \$ 70,000,000 |
| Benchmark Flotation Cost Requested (before-tax) | 2.74% | 2.74% | 2.74% |
| Total Amount for Recovery in Customer Rates (before-tax) | \$ 1,095,890 | \$ 821,918 | \$ 1,917,808 |

Based on the above calculations, FEI and FBC request approval to recover \$18.5 million and \$1.9 million, respectively, in 2023 and 2024 flotation costs. As previously explained in this Application, the proposed 2.0 percent after-tax issuance fee (2.74 percent before-tax) is a reasonable and conservative estimate of FEI's and FBC's indirectly incurred equity issuance costs and is at the low end of the range of observed equity issuance costs.

FEI and FBC are seeking approval in this Application to each establish a non-rate base deferral account attracting WACC to record these actual 2023 and 2024 flotation costs. FEI and FBC will propose an amortization period for these costs in a future rate-setting application. FEI and FBC are also seeking approval to utilize these new non-rate base deferral accounts to record future actual flotation costs, as the Companies expect that equity requirements will be on an annual basis. As the timing of future equity requirements, and the amount of the resulting flotation costs, will vary, utilizing a deferral account is the most appropriate and reasonable approach.

5. CONCLUSION

FEI and FBC are seeking approval, based on the methodology described in this Application, to recover actual incurred flotation costs for 2023 and 2024 by recording these actual costs in a new non-rate base deferral account, titled the Flotation Costs deferral account, attracting a WACC return. The Flotation Costs deferral account will also be used to capture future flotation costs.

²² 2.0 percent / (1-27 percent) = 2.74 percent.

1 The proposals reflect Fortis Inc.'s actual incurred equity issuance costs for its DRIP program in
2 the 2023 and 2024 fiscal years. The data ranges presented in this Application show that
3 FortisBC's calculation of the actual incurred flotation costs for 2023 and 2024 using 2.0 percent
4 after-tax (2.74 percent before-tax) for equity issued in the 2023 and 2024 fiscal years is below
5 Fortis Inc.'s actual incurred historical weighted average issuance cost for the last 18 years of 6.3
6 percent (bought equity offerings and ATM offerings). It is also lower compared to the bought deal
7 offerings that Fortis Inc.'s peer group has completed in the same time frame, and the issuance
8 costs that FEI and FBC would incur on a standalone basis. FortisBC thus respectfully submits
9 that the proposals are just and reasonable and requests that the BCUC approve the orders
10 sought.

Appendix A

**FLOTATION COSTS REFERENCE TABLE – DR. LESSER’S
EVIDENCE**

APPENDIX A

FLOTATION COSTS REFERENCE TABLE¹

| TABLE 10-1 FLOTATION COSTS: RAISING EXTERNAL CAPITAL (Percent of Total Capital Raised) | | |
|--|---|-------------------------------------|
| Amount Raised in \$ Millions | Average Flotation Cost: Common Stock | Average Flotation Cost: New Debt |
| \$ 2– 9.99 | 13.28% | 4.39% |
| 10– 19.99 | 8.72 | 2.76 |
| 20– 39.99 | 6.93 | 2.42 |
| 40– 59.99 | 5.87 | 1.32 |
| 60– 79.99 | 5.18 | 2.34 |
| 80– 99.99 | 4.73 | 2.16 |
| 100–199.99 | 4.22 | 2.31 |
| 200–499.99 | 3.47 | 2.19 |
| 500 and up | 3.15 | 1.64 |
| AVERAGE | 7.11 | 2.24 |
| Source: Lee, Inmoo, Scott Lochhead, Jay Ritter, and Quanshui Zhao, "The Costs of Raising Capital," <i>The Journal of Financial Research</i> , Spring 1996. | | |

¹ 2022 Stage 1 GCOC proceeding, Exhibit A2-27, BCUC Staff Submission, Public Utilities Reports, Inc. 2006, New Regulatory Finance, p. 190,303-307,324, Morin, Roger A.

Appendix B

FORTIS INC. DRIP AGREEMENTS



**Amended and Restated
Dividend Reinvestment
and
Share Purchase Plan**

Offering Circular

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FORTIS INC.

Amended and Restated Dividend Reinvestment and Share Purchase Plan Offering Circular

PARTS OF THIS OFFERING CIRCULAR

This Offering Circular has three parts.

The first part answers frequently asked questions regarding Fortis Inc.'s (the "Company") Amended and Restated Dividend Reinvestment and Share Purchase Plan but does not describe all of the provisions of the Plan.

The second part of this Offering Circular includes the Company's Amended and Restated Dividend Reinvestment and Share Purchase Plan in its entirety.

In the event of a discrepancy between the information in the Frequently Asked Questions part of this Offering Circular and the Amended and Restated Dividend Reinvestment and Share Purchase Plan (the "Plan"), the provisions of the Plan will govern. Any capitalized terms not otherwise defined can be found under "Definitions", contained in the Plan.

The last part of this Offering Circular describes some income tax considerations relating to participation in the Plan. This tax information is of a general nature only and you should consult your own tax advisor with respect to your own personal circumstances.

NOTICE TO NON-REGISTERED BENEFICIAL HOLDERS OF COMMON SHARES

Non-registered beneficial holders of the Company's common shares (i.e. shareholders who hold their common shares through an intermediary such as a financial institution, broker or other nominee) should consult with that intermediary to determine the procedures for participation in the Plan. The administrative practices of such intermediaries may vary and, accordingly, the various dates by which actions must be taken and documentary requirements set out in the Plan may not be the same as those required by intermediaries. Some intermediaries may require non-registered beneficial shareholders to become registered shareholders in order to participate in the Plan. There may be a fee charged by some intermediaries for a non-registered beneficial shareholder to become a registered shareholder, which will not be covered by the Company.

FREQUENTLY ASKED QUESTIONS

1. *What is the Amended and Restated Dividend Reinvestment and Share Purchase Plan?*

The Amended and Restated Dividend Reinvestment and Share Purchase Plan (the "Plan") provides a means for eligible holders of Fortis Inc. (the "Company") common shares ("Common Shares") to acquire additional Common Shares by the reinvestment of their dividends on all of their Common Shares and the investment of optional cash payments. Computershare Trust Company of Canada (the "Plan Agent") acts as the agent for those who enrol in the Plan (the "Participants").

2. *What should I do if I am already a Participant under the Company's Dividend Reinvestment and Share Purchase Plan?*

If you are a Participant under the Company's 1994 Dividend Reinvestment and Share Purchase Plan (the "Prior Plan") and you wish to continue to participate in the Plan you do not need to take any action at this time. If you wish to cease participation in the Plan at any time you should take the steps outlined below under *"How does a Participant terminate participation in the Plan?"*

3. *What are the advantages of the Plan?*

- Common Shares are purchased quarterly with reinvested dividends. Full investment of dividends is possible because the Plan permits fractions of shares, as well as whole shares, to be purchased and held for Participants. In addition, dividends on such fractions, as well as on whole shares, will be reinvested. Common Shares may also be purchased with optional cash payments which are subject to a minimum of \$100 per transaction and a maximum of \$30,000 per calendar year.
- All administrative costs are borne by the Company and there is no brokerage commission for the Common Shares acquired under the Plan.
- Regular quarterly statements of account are provided for Participants' record-keeping.
- A Participant may withdraw and/or sell any number of whole Common Shares held in the Plan ("Plan Shares") at any time without terminating participation in the Plan by giving written notice to the Plan Agent.

4. *What are the major changes in this Plan to be effective January 1, 2009 from the Prior Plan in place since September 16, 1994?*

Under the Prior Plan, all Common Shares purchased by the Plan Agent were issued from treasury by the Company without any discount to the market price. Beginning on January 1, 2009, the Company will have the ability to determine whether additional Plan Shares will be issued from treasury or purchased on the open market. In addition, the Plan provides that Plan Shares issued from treasury upon the reinvestment of dividends will be purchased at the Average Market Price, provided that the Company may elect at its option to provide a discount of up to 5% on such purchases.

5. *Who is eligible to participate?*

Registered shareholders who reside in Canada and hold at least one whole Common Share are eligible to participate in the Plan. Non-registered beneficial Canadian shareholders may also participate but should contact their intermediary to determine procedures for participation in the Plan. Shareholders resident outside Canada may participate unless participation is not allowed in that jurisdiction. Residents of the United States, its territories or possessions are not eligible to participate.

6. *How do I enrol in the Plan?*

To join the Plan a registered shareholder must complete, sign and return a Reinvestment Enrolment - Participant Declaration Form to the Plan Agent. A non-registered shareholder should contact the intermediary through which you hold your Common Shares to participate in the Plan. If your intermediary is unwilling or unable to enrol your Common Shares in the Plan, you may become a registered shareholder by instructing your intermediary to send you a share certificate representing your Common Shares and you may enrol in the Plan by following the procedure for registered shareholders.

The signature of the shareholder on a Reinvestment Enrolment – Participant Declaration Form must correspond exactly to the name(s) of the registered holder(s). If a shareholder has Common Shares registered in different names on different share certificates, it is necessary for such shareholder to complete, sign and submit as many separate Reinvestment Enrolment - Participant Declaration Forms as there are different registrations, or else request that the certificates be consolidated.

Once enrolled, participation in the Plan continues until terminated by the Participant, by the Company or by death of the Participant, or until the Plan is terminated by the Company. See "Termination of Participation" and "Amendment, Suspension or Termination of the Plan".

7. *How are Optional Cash Payments made?*

An optional cash payment may be made when or after enrolling in the Plan by enclosing a cheque payable to the Plan Agent accompanied by an Optional Cash Purchase - Participant Declaration Form properly completed and signed. Thereafter, optional cash payments should be made by using the Optional Cash Purchase - Participant Declaration Form enclosed with each quarterly statement of account sent to Participants. Additional forms may be obtained at any time from the Plan Agent. The same amount of money need not be sent each time and there is no continuing obligation to make optional cash payments.

The Plan Agent is required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) to collect and record certain information relating to optional cash purchases. Plan Participants wishing to make an optional cash purchase of Common Shares will be required to complete the Optional Cash Purchase - Participant Declaration Form in addition to meeting compliance measures as explained in the form.

8. *Where will the Plan Shares be purchased for Participants under the Plan?*

The Plan Shares purchased by the Plan Agent will either be existing shares purchased through a stock broker on the open market through the facilities of the Toronto Stock Exchange or new shares purchased directly from the Company. Under the Plan, the Company determines, by written notice to the Plan Agent, which of these two sources the Plan Agent will use. The Plan Agent will advise Participants of the method of purchase of Plan Shares by notification with the quarterly statements of account.

9. *How will Plan Shares be purchased for Participants?*

Participation in the Plan becomes effective on the first Common Share Dividend Record Date after the Plan Agent receives the completed shareholder participation form(s). A Participant's cash dividends (less any applicable withholding taxes) are invested on each subsequent Dividend Payment Date. An optional cash payment received from a Participant is invested on the Dividend Payment Date following receipt of such payment by the Plan Agent if the payment is received at least three full business days prior thereto.

10. *What will be the price of Plan Shares purchased under the Plan?*

If Plan Shares are issued from treasury upon the reinvestment of cash dividends under the Plan, the price at which such Plan Shares are purchased by Participants will be the average of the average of the high and low prices of Common Shares actually traded on The Toronto Stock Exchange on the five trading days immediately preceding the dividend payment date on which not less than 100 Common Shares were traded (the "Average Market Price") less a discount, if any, of up to 5%, at the Company's election. If Plan Shares are issued from treasury for an optional cash payment, the price at which such Plan Shares are purchased by Participants will be the Average Market Price. The discount will not apply to optional cash purchases under the Plan.

The Company has set an initial discount to the Average Market Price for purchases upon the reinvestment of cash dividends under the Plan at 2%. The Company may, subject to the terms of the Plan, alter or eliminate this discount at any time.

If Plan Shares are purchased on the open market, upon either the reinvestment of cash dividends or as a result of an optional cash payment, the price at which such Plan Shares are purchased by Participants will be the average of the actual price paid (excluding brokerage commissions, fees and transaction costs) per Plan Share by the Plan Agent.

11. *Will certificates be issued for Plan Shares?*

No. Certificates for Plan Shares purchased under the Plan will not be issued to Participants. The number of shares held for an account under the Plan will be shown on the Participant's quarterly statement of account. This convenience protects against loss, theft or destruction of share certificates. Dividends paid on Plan Shares held for a Participant will be reinvested under the Plan unless such shares are withdrawn.

12. What kind of statements will be sent to Participants in the Plan?

A quarterly statement of account will be mailed to each Participant approximately three weeks after the Dividend Payment Date in March, June, September and December. The statement of account is a Participant's continuing record of purchases made under the Plan and should be retained for tax purposes. In addition, each Participant will receive such tax information required to be provided by law annually for reporting dividends paid on their Plan Shares.

13. Can a Participant withdraw or sell shares held in the Plan?

A Participant who is not terminating participation in the Plan may, by duly completing the withdrawal portion of the voucher located on the reverse of a quarterly statement of account and sending it to the Plan Agent, withdraw whole Common Shares from the Plan. Upon receipt of a withdrawal request, the Plan Agent will withdraw the specified number of whole shares from the Participant's account and deliver a share certificate in the Participant's name.

Participants may request that the Plan Agent sell any number of Plan Shares on their behalf. Upon receipt of such a request, the Plan Agent will, as soon as practicable, arrange for the sale of such Plan Shares through a registered broker-dealer selected by the Plan Agent from time to time. The proceeds of such sale, less brokerage commissions, administrative fees and applicable taxes, if any, will be paid to the Participant by the Plan Agent. A Participant may obtain a duplicate copy of their quarterly statement of account containing the required voucher from the Plan Agent at any time.

14. How does a Participant terminate participation in the Plan?

Participants may terminate their participation in the Plan by completing the termination portion of the voucher on the reverse of their quarterly statement of account and sending it to the Plan Agent at any time. Where notice of termination is received at least three business days prior to a Dividend Record Date for Common Shares the termination will be effective for the applicable record date. Any requests received less than three business days prior to a Dividend Record Date for Common Shares will become effective after the next following Dividend Payment Date. Otherwise, termination will be effective upon receipt of the notice by the Plan Agent.

The Plan Agent will settle a terminating Participant's account by issuing a share certificate for the number of whole Plan Shares held in such Participant's account and making a cash payment to such Participant for any fraction of a Plan Share remaining. The amount of the payment for any such fraction will be determined by reference to the Average Market Price determined for the preceding Dividend Payment Date. Any optional cash payment received prior to termination of participation but not invested in Plan Shares will be returned to the Participant upon such termination.

15. *What are the tax consequences of participation in the Plan?*

It should be understood that the fact that dividends are invested does not relieve Participants of any liability for taxes that may be payable on such amounts (see the section entitled "Tax Considerations" in this Offering Circular).

CAUTION

The foregoing constitutes only a summary of some of the features of the Plan. The terms and conditions are described in full on the reverse of this Offering Circular and a shareholder should read them carefully before signing the shareholder participation form(s).

If any interpretation of the Dividend Reinvestment and Share Purchase Plan is required, the text of the section entitled "Terms and Conditions" shall govern.

Dividend Reinvestment and Share Purchase Plan – Terms and Conditions

1. PURPOSE

This Plan provides a means for the Company's Shareholders to invest Common Share cash dividends and Optional Cash Payments to purchase additional Common Shares. Common Shares are purchased by the Plan Agent on behalf of the Participants under the Plan. The Plan Agent purchases such shares, as determined from time to time by the Company, by written notice to the Plan Agent, either on the open market through the facilities of the TSX or directly from the Company. Therefore, the Plan also provides a means by which the Company may retain and reinvest dividends to acquire additional equity capital.

2. DEFINITIONS

"1994 Plan" means the Company's dividend reinvestment and share purchase plan effective September 16, 1994, which plan is superceded by this Plan.

"Average Market Price" has the meaning set out in Section 5.4.

"Business Day" means any day on which the Plan Agent's offices are generally open, but does not include a Saturday, Sunday, civic or statutory holiday in Toronto, Ontario or St. John's, Newfoundland & Labrador or a day on which the Toronto Stock Exchange is not open for trading.

"Common Shares" means common shares of the Company.

"Company" means Fortis Inc.

"CSPP" means the Company's consumer share purchase plan effective September 16, 1994, pursuant to which shareholders resident in the provinces of Newfoundland & Labrador and Prince Edward Island can elect to have their cash dividends on Common Shares automatically reinvested in the Company.

"Discount" has the meaning set out in Section 6.

"Dividend Payment Date" means the date chosen by the Board of Directors of the Company for the payment of a cash dividend on Common Shares. This historically has been a business day in each of March, June, September and December of each year.

"Dividend Record Date" means the date chosen by the Board of Directors of the Company to determine those Shareholders entitled to receive payment of the dividend on Common Shares.

"ESPP" means the Company's employee share purchase plan effective in 1994 pursuant to which employees of the Company and its subsidiaries are entitled to invest in the Company on a preferential basis.

"Investment Date" means for the reinvestment of dividends and optional cash purchases under the Plan, the Dividend Payment Date.

"Market Purchase" has the meaning set out in Section 5.3.

"Non-Registered Participant" means a non-registered beneficial holder of Plan Shares that are held through an intermediary such as a financial institution, broker or nominee.

"Optional Cash Payment" has the meaning set out in Section 5.2.

"Participant" means a registered holder of Plan Shares or a Non-Registered Participant.

"Plan" means the Company's Amended and Restated Dividend Reinvestment and Share Purchase Plan.

"Plan Agent" means Computershare Trust Company of Canada, or such other firm as may be designated by the Company from time to time to act as agent under the Plan.

"Plan Shares" Common Shares registered in the name of a Participant under the Plan.

"Registered Participant" means a Participant who is registered in its own name under the Plan.

"Shareholder" means every registered holder of Common Shares.

"Treasury Purchase" has the meaning set out in Section 5.3.

"TSX" means The Toronto Stock Exchange, or any successor stock exchange.

3. USE OF PROCEEDS

The net proceeds to the Company from the sale of Common Shares under the Plan will be added to the Company's general funds and used for general corporate purposes.

4. PARTICIPATION IN THE PLAN

4.1 General

Provisions of this Plan apply to all Participants, but are subject to the administrative practices and requirements of intermediaries through whom Plan Shares are held by Non-Registered Participants. Those administrative practices and requirements may vary and Non-Registered Participants should contact their intermediary to determine the requirements of such intermediary regarding participation in the Plan.

4.2 Eligibility

Every registered holder of Common Shares who is a resident of Canada is eligible to participate in the Plan. A Shareholder resident in any jurisdiction outside of Canada has the right to participate in the Plan, but may be prohibited from participating in the Plan by the laws of the

jurisdiction where the Shareholder resides. For example, a Shareholder resident in the United States of America or any of its territories or possessions cannot participate in the Plan as result of United States law since the Common Shares are not registered under the *United States Securities Act of 1933*.

4.3 Enrolment – Registered Shareholders

Registered holders of Common Shares may enrol their Common Shares in the Plan by completing the Reinvestment Enrolment - Participant Declaration Form approved by the Company and the Plan Agent from time to time and mailing such form to the Plan Agent.

4.4 Enrolment – Non-Registered Beneficial Shareholders

Shareholders who hold their Common Shares through an intermediary must have such Common Shares registered in their own name and enrolled in accordance with Section 4.3, or instruct their intermediary to enrol their Common Shares in the Plan on their behalf, if the intermediary allows such enrolment.

4.5 Date of Enrolment

An eligible Shareholder will become a Participant and the Common Shares designated by the Participant will be recorded by the Plan Agent for participation in the Plan effective as of the first Dividend Record Date of the Common Shares following receipt by the Plan Agent of the duly completed "Reinvestment Enrolment – Participant Declaration Form" and, if making an initial Optional Cash Payment, an "Optional Cash Purchase - Participant Declaration Form".

4.6 Transfer of Common Shares

Participants in the Company's CSPP or ESPP, or other share purchase plans of the Corporation from time to time, may transfer the Common Shares registered in their name pursuant to such plans to the Plan by providing written notice to the Plan Agent of their desire to terminate their enrolment in their existing plan and to transfer the Common Shares currently held under such plan to the Plan. The Participant must also complete a Reinvestment Enrolment - Participant Declaration Form and mail both documents together to the Plan Agent. Where notice of termination and enrolment is received pursuant to this Section 4.6 at least three Business Days prior to a Dividend Record Date for Common Shares the termination and enrolment in the Plan will be effective for the applicable record date. Any requests received less than three Business Days prior to a Dividend Record Date for Common Shares will not be completed until after the next following Dividend Payment Date.

4.7 Other Restrictions

The Company may, in its sole discretion, determine from time to time that any Shareholder or group of Shareholders may not participate or continue to participate in the Plan. Without limitation, the Company may deny the right to participate in the Plan to any Shareholder if the Company has reason to believe that such Shareholder has been engaged in market activities, or has been artificially accumulating securities of the Company for the purpose of taking undue advantage of the Plan to the detriment to the Company.

5. PURCHASE OF COMMON SHARES UNDER THE PLAN

5.1 Dividend Reinvestment

All dividends payable on Plan Shares recorded for participation in the Plan, including Plan Shares acquired and retained under the Plan, will be paid by the Company to the Plan Agent and will, after the deduction of any withholding tax applicable to Participants residing outside of Canada, be used by the Plan Agent to purchase Common Shares for the Participant's account on the Dividend Payment Date.

5.2 Optional Cash Payments

Participants may choose to make optional cash purchases of Plan Shares under the Plan provided that optional cash payments made by any Participant shall not be less than \$100 per transaction nor greater than \$30,000 per calendar year (an "Optional Cash Payment"). An Optional Cash Payment may be made by using the Optional Cash Purchase - Participant Declaration Form, together with a Canadian dollar cheque to make the optional cash purchase.

Optional cash payments will be used by the Plan Agent to purchase Plan Shares on the first Dividend Payment Date following receipt of an Optional Cash Purchase - Participant Declaration Form and cleared funds, provided that any such form or cleared funds is received not less than three Business Days before a Dividend Payment Date. Enrolment forms and cleared funds received less than three Business Days before a Dividend Payment Date will be used to purchase Plan Shares on the next Dividend Payment Date.

There is no obligation to make Optional Cash Payments, to continue to make Optional Cash Payments or to make all such payments in the same amount. No interest will be paid to Participants on any funds held for investment under the Plan. The Discount will not apply to purchases made pursuant to Optional Cash Payments.

5.3 Source of Plan Shares

The Plan Shares acquired by the Plan Agent pursuant to the Plan will be, at the Company's discretion, either newly issued Common Shares purchased from the Company (a "Treasury Purchase") or Common Shares purchased on the open market through the facilities of the TSX (a "Market Purchase").

5.4 Price of Plan Shares – Reinvestment of Dividends

The purchase price for Plan Shares under the Plan on any Dividend Payment Date from the reinvestment of cash dividends will be:

- (a) in the case of a Market Purchase, the average of the actual price paid (excluding brokerage commissions, fees and transaction costs) per Common Share by the Plan Agent; or
- (b) in the case of a Treasury Purchase, the price will be the average of the average of the high and low prices of Common Shares actually traded on the TSX on the five

trading days immediately preceding the dividend payment date on which not less than 100 Common Shares were traded (the "Average Market Price") less a Discount, if any, of up to 5% at the Company's election.

5.5 Price of Plan Shares – Optional Cash Payment

The purchase price for Plan Shares under the Plan on any Dividend Payment Date acquired from Optional Cash Payments will be:

- (a) in the case of a Market Purchase, the average of the actual price paid (excluding brokerage commission, fees and transaction costs) per Common Share by the Plan Agent; or
- (b) in the case of a Treasury Purchase, the Average Market Price.

6. APPROVAL OF DISCOUNT

The Board of Directors of the Company may from time to time approve a discount (the "Discount") of up to 5% on the purchase price of Common Shares issued from treasury and purchased under the Plan pursuant to Section 5.4(b). The Board of Directors has the discretion to alter or eliminate the Discount at any time in its absolute discretion. If the Discount is altered or eliminated by the Board of Directors of the Company, the Company shall publish a press release notifying Participants of such change.

The Discount applicable to purchases of Common Shares under the Plan pursuant to Section 5.4(b) is 2% as of January 1, 2009, the effective date of the Plan. The Discount will not apply to purchases made pursuant to Optional Cash Payments.

7. COSTS

All administrative costs of the Plan, including any brokerage commissions, fees or other expenses of the Plan Agent incurred for the purchase of Plan Shares for Participants are borne by the Company.

8. TRANSITION TO AMENDED AND RESTATED PLAN

For continuity of treatment in respect of their dividends and Optional Cash Payments, participants in the 1994 Plan will automatically be enrolled in the Plan on January 1, 2009 and become Participants in the Plan, unless such Participants forward notice to the Plan Agent exiting from the Plan. The Plan accounts of these Participants will contain the Common Shares, including fractional shares, if any, held by such Participant prior to January 1, 2009. Cash dividends on the Common Shares in the accounts of such Participants under the 1994 Plan will automatically be reinvested in the purchase of Plan Shares pursuant to the Plan.

9. ADMINISTRATION

9.1 The Plan Agent

The Company may, from time to time, appoint a Plan Agent to administer the Plan on behalf of the Company and the Participants pursuant to an agreement between the Company and the Plan Agent.

The Plan Agent is required to comply with applicable laws, orders or regulations of any governmental authority which impose on the Plan Agent a duty to take or refrain from taking any action under the Plan and to permit any properly authorized person to have access to and to examine and make copies of any records relating to the Plan.

9.2 Registration of Plan Shares

Plan accounts shall be maintained in the names in which certificates were registered or enrolment forms submitted at the time the Participant enrolled in the Plan. Consequently, certificates for whole Plan Shares withdrawn from the Plan will be registered in exactly the same manner when issued.

9.3 Statement of Account

The Plan Agent will maintain a dividend reinvestment and share purchase account for each Participant. A statement of account will be mailed to each Participant by the Plan Agent as soon as practical after each Dividend Payment Date. Each such statement will indicate changes to the account over the relevant period including:

- (a) the dividends received by the Plan Agent in respect of Plan Shares recorded in the account;
- (b) the amount of any Optional Cash Payments received by the Plan Agent from such Participant; and
- (c) the number of additional Plan Shares acquired for the account.

Non-Registered Participants will receive statements of account from their intermediary in accordance with the intermediary's administrative practices. Non-Registered Participants should contact their intermediary to determine the procedures for requesting statements.

9.4 Certificates

Share certificates will not be issued to a Participant unless specifically requested. This convenience protects against loss, theft or destruction and reduces administrative costs. Certificates for whole Plan Shares purchased with reinvested dividends and Optional Cash Payments will be provided upon written request to the Plan Agent from the Participant or automatically upon termination of participation in the Plan. Certificates will be issued in the name of the Participant. Certificates will not be issued for a fraction of a Plan Share.

10. DISPOSITION OR WITHDRAWAL OF PLAN SHARES

10.1 Withdrawal of Plan Shares

A Participant who is not terminating participation in the Plan may, upon written request to the Plan Agent, withdraw whole Plan Shares from the Plan. Upon receipt of a withdrawal request, the Plan Agent will withdraw the specified number of whole Plan Shares from the Participant's account and deliver a share certificate representing such shares in the Participant's name.

10.2 Sale of Plan Shares

Participants may request the Plan Agent sell any number of Plan Shares on their behalf. All such Plan Shares sold by the Plan Agent will be deemed to have been withdrawn from the Plan pursuant to Section 10.1. Upon receipt of such a request, the Plan Agent will, as soon as practicable, arrange for the sale of such Plan Shares through a registered broker-dealer selected by the Plan Agent from time to time. The proceeds of such sale, less brokerage commissions, administrative fees and applicable taxes, if any, will be paid to the Participant by the Plan Agent. Plan Shares that are to be sold for a Participant may be commingled with Plan Shares of other Participants requesting a sale of Plan Shares in which case the proceeds to each Participant will be based on the average sale prices and the average brokerage commissions, administrative fee and applicable taxes of all Plan Shares so commingled.

10.3 No Pledge

Plan Shares held by the Plan Agent may not be pledged, hypothecated, assigned or otherwise disposed of or transferred. Participants who wish to pledge, hypothecate, assign, dispose of or otherwise transfer their Plan Shares held by the Plan Agent, must first withdraw such shares under the Plan.

10.4 Remaining Plan Shares

If a Participant sells or withdraws less than all of their Plan Shares, dividends paid on their remaining Plan Shares will continue to be reinvested in Common Shares under the Plan.

11. TERMINATION OF PARTICIPATION

11.1 Termination by Participant

Participants may terminate their participation in the Plan by completing the termination portion of the voucher on the reverse of their quarterly statement of account and sending it to the Plan Agent at any time. Where notice of termination is received at least three Business Days prior to a Dividend Record Date for Common Shares the termination will be effective for the applicable record date. Any termination request received less than three Business Days before a Dividend Record Date for Common Shares will become effective after the next following Dividend Payment Date.

The Plan Agent will settle a terminating Participant's account by issuing a share certificate for the number of whole Plan Shares held in such Participant's account and making a cash payment to such Participant for any fraction of a Plan Share remaining. The amount of the payment for any such fraction will be determined by reference to the Average Market Price determined for the preceding Common Share Dividend Payment Date. Any Optional Cash Payment received prior to termination of participation but not invested in Common Shares will be returned to the Participant upon such termination.

11.2 Death of a Participant

Participation in the Plan will be terminated upon receipt by the Plan Agent of appropriate evidence of the death of a Participant from such Participant's duly appointed legal representative and written instructions to terminate. Proof of the legal representative's authority to act must accompany the evidence of death. The Plan Agent will terminate and settle the account for such deceased Participant in the manner provided for in Section 11.1.

11.3 Termination by the Company

The Company reserves the right to terminate a Participant's participation in the Plan at any time if there is less than one Common Share recorded in the Participant's account or the Participant cannot be contacted at the addresses given by the Participant.

12. VOTING RIGHTS

Participants may vote whole Plan Shares held by the Plan Agent on their behalf, in the same manner as any other Common Shares of the Company either by proxy or in person. The Plan Agent will forward to Participants, as soon as practicable following receipt, any proxy solicitation materials. Plan Shares held by the Plan Agent representing fractional interests in Common Shares will not be voted.

Non-Registered Participants should contact their intermediary to determine the procedures for voting their Common Shares.

13. RIGHTS OFFERING

If the Company offers rights to its Shareholders then rights certificates will be issued to Participants in respect of whole Plan Shares as on the record date of the rights issue. Where a Participant would be entitled to receive a fractional interest in a right as a result of the ownership of a fractional interest in a Plan Share, such fractional interest in the right will be sold by the Plan Agent on a commingled basis together with other fractional interests in rights held on behalf of other Participants and the proceeds, less brokerage commissions, will be invested in the same manner as an Optional Cash Payment on the next Investment Date.

14. STOCK DIVIDENDS AND STOCK SPLITS

Any Common Shares distributed pursuant to a stock dividend or a stock split on Plan Shares held by the Plan Agent for Participants under the Plan will be retained by the Plan Agent

and credited, net any applicable withholding or non-resident taxes, to the account of the Participant in accordance with their entitlement under the Plan.

15. RESPONSIBILITIES OF THE COMPANY AND THE PLAN AGENT

Neither the Company nor the Plan Agent shall be liable under the Plan, except in the case of wilful misconduct, for any act or for any omission to act, in connection with the operation of the Plan including, without limitation, any claims of liability:

- (a) arising out of failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death;
- (b) with respect to the prices at which Plan Shares are purchased for the Participant's account and the times such purchases are made; or
- (c) actions taken as a result of inaccurate and incomplete information or instructions.

16. RISK OF MARKET PRICE FLUCTUATIONS

Participants should recognize that Plan Shares acquired under the Plan are no different from an investment in Common Shares directly held. Accordingly, neither the Company nor the Plan Agent can assure a profit or protect Participants against a loss on the Plan Shares purchased under the Plan.

17. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Company reserves the right to amend, suspend or terminate the Plan at any time, but any such action shall not have retroactive effect that would prejudice the interests of the Participants. All Participants will be sent written notice of any such amendment, suspension or termination. In the event of termination of the Plan by the Company, the Plan Agent will terminate and settle the account for each Participant in the manner provided for in Section 11.1. In the event of suspension of the Plan by the Company, no investment will be made by the Plan Agent on the Investment Date immediately following the effective date of such suspension. Optional Cash Payments which are not invested as of the effective date of such suspension and Common Share dividends which are subject to the Plan and which are paid after the effective date of such suspension will be remitted by the Plan Agent to the Participants to whom these are due.

Amendments to the Plan (including changes in the Discount under the Plan) will be notified to the TSX and, in the case of material amendments (which shall not include changes in the Discount under the Plan), its prior approval will be obtained before the material amendment is implemented.

18. CURRENCY

All monetary amounts identified in the Plan are stated in Canadian dollars.

19. GOVERNING LAW

This Plan will be governed and construed in accordance with the laws of the Province of Newfoundland & Labrador and the laws of Canada applicable therein.

20. NOTICES AND CORRESPONDENCE

All notices required to be given to Participants under the Plan shall be mailed to the Participants at the addresses shown on the records of the Plan Agent. Participants must notify the Plan Agent promptly in writing of any change of address.

Notices to the Plan Agent shall be sent to:

Fortis Inc. Dividend Reinvestment and Share Purchase Plan
c/o Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Telephone: 1-866-586-7638
Facsimile: 1-888-453-0330

Web: www.computershare.com/fortisinc

21. EFFECTIVE DATE

The Plan is effective as of January 1, 2009. The first Investment Date under this Plan is March 1, 2009.

TAX CONSIDERATIONS

Certain of the Canadian federal income tax considerations arising from participation in the Plan are generally summarized below. This summary is based upon the law and the Canada Revenue Agency's administrative policy in effect on December 10, 2008. Participants should consult and rely on their own tax advisers with respect to the tax consequences which will result from their participation in the Plan, taking into account tax consequences in their country of residence.

Resident Participants

This portion of the summary is applicable only to a Participant who, for purposes of the *Income Tax Act* (Canada) (the "Act") and at all relevant times, is resident or deemed to be resident in Canada, holds Common Shares as capital property and deals at arm's length with the Company (a "Resident Participant"). This summary does not apply to a Resident Participant: (i) that is a "financial institution" for the purposes of the "mark-to-market" rules; (ii) that is a "specified financial institution"; (iii) an interest in which is a "tax shelter investment"; or (v) that has elected to determine its Canadian tax results in accordance with the "functional currency" rules, as each of those terms is defined in the Act.

For purposes of the Act, Resident Participants will be considered to have received a taxable dividend on each Dividend Payment Date equal to the full amount of the cash dividend paid on that date. Resident Participants must include in their annual taxable income the taxable amount of dividends and will be subject to tax under the Act in the same manner as they would have been had they received the dividends directly.

Based on the Canada Revenue Agency's administrative policy, the purchase by a Resident Participant of Common Shares from the reinvestment of cash dividends at a Discount that is no greater than 5% should not result in income under the Act to such Resident Participant in respect of the Discount.

The amount paid to acquire Common Shares will be added to the Resident Participant's cost of such Common Shares. For purposes of determining the Resident Participant's gain or loss from the disposition or deemed disposition of Common Shares, the cost of such Common Shares will be averaged with the adjusted cost base of all of the Common Shares the Resident Participant holds as capital property.

Non-Resident Participants

This portion of the summary is applicable only to a Participant who, for purposes of the Act and at all relevant times, is neither resident nor deemed to be resident in Canada, holds the Common Shares as capital property, does not use or hold and is not deemed to use or hold Common Shares in the course of carrying on a business in Canada, deals at arm's length with the Company and whose Common Shares are not "designated insurance property" or "taxable Canadian property" (a "Non-Resident Participant").

Dividends paid to a Non-Resident Participant will generally be subject to Canadian withholding tax at a rate of 25% unless the Non-Resident Participant is entitled to the benefits of

an income tax treaty between Canada and the Non-Resident Participant's country of residence. If a Non-Resident Participant is entitled to the benefits of such a treaty, the Canadian withholding tax rate will generally be reduced to 15%.

Based on the Canada Revenue Agency's administrative policy, the purchase by a Non-Resident Participant of Common Shares from the reinvestment of cash dividends at a Discount of that is no greater than 5% should not result in a deemed dividend under the Act to such Non-Resident Participant.

Fortis Inc.

Second Amended and Restated Dividend Reinvestment and Share Purchase Plan

As a holder of common shares ("**Common Shares**") of Fortis Inc. (the "**Company**"), you should read this document carefully before making any decision regarding participation in the second amended and restated dividend reinvestment and share purchase plan of the Company (the "**Plan**"). In addition, if you are a non-registered holder of Common Shares you should refer to Section 4.1.

Shareholders of the Company resident in the United States should review the prospectus relating to the Plan, including the United States federal income tax considerations and risk factors included therein and the documents incorporated by reference therein, which forms part of the Registration Statement on Form F-3 filed with the U.S. Securities and Exchange Commission on May 16, 2017.

1. PURPOSE

The Plan provides a means for the Company's Shareholders to invest Common Share cash dividends and Optional Cash Payments to purchase additional Common Shares. Common Shares are purchased by the Plan Agent on behalf of the Participants under the Plan. The Plan Agent purchases such shares, as determined from time to time by the Company, by written notice to the Plan Agent, either (i) on the open market through the facilities of the TSX and/or any other stock exchange on which the Common Shares may from time to time be listed and posted for trading or (ii) directly from the Company. Therefore, the Plan also provides a means by which the Company may retain and reinvest cash dividends and increase its equity capital.

2. DEFINITIONS

"**2009 Plan**" means the Company's amended and restated dividend reinvestment and share purchase plan effective January 1, 2009, which plan is superseded by the Plan.

"**Anti-Money Laundering Act**" has the meaning set out in Section 5.2.

"**Average Market Price**" has the meaning set out in Section 5.5.

"**Business Day**" means any day on which the Plan Agent's offices in the Province of Quebec, the TSX and each other stock exchange on which the Common Shares may from time to time be listed and posted for trading are generally open, but does not include a Saturday, Sunday, civic or statutory holiday in Toronto, Ontario or St. John's, Newfoundland & Labrador.

"**Common Shares**" means common shares of the Company.

"**Company**" means Fortis Inc.

"**CSPP**" means the Company's consumer share purchase plan, as amended from time to time, pursuant to which Shareholders resident in the provinces of Newfoundland & Labrador and Prince Edward Island can elect to have their cash dividends on Common Shares automatically reinvested in the Company.

"**Discount**" has the meaning set out in Section 6.

"**Dividend Payment Date**" means the date chosen by the Board of Directors of the Company for the payment of a cash dividend on Common Shares. This historically has been a Business Day in each of March, June, September and December of each year.

"**Dividend Record Date**" means the date chosen by the Board of Directors of the Company to determine those Shareholders entitled to receive payment of the dividend on Common Shares.

"**ESPP**" means the Company's employee share purchase plan, as amended from time to time, pursuant to which employees of the Company and its subsidiaries are entitled to invest in Common Shares of the Company on a preferential basis.

"**Intermediary**" means a securities broker or dealer, bank, trust company, financial organization or any other nominee.

"**Investment Date**" means for the reinvestment of dividends and optional cash purchases under the Plan, the Dividend Payment Date.

"**Market Purchase**" has the meaning set out in Section 5.4.

"**NYSE**" means the New York Stock Exchange, or any successor stock exchange.

"**Optional Cash Payment**" has the meaning set out in Section 5.2.

"**Participant**" means a Shareholder holding at least the minimum number of Common Shares required pursuant to this Plan on the applicable Dividend Record Date who is:

- (a) a resident of Canada or the United States, or
- (b) resident outside Canada or the United States and is not prohibited under the law of the jurisdiction in which it resides from participating in the Plan,

and who is otherwise eligible to participate in the Plan and elects to do so by, (i) in the case of a registered Shareholder, completing and delivering the appropriate enrolment forms to the Plan Agent or by enrolling online through the Plan Agent's self-service web portal at www.investorcentre.com/fortisinc or, (ii) in the case of a beneficial Shareholder, having an Intermediary enroll on his, her or its behalf, as more particularly described in the Plan.

"**Plan**" means the Company's Second Amended and Restated Dividend Reinvestment and Share Purchase Plan.

"Plan Agent" means Computershare Trust Company of Canada, or such other firm as may be designated by the Company from time to time to act as agent under the Plan.

"Plan Shares" means Common Shares registered in the name of a Participant under the Plan.

"Shareholder" means a registered owner of Common Shares or a non-registered beneficial owner of Common Shares, as the context requires.

"Trading Day" means a day on which a board lot of the Common Shares was traded on the relevant stock exchange.

"Treasury Purchase" has the meaning set out in Section 5.4.

"TSX" means the Toronto Stock Exchange, or any successor stock exchange.

"VWAP" means the volume weighted average trading price of the Common Shares, calculated by dividing the total value of Common Shares by the total number of Common Shares traded for the relevant period.

3. USE OF PROCEEDS

The net proceeds to the Company from the sale of Common Shares under the Plan will be added to the Company's general funds and used for general corporate purposes or any other purpose in the sole discretion of the Company.

4. PARTICIPATION IN THE PLAN

4.1 General

Provisions of the Plan apply to all Participants, but are subject to the administrative practices and requirements of Intermediaries through whom Plan Shares are held by non-registered Shareholders. The administrative practices and requirements of Intermediaries vary and, accordingly, the various dates by which actions must be taken under the Plan and the documentary requirements set out in the Plan may not be the same for non-registered Shareholders as for registered Shareholders. Some Intermediaries may require non-registered Shareholders to become registered Shareholders in order to participate in the Plan. In addition, there may be a fee charged by some Intermediaries for a non-registered Shareholder to become a registered Shareholder, which will not be covered by the Company. Non-registered Shareholders should therefore contact their Intermediary to determine the requirements of such Intermediary regarding participation in the Plan.

4.2 Eligibility

Common Shares are offered for sale under the Plan in both Canada and the United States. Every registered Shareholder who is a resident of Canada or the United States is eligible to participate in the Plan. The distribution of Common Shares under the Plan in the United States is registered under the *U.S. Securities Act of 1933*, as amended.

Shareholders that are resident in jurisdictions other than Canada or the United States can also participate in the Plan, subject to any restrictions under the laws of such Shareholder's jurisdiction of residence and provided such laws do not subject the Company or the Plan to any additional legal, regulatory, filing or registration requirements. Cash dividends to be reinvested for Participants resident outside of Canada will be reduced by the amount of any applicable withholding taxes, as determined in the sole discretion of the Company. Neither the Company nor Plan Agent will have any duty to inquire to the residency status of the Shareholder, nor will the Company or Plan Agent be required to know the residency status of a Shareholder, other than as notified by a Shareholder. Notwithstanding the foregoing, as part of the enrolment process, the Company or Plan Agent may request additional information or confirmations, including an opinion of legal counsel, from such non-Canadian resident Shareholders to ensure that enrolment is not prohibited by the law of the country in which they reside.

4.3 Enrolment – Registered Shareholders

Registered Shareholders may enrol their Common Shares in the Plan by completing the Reinvestment Enrolment - Participant Declaration Form approved by the Company and the Plan Agent from time to time and mailing such form to the Plan Agent or by enrolling online through the Plan Agent's self-service web portal.

4.4 Enrolment – Non-Registered Beneficial Shareholders

Beneficial Shareholders whose Common Shares are not registered in their own name but instead are held through an Intermediary, may only participate in the Plan if they:

- (a) transfer their Common Shares into their own name and enroll directly in the Plan as a registered Shareholder; or
- (b) arrange for their Intermediary to enroll in the Plan on their behalf.

The Intermediary will be responsible for causing separate instructions to be delivered to the Agent regarding the extent of its participation in the Plan on behalf of non-registered Shareholders.

4.5 Date of Enrolment

An eligible Shareholder will become a Participant and the Common Shares designated by the Participant will be recorded by the Plan Agent for participation in the Plan effective as of the first Dividend Record Date following receipt by the Plan Agent of the duly completed Reinvestment Enrolment – Participant Declaration Form and, if making an initial Optional Cash Payment, an Optional Cash Purchase – Participant Declaration Form. If an enrolment form is received pursuant to this Section 4.5 at least three Business Days prior to a Dividend Record Date, the enrolment in the Plan will be effective for such Dividend Record Date. Any enrolment received less than three Business Days prior to a Dividend Record Date will not be effective until after such Dividend Payment Date. A non-registered Shareholder will become a Participant when an Intermediary has enrolled in the Plan on its behalf through a registered Shareholder.

4.6 Transfer of Common Shares

Participants in the Company's CSPP or ESPP, or other share purchase plans of the Company from time to time, may transfer the Common Shares registered in their name pursuant to such plans to the Plan by providing notice to the Plan Agent of their desire to withdraw Common Shares from their existing plan and to transfer the Common Shares currently held under such plan to the Plan. The Participant must also complete a Reinvestment Enrolment - Participant Declaration Form and mail both documents together to the Plan Agent or complete such process through the Plan Agent's self-service web portal. Where notice of termination and enrolment is received pursuant to this Section 4.6 at least three Business Days prior to a Dividend Record Date the termination and enrolment in the Plan will be effective for such Dividend Record Date. Any requests received less than three Business Days prior to a Dividend Record Date will not be completed until after such Dividend Payment Date.

4.7 Other Restrictions

The Company may, in its sole discretion, determine from time to time that any Shareholder or group of Shareholders may not participate or continue to participate in the Plan. Without limitation, the Company may deny the right to participate in the Plan to any Shareholder if the Company has reason to believe that such Shareholder has been engaged in market activities, or has been artificially accumulating securities of the Company for the purpose of taking undue advantage of the Plan to the detriment to the Company.

The Company reserves the right to deny participation in the Plan, and to not accept enrolment from, any person or agent of such person who appears to be, or who the Company has reason to believe is, subject to the laws of any jurisdiction that does not permit participation in the Plan in the manner sought by or on behalf of such person. Shareholders should be aware that certain Intermediaries may not allow participation in the Plan and the Company is not responsible for monitoring or advising which Intermediaries allow participation.

4.8 Ongoing Enrolment.

Once a Participant has enrolled in the Plan, participation continues automatically unless terminated in accordance with the Plan.

4.9 Deemed Confirmations.

By enrolling in the Plan, whether directly as a registered Shareholder or indirectly as a non-registered Shareholder through an Intermediary, a Participant is deemed to have:

- (a) represented and warranted to the Company and the Plan Agent that they are eligible to participate in the Plan;
- (b) appointed the Plan Agent to receive from the Company, and directed the Company to credit to the Plan Agent, all dividends (less any applicable withholding taxes) payable in respect of all Common Shares registered in the name of the Shareholder and enrolled in the Plan or held under the Plan for its

account, or, in the case of a non-registered Shareholder enrolled indirectly through an Intermediary, that is enrolled on its behalf in the Plan;

- (c) authorized and directed the Plan Agent to reinvest on behalf of the Participant such dividends (less any applicable withholding taxes) in Common Shares, all in accordance with the provisions of the Plan as set forth herein and otherwise upon and subject to the terms and conditions of the Plan; and
- (d) acknowledged and agreed to the limitations on liability as set out in Section 16 of the Plan.

5. PURCHASE OF COMMON SHARES UNDER THE PLAN

5.1 Dividend Reinvestment

Subject to Section 19, all dividends payable on Plan Shares recorded for participation in the Plan, including Plan Shares acquired and retained under the Plan, will be paid by the Company to the Plan Agent and will, after the deduction of any withholding tax applicable to Participants residing outside of Canada, be used by the Plan Agent to purchase Common Shares for the Participant's account on the Dividend Payment Date. Subject to Section 4.1, full reinvestment of all dividends received under the Plan (less any applicable withholding taxes) is possible as whole and fractional Common Shares (computed to six decimal places) are credited to Participants' accounts. The rounding of any fractional interest is determined by the Plan Agent in its sole discretion.

5.2 Optional Cash Payments

Participants may choose to make optional cash purchases of Plan Shares under the Plan (each, an "**Optional Cash Payment**") provided that Optional Cash Payments made by any Participant shall not be (i) less than C\$100 per transaction nor greater than C\$30,000 per calendar year, if made in Canadian dollars, or (ii) less than US\$100 per transaction nor greater than US\$30,000 per calendar year, if made in U.S. dollars. An Optional Cash Payment may be made by using the Optional Cash Purchase - Participant Declaration Form, together with (a) a Canadian dollar cheque or (b) a U.S. dollar cheque and an Agent Mandatory Certification Form, as applicable, to make the optional cash purchase. Alternatively, participants may enroll to make an Optional Cash Payment and to effect such payment by pre-authorized debit by using the Plan Agent's self-service web portal.

Optional Cash Payments will be used by the Plan Agent to purchase Plan Shares on the first Dividend Payment Date following enrolment and receipt of cleared funds, provided that enrolment is completed and cleared funds are received not less than three Business Days before a Dividend Payment Date. Enrolment forms and cleared funds received less than three Business Days before a Dividend Payment Date will be used to purchase Plan Shares on the Dividend Payment Date after the next following Dividend Payment Date. All Optional Cash Payments made in U.S. dollars to the Plan Agent will be converted into Canadian dollars by the Plan Agent on the Dividend Payment Date based on the exchange rate in effect at the time of conversion.

There is no obligation to make Optional Cash Payments, to continue to make Optional Cash Payments or to make all such payments in the same amount. No interest will be paid to Participants on any funds held for investment or distribution under the Plan. The Discount will not apply to purchases made pursuant to Optional Cash Payments. The full amount of any Optional Cash Payment will be invested in Plan Shares, as whole and fractional Common Shares (computed to six decimal places) purchased with such funds will be credited to such Participant's account. The rounding of any fractional interest is determined by the Plan Agent in its sole discretion.

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the regulations made thereunder (the "**Anti-Money Laundering Act**") requires that the Plan Agent collect and record specific information and take other compliance measures with respect to new or existing Participants who elect to make an Optional Cash Payment under the Plan. In order to participate in the Optional Cash Payment feature of the Plan, Participants must have met the applicable requirements under the Anti-Money Laundering Act, which are contained in each of the Reinvestment Enrolment – Participant Declaration Form and the Optional Cash Purchase – Participant Declaration Form.

5.3 Pre-Authorized Debit

To be eligible to participate in the Plan through pre-authorized debit, a Participant must already be enrolled in the Plan, must use a bank account with a Canadian financial institution, and such account must be coded compliant with relevant Anti-Money Laundering Act requirements. Participants have the option of a one-time or recurring pre-authorized debit for any Optional Cash Payment. Both options can be initiated online through the Plan Agent's self-service web portal. Instructions must be received at least ten Business Days before the Dividend Payment Date. If a Participant authorizes an Optional Cash Payment through pre-authorized debit then its bank account will be debited on the fifth Business Day prior to the Dividend Payment Date.

5.4 Source of Plan Shares

The Plan Shares acquired by the Plan Agent pursuant to the Plan will be, at the Company's discretion, either newly issued Common Shares purchased from the Company (a "**Treasury Purchase**") or Common Shares purchased on the open market through the facilities of the TSX and/or any other stock exchange on which the Common Shares may from time to time be listed and posted for trading (a "**Market Purchase**"). For Market Purchases, the Common Shares will be purchased starting one Business Day after the Dividend Payment Date and ending three Business Days after the Dividend Payment Date.

5.5 Price of Plan Shares – Reinvestment of Dividends

The purchase price for Plan Shares under the Plan on any Dividend Payment Date from the reinvestment of cash dividends will be:

- (a) in the case of a Market Purchase, the average of the actual price paid (excluding brokerage commissions, fees and transaction costs) per Common Share by the Plan Agent; or

- (b) in the case of a Treasury Purchase, the price will be the VWAP on the TSX (or another stock exchange where the majority of the trading volume and value of the Common Shares occurs) on the five Trading Days immediately preceding the Dividend Payment Date (the "**Average Market Price**") less a Discount, if any, of up to 5% at the Company's election.

5.6 Price of Plan Shares – Optional Cash Payment

The purchase price for Plan Shares under the Plan on any Dividend Payment Date acquired from Optional Cash Payments (after converting any Optional Cash Payments made in U.S. dollars into Canadian dollars based on the exchange rate in effect at the time of conversion) will be:

- (a) in the case of a Market Purchase, the average of the actual price paid (excluding brokerage commission, fees and transaction costs) per Common Share by the Plan Agent; or
- (b) in the case of a Treasury Purchase, the Average Market Price.

6. APPROVAL OF DISCOUNT

The Board of Directors of the Company may from time to time approve a discount (the "**Discount**") of up to 5% on the Average Market Price of Common Shares issued pursuant to a Treasury Purchase under Section 5.5(b). The Board of Directors may alter or eliminate the Discount at any time in its sole discretion. If the Discount is altered or eliminated by the Board of Directors of the Company, the Company shall publish a press release notifying Participants of such change.

The Discount applicable to Treasury Purchases pursuant to Section 5.5(b) is 2% as of May 3, 2017, the effective date of the Plan. The Discount will not apply to purchases made pursuant to Optional Cash Payments.

7. COSTS

All administrative costs of the Plan, including any brokerage commissions, fees or other expenses of the Plan Agent incurred for the purchase of Plan Shares for Participants are borne by the Company. Participants who enroll through an Intermediary may be subject to costs and charges by their Intermediary.

8. TRANSITION TO THE PLAN

For continuity of treatment in respect of their dividends and Optional Cash Payments, participants in the 2009 Plan will automatically be enrolled in the Plan on May 3, 2017 and become Participants in the Plan, unless such Participants forward notice to the Plan Agent exiting from the Plan. The Plan accounts of Participants will contain the Common Shares, including fractional shares computed to six decimal places, if any, held by such Participant prior to May 3, 2017. Cash dividends on the Common Shares in the accounts of such Participants

under the 2009 Plan will automatically be reinvested in the purchase of Plan Shares pursuant to the Plan.

9. ADMINISTRATION

9.1 The Plan Agent

The Company has appointed Computershare Trust Company of Canada as Plan Agent to administer the Plan on behalf of the Company and the Participants pursuant to an agreement between the Company and the Plan Agent. The Company may, from time to time, at its sole discretion appoint a replacement Plan Agent. If any replacement Plan Agent is appointed, notice of such replacement will be provided to Participants by the Company.

The Plan Agent is required to comply with applicable laws, orders or regulations of any governmental authority which impose on the Plan Agent a duty to take or refrain from taking any action under the Plan and to permit any properly authorized person to have access to and to examine and make copies of any records relating to the Plan.

9.2 Registration of Plan Shares

Plan accounts shall be maintained in the names in which certificates were registered or enrolment forms submitted at the time the Participant enrolled in the Plan. Consequently, share certificates or registration of holdings of uncertificated Common Shares for whole Plan Shares withdrawn from the Plan will be registered in exactly the same manner.

9.3 Statement of Account

The Plan Agent will maintain a dividend reinvestment and share purchase account for each registered Shareholder Participant. A statement of account will be mailed to each registered Shareholder Participant by the Plan Agent as soon as practical after each Dividend Payment Date. Each such statement will indicate changes to the account over the relevant period including:

- (a) the dividends received by the Plan Agent in respect of Plan Shares recorded in the account and, if applicable, any tax withheld on dividends received by the Plan Agent in respect of such Plan Shares;
- (b) the amount of any Optional Cash Payments received by the Plan Agent from such Participant; and
- (c) the number of additional Plan Shares acquired for the account, including any fractional Plan Share entitlement credited to the Participant computed to six decimal places.

Participants have the option of receiving the Statement of Account electronically through the Plan Agent's self-service web portal.

Non-registered Shareholder Participants will receive statements of account from their Intermediary in accordance with the Intermediary's administrative practices. Non-registered Shareholder Participants should contact their Intermediary to determine the procedures for requesting statements.

9.4 Certificates or other evidence of shareholding

Share certificates will not be issued to a Participant unless specifically requested. This convenience protects against loss, theft or destruction and reduces administrative costs. Certificates or a statement of holdings of uncertificated Common Shares for whole Plan Shares purchased with reinvested dividends and Optional Cash Payments will be provided upon request to the Plan Agent from the Participant pursuant to Section 10 or automatically upon termination of participation in the Plan pursuant to Section 11. Certificates will be issued or, if applicable, registration of holdings of uncertificated Common Shares will be made, in the name of the Participant. Certificates will not be issued or, if applicable, registration of holdings of uncertificated Common Shares will not be made, in respect of any fraction of a Plan Share.

10. DISPOSITION OR WITHDRAWAL OF PLAN SHARES

10.1 Withdrawal of Plan Shares

A Participant who is not terminating participation in the Plan may, upon written request to the Plan Agent, withdraw whole Plan Shares from the Plan. Alternatively, a Participant may follow the instructions for withdrawal on the Plan Agent's self-service web portal. Upon receipt of a withdrawal request, the Plan Agent will withdraw the specified number of whole Plan Shares from the Participant's account and deliver a share certificate or a statement of holdings of uncertificated Common Shares representing such shares in the Participant's name. No share certificate or statement of holdings of uncertificated Common Shares will be issued for a fraction of a Common Share. A share certificate or statement of holdings of uncertificated Common Shares will generally be delivered within three weeks of receipt by the Plan Agent of a Participant's request to withdraw Plan Shares. A beneficial Shareholder Participant who holds Plan Shares indirectly through an Intermediary, should contact its Intermediary where it requires a Common Share certificate.

10.2 Sale of Plan Shares

Participants may request the Plan Agent sell any number of whole Plan Shares on their behalf. Such request may be made to the Plan Agent either in writing, by phoning the Plan Agent's toll-free number and requesting a sale, or by following the instructions on the Plan Agent's self-service web portal. Upon receipt of such a request, the Plan Agent will, as soon as practicable, arrange for the sale of such Plan Shares through a registered broker-dealer selected by the Plan Agent from time to time. The proceeds of such sale, less brokerage commissions, administrative fees and applicable taxes, if any, which are payable by the Participant in connection with such sale, will be paid to the Participant by the Plan Agent in Canadian dollars unless such Participant is a non-resident of Canada. In the case of sale requests by non-residents of Canada, the Plan Agent will sell the relevant Plan Shares on the open market through the facilities of the NYSE and pay such proceeds in U.S. dollars to such Participant. Broker

commissions charged on such sales will be charged at the customary rates charged from time to time by the relevant broker. Plan Shares that are to be sold for a Participant may be commingled with Plan Shares of other Participants requesting a sale of Plan Shares in which case the proceeds to each Participant will be based on the average sale prices and the average brokerage commissions, administrative fee and applicable taxes of all Plan Shares so commingled.

10.3 No Pledge

Plan Shares held by the Plan Agent may not be pledged, hypothecated, assigned or otherwise disposed of or transferred. Participants who wish to pledge, hypothecate, assign, dispose of or otherwise transfer their Plan Shares held by the Plan Agent, must first withdraw such shares under the Plan.

10.4 Remaining Plan Shares

If a Participant sells or withdraws less than all of their Plan Shares, dividends paid on their remaining Plan Shares will continue to be reinvested in Common Shares under the Plan.

11. TERMINATION OF PARTICIPATION

11.1 Termination by Participant

Participants may terminate their participation in the Plan by completing the termination portion of the voucher on the reverse of their quarterly statement of account and sending it to the Plan Agent at any time. Alternatively, a Participant may follow the instructions for termination on the Plan Agent's self-service web portal. Where notice of termination is received at least three Business Days prior to a Dividend Record Date the termination will be effective for such Dividend Record Date. Any termination request received less than three Business Days before a Dividend Record Date will become effective after the next following Dividend Payment Date.

The Plan Agent will settle a terminating Participant's account by issuing a share certificate for the number of whole Plan Shares held in such Participant's account, or a statement of holdings of uncertificated Common Shares, and making a cash payment to such Participant for any fraction of a Plan Share remaining. The amount of the payment for any such fraction will be based on the prevailing market price of the Common Shares at the time of termination. Any Optional Cash Payment received prior to termination of participation but not invested in Common Shares will be returned to the Participant upon such termination.

Non-registered Shareholders should consult with their Intermediary to arrange for the termination of their participation in the Plan.

11.2 Death of a Participant

Participation in the Plan will be terminated upon receipt by the Plan Agent of appropriate evidence of the death of a Participant from such Participant's duly appointed legal representative and written instructions to terminate. Proof of the legal representative's authority to act must accompany the evidence of death. The Plan Agent will terminate and settle the account for such deceased Participant in the manner provided for in Section 11.1.

11.3 Termination by the Company

The Company reserves the right to terminate a Participant's participation in the Plan at any time if there is less than one Common Share recorded in the Participant's account or the Participant cannot be contacted at the addresses given by the Participant.

12. VOTING RIGHTS

Participants may vote whole Plan Shares held by the Plan Agent on their behalf, in the same manner as any other Common Shares of the Company either by proxy or in person. The Plan Agent will forward to Participants, as soon as practicable following receipt, any proxy solicitation materials. Plan Shares held by the Plan Agent representing fractional interests in Common Shares and any Plan Shares in respect of which voting instructions are not received by the Plan Agent will not be voted.

Non-registered Shareholder Participants should contact their Intermediary to determine the procedures for voting their Common Shares.

13. PARTICIPATION BY INSIDERS AND EMPLOYEES

Insiders and employees of the Company may elect to participate in the Plan, provided however such persons may only submit an enrolment form and may only vary or terminate their participation in the Plan when they are not subject to a blackout period or otherwise not permitted to trade under the Company's Insider Trading Policy.

14. RIGHTS OFFERING

If the Company offers rights to its Shareholders then rights certificates or a statement of holdings of uncertificated rights will be issued to Participants in respect of whole Plan Shares on the record date of the rights issue. Any fractional entitlement to a right that would accrue to a Participant will be rounded down to the nearest whole number. A non-registered Shareholder Participant who holds Common Shares indirectly through an Intermediary should contact its Intermediary to determine how such rights will be distributed to it.

15. STOCK DIVIDENDS, STOCK SPLITS AND CONSOLIDATIONS

Any Common Shares distributed pursuant to a stock dividend or a stock split on Plan Shares will be retained by the Plan Agent and credited, net of any applicable withholding or non-resident taxes, to the accounts of the Participants in accordance with their respective entitlements under the Plan. In the event of a consolidation of the Common Shares, the number of Common Shares credited to a registered Shareholder Participant's account will be adjusted to account for the effect of such consolidation of the Common Shares. A certificate for Common Shares or a statement of holdings of uncertificated Common Shares resulting from a Common Share dividend or share split or a replacement certificate or revised statement of holdings of uncertificated Common Shares as a result of a consolidation of Common Shares will be delivered to the Participant in the same manner as to holders of Common Shares who are not participating in the Plan.

16. RESPONSIBILITIES OF THE COMPANY AND THE PLAN AGENT

Neither the Company nor the Plan Agent shall be liable under the Plan, except in the case of wilful misconduct, for any act or for any omission to act, in connection with the operation of the Plan including, without limitation, any claims of liability:

- (a) with respect to any failure by an Intermediary to enroll or not enroll in the Plan any Shareholder (or, as applicable, any Common Shares held on such Shareholder's behalf) in accordance with the Shareholder's instructions or to not otherwise act upon a Shareholder's instructions;
- (b) with respect to the continued enrolment in the Plan of any Shareholder (or, as applicable, any Common Shares held on such Shareholder's behalf) until receipt of all necessary documentation as provided herein required to terminate participation in the Plan;
- (c) arising out of failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death;
- (d) with respect to the prices at which Plan Shares are purchased or sold for the Participant's account and the times such purchases or sales are made or with respect to the stock exchange or other market on which such purchases or sales are effected;
- (e) with respect to any decision to amend, suspend, replace or terminate the Plan in accordance with the terms hereof;
- (f) with respect to any determination made by the Company or the Plan Agent regarding a Shareholder's eligibility to participate in the Plan or any component thereof, including the cancellation of a Shareholder's participation for failure to satisfy eligibility requirements;
- (g) any decision not to accept an Optional Cash Payment for the purchase of Plan Shares;
- (h) any failure by the Plan Agent to purchase Common Shares with an Optional Cash Payment;
- (i) with respect to any taxes or other liabilities payable by a Shareholder in connection with its Common Shares or its participation in the Plan;
- (j) actions taken as a result of inaccurate and incomplete information or instructions;
or
- (k) as a result of any currency conversion performed by the Plan Agent,

and each Participant expressly disclaims any recourse in respect thereof. In no event shall the Company be liable for consequential, special, indirect, incidental, punitive or exemplary

damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). For purposes of this section, the term the Company shall include its associated and affiliated entities and their respective partners, directors, officers and employees. The provisions of this section shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

17. RISK OF MARKET PRICE FLUCTUATIONS

Participants should recognize that Plan Shares acquired under the Plan are no different from an investment in Common Shares that are held directly. Accordingly, neither the Company nor the Plan Agent can assure a profit or protect Participants against a loss on the Plan Shares purchased under the Plan. Shareholders wishing to enroll in the Plan should carefully consider the risk factors set out in the Company's Annual Information Form, Management's Discussion and Analysis and other public disclosure documents available under the Company's profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov prior to enrolling.

18. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Company reserves the right to amend, suspend or terminate the Plan at any time, but any such action shall not have retroactive effect that would prejudice the interests of the Participants. All Participants will be sent written notice of any such amendment, suspension or termination and such notice shall also be published by press release. In the event of termination of the Plan by the Company, the Plan Agent will terminate and settle the account for each Participant in the manner provided for in Section 11.1. In the event of suspension of the Plan by the Company, no investment will be made by the Plan Agent on the Investment Date immediately following the effective date of such suspension. Optional Cash Payments which are not invested as of the effective date of such suspension and Common Share dividends which are subject to the Plan and which are paid after the effective date of such suspension will be remitted by the Plan Agent to the Participants to whom these are due (without interest or deduction thereon except applicable withholding taxes, if any).

Amendments to the Plan will require the prior approval of the TSX and, to the extent applicable, any other stock exchange on which the Common Shares may from time to time be listed and posted for trading, which approval(s) will be obtained before the amendment is implemented.

19. LIMIT ON REINVESTMENTS IN CERTAIN EVENTS

The number of Common Shares issuable under the Plan is subject to certain limits adopted by the Company pursuant to applicable securities laws and the rules of the stock exchanges on which the Common Shares may from time to time be listed and posted for trading. If issuing Common Shares under the Plan would result in the Company exceeding the limit and the Company determines not to issue Common Shares in respect of a particular Dividend Payment Date, Participants will receive from the Plan Agent cash dividends for the dividends that are not reinvested in Common Shares (without interest or deduction thereon, except for any applicable withholding taxes). The Company will be under no obligation to issue Common

Shares to Participants under the Plan where the Company exceeds the maximum number of Common Shares that may be issued under the Plan. The Company will be under no obligation to issue Common Shares on a *pro rata* basis to Participants under the Plan where the Company exceeds the maximum number of Common Shares that may be issued under the Plan. The Company is not required to facilitate market purchases of Common Shares for any dividends not reinvested due to a limit on the number of Common Shares issuable under the Plan.

20. CURRENCY

All monetary amounts identified in the Plan as "C\$" are stated in Canadian dollars. All monetary amounts identified in the Plan as "US\$" are stated in U.S. dollars.

21. GOVERNING LAW

The Plan will be governed and construed in accordance with the laws of the Province of Newfoundland & Labrador and the federal laws of Canada applicable therein.

22. ADOPTION OF RULES AND REGULATIONS

The Company and the Plan Agent may also from time to time adopt and implement rules and regulations to facilitate the administration of the Plan. The Company reserves the right to regulate and interpret the Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Plan.

23. NOTICES AND CORRESPONDENCE

All notices required to be given to Participants under the Plan shall be mailed to the Participants at the addresses shown on the records of the Plan Agent. Participants must notify the Plan Agent promptly in writing of any change of address.

Notices to the Plan Agent shall be sent to:

Fortis Inc. Dividend Reinvestment and Share Purchase Plan
c/o Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Telephone: 1-866-586-7638
Facsimile: 1-888-453-0330

Web: www.investorcentre.com/fortisinc

24. EFFECTIVE DATE

The Plan is effective as of May 3, 2017. The first Investment Date under the Plan is June 1, 2017.

Fortis Inc.
First Amendment
to the Second Amended and Restated Dividend Reinvestment and
Share Purchase Plan

1. INTRODUCTION

This document (the "**First Amendment**") amends the second amended and restated dividend reinvestment and share purchase plan of Fortis Inc. (the "**Company**") made effective as of May 3, 2017 (the "**Plan**"). The Plan and the First Amendment shall hereafter be read, taken and construed as a single instrument. All references in this First Amendment to Sections, unless otherwise expressly provided herein, are references to Sections of the Plan. The term "Plan" when used in the Plan means the Plan as amended, supplemented or modified from time to time, including as amended by this First Amendment.

2. DEFINITIONS

For the purposes of this First Amendment, unless the context otherwise requires, (i) capitalized terms used in this First Amendment and not otherwise defined below shall have the respective meanings ascribed to such terms in the Plan, and (ii) the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have the corresponding meaning:

"**Company**" has the meaning given to that term in Section 1 of this First Amendment.

"**First Amendment**" has the meaning given to that term in Section 1 of this First Amendment.

"**Plan**" has the meaning given to that term in Section 1 of this First Amendment.

3. AMENDMENT TO PLAN

Section 6 of the Plan is deleted in its entirety and replaced with the following:

"The Board of Directors of the Company may from time to time approve a discount (the "**Discount**") of up to 5% on the Average Market Price of Common Shares issued pursuant to a Treasury Purchase under Section 5.5(b). The Board of Directors may alter or eliminate the Discount at any time in its sole discretion. If the Discount is altered or eliminated by the Board of Directors of the Company, the Company shall publish a press release notifying Participants of such change. The Discount, if any, will not apply to purchases made pursuant to Optional Cash Payments."

4. GOVERNING LAW

This First Amendment will be governed and construed in accordance with the laws of the Province of Newfoundland & Labrador and the federal laws of Canada applicable therein.

5. EFFECTIVE DATE

This First Amendment is effective as of February 14, 2020.

Appendix C

**EQUITY ISSUANCE COSTS FOR FORTIS INC. AND
COMPARABLE PUBLIC COMPANIES**



Precedent Bought Equity Issuances & At-the-Market Offerings

As of December 2, 2024



Bought Equity Issuances Since 2007 of Fortis & Peers

FORTIS BOUGHT EQUITY ISSUANCE

| Pricing Date | Deal Type | Base Deal Size | Total Deal Size | Unaffected Share Price | Offering Price | Net Price to Issuer ⁽¹⁾ | Discount to Last Trade | Fee |
|----------------|--------------|----------------|-----------------|------------------------|----------------|------------------------------------|------------------------|--------------|
| (dd-mmm-yy) | (type) | (C\$ mm) | (C\$ mm) | (C\$) | (C\$) | (C\$) | (%) | (%) |
| 25-Nov-19 | Bought | \$600 | \$690 | \$52.69 | \$52.15 | \$50.06 | 1.0% | 4.00% |
| 01-Mar-17 | Non-Brokered | \$500 | \$500 | \$42.41 | \$41.00 | \$41.00 | 3.3% | n.a. |
| 19-Jun-12 | Bought | \$601 | \$601 | \$33.08 | \$32.50 | \$31.20 | 1.8% | 4.00% |
| 30-May-11 | Bought | \$300 | \$341 | \$33.66 | \$33.00 | \$31.68 | 2.0% | 4.00% |
| 02-Dec-08 | Bought | \$300 | \$300 | \$27.00 | \$25.65 | \$24.62 | 5.0% | 4.00% |
| 26-Feb-07 | Bought | \$1,001 | \$1,151 | \$27.38 | \$26.00 | \$24.96 | 5.0% | 4.00% |
| 03-Jan-07 | Bought | \$150 | \$150 | \$29.51 | \$29.00 | \$27.84 | 2.1% | 4.00% |
| Median | | \$500 | \$500 | \$33.08 | \$32.50 | \$31.20 | 2.1% | 4.00% |
| Average | | \$493 | \$533 | \$35.10 | \$34.19 | \$33.05 | 2.9% | 4.00% |

EMERA BOUGHT EQUITY ISSUANCE

| Pricing Date | Deal Type | Base Deal Size | Total Deal Size | Unaffected Share Price | Offering Price | Net Price to Issuer ⁽¹⁾ | Discount to Last Trade | Fee |
|----------------|-----------|----------------|-----------------|------------------------|----------------|------------------------------------|------------------------|--------------|
| (dd-mmm-yy) | (type) | (C\$ mm) | (C\$ mm) | (C\$) | (C\$) | (C\$) | (%) | (%) |
| 06-Dec-17 | Bought | \$700 | \$700 | \$49.30 | \$47.90 | \$45.98 | 2.8% | 4.00% |
| 28-Nov-16 | Bought | \$300 | \$345 | \$45.71 | \$45.25 | \$43.44 | 1.0% | 4.00% |
| 10-Dec-13 | Bought | \$225 | \$225 | \$29.18 | \$28.85 | \$27.70 | 1.1% | 4.00% |
| 26-Nov-12 | Bought | \$175 | \$201 | \$34.50 | \$34.10 | \$32.74 | 1.2% | 4.00% |
| 24-Feb-11 | Bought | \$175 | \$202 | \$32.00 | \$31.70 | \$30.43 | 0.9% | 4.00% |
| Median | | \$225 | \$225 | \$34.50 | \$34.10 | \$32.74 | 1.1% | 4.00% |
| Average | | \$315 | \$335 | \$38.14 | \$37.56 | \$36.06 | 1.4% | 4.00% |

HYDRO ONE BOUGHT EQUITY ISSUANCE

| Pricing Date | Deal Type | Base Deal Size | Total Deal Size | Unaffected Share Price | Offering Price | Net Price to Issuer ⁽¹⁾ | Discount to Last Trade | Fee |
|----------------|-----------|----------------|-----------------|------------------------|----------------|------------------------------------|------------------------|--------------|
| (dd-mmm-yy) | (type) | (C\$ mm) | (C\$ mm) | (C\$) | (C\$) | (C\$) | (%) | (%) |
| 08-May-17 | Bought | \$2,790 | \$2,790 | \$24.03 | \$23.25 | \$22.79 | 3.2% | 2.00% |
| 05-Apr-16 | Bought | \$1,713 | \$1,970 | \$24.16 | \$23.65 | \$23.18 | 2.1% | 2.00% |
| Median | | \$2,252 | \$2,380 | \$24.10 | \$23.45 | \$22.98 | 2.7% | 2.00% |
| Average | | \$2,252 | \$2,380 | \$24.10 | \$23.45 | \$22.98 | 2.7% | 2.00% |

ENBRIDGE BOUGHT EQUITY ISSUANCE

| Pricing Date | Deal Type | Base Deal Size | Total Deal Size | Unaffected Share Price | Offering Price | Net Price to Issuer ⁽¹⁾ | Discount to Last Trade | Fee |
|----------------|--------------|----------------|-----------------|------------------------|----------------|------------------------------------|------------------------|--------------|
| (dd-mmm-yy) | (type) | (C\$ mm) | (C\$ mm) | (C\$) | (C\$) | (C\$) | (%) | (%) |
| 05-Sep-23 | Bought | \$4,000 | \$4,600 | \$48.16 | \$44.70 | \$43.25 | 7.2% | 3.25% |
| 29-Nov-17 | Non-Brokered | \$1,500 | \$1,500 | \$45.97 | \$44.84 | \$44.84 | 2.5% | n.a. |
| 24-Feb-16 | Bought | \$2,000 | \$2,300 | \$43.16 | \$40.70 | \$39.28 | 5.7% | 3.50% |
| 18-Jun-14 | Bought | \$400 | \$460 | \$51.38 | \$50.90 | \$48.86 | 0.9% | 4.00% |
| 04-Apr-13 | Bought | \$500 | \$600 | \$46.40 | \$46.11 | \$44.27 | 0.6% | 4.00% |
| 31-May-12 | Bought | \$400 | \$400 | \$40.81 | \$40.71 | \$39.08 | 0.2% | 4.00% |
| 16-Jan-07 | Bought | \$523 | \$523 | \$19.57 | \$38.75 | \$37.20 | 1.0% | 4.00% |
| Median | | \$523 | \$600 | \$45.97 | \$44.70 | \$43.25 | 1.0% | 4.00% |
| Average | | \$1,332 | \$1,483 | \$42.21 | \$43.82 | \$42.40 | 2.6% | 3.79% |

Bought Equity Issuances & At-the-Market Offerings Since 2007 of Fortis & Peers

ALGONQUIN POWER & UTILITIES BOUGHT EQUITY ISSUANCE

| Pricing Date | Deal Type | Base Deal Size | Total Deal Size | Unaffected Share Price | Offering Price | Net Price to Issuer ⁽¹⁾ | Discount to Last Trade | Fee |
|----------------|--------------|----------------|-----------------|------------------------|----------------|------------------------------------|------------------------|--------------|
| (dd-mmm-yy) | (type) | (C\$ mm) | (C\$ mm) | (C\$) | (C\$) | (C\$) | (%) | (%) |
| 26-Oct-21 | Bought | \$800 | \$800 | \$18.61 | \$18.15 | \$17.42 | 2.5% | 4.00% |
| 08-Jul-20 | Bought | \$550 | \$633 | \$17.52 | \$17.10 | \$16.42 | 2.4% | 4.00% |
| 17-Apr-18 | Non-Brokered | \$444 | \$444 | \$12.33 | \$11.85 | \$11.85 | 3.9% | -- |
| 01-Nov-17 | Bought | \$501 | \$576 | \$13.75 | \$13.25 | \$12.72 | 3.6% | 4.00% |
| 23-Nov-15 | Bought | \$150 | \$150 | \$10.74 | \$10.45 | \$10.03 | 2.7% | 4.00% |
| 02-Dec-14 | Bought | \$100 | \$100 | \$10.09 | \$9.95 | \$9.55 | 1.4% | 4.00% |
| 04-Sep-14 | Bought | \$150 | \$173 | \$9.07 | \$8.90 | \$8.54 | 1.9% | 4.00% |
| 06-Oct-11 | Bought | \$85 | \$95 | \$5.79 | \$5.65 | \$5.42 | 2.4% | 4.00% |
| 10-Nov-09 | Bought | \$20 | \$23 | \$3.53 | \$3.35 | \$3.18 | 5.1% | 5.00% |
| Median | | \$150 | \$173 | \$10.74 | \$10.45 | \$10.03 | 2.5% | 4.00% |
| Average | | \$311 | \$333 | \$11.27 | \$10.96 | \$10.57 | 2.9% | 3.67% |

ALTAGAS BOUGHT EQUITY ISSUANCE

| Pricing Date | Deal Type | Base Deal Size | Total Deal Size | Unaffected Share Price | Offering Price | Net Price to Issuer ⁽¹⁾ | Discount to Last Trade ⁽²⁾ | Fee |
|----------------|-----------|----------------|-----------------|------------------------|----------------|------------------------------------|---------------------------------------|--------------|
| (dd-mmm-yy) | (type) | (C\$ mm) | (C\$ mm) | (C\$) | (C\$) | (C\$) | (%) | (%) |
| 25-Jan-17 | Bought | \$2,102 | \$2,220 | \$33.32 | \$31.00 | \$29.84 | 6.5% | 3.75% |
| 26-May-16 | Bought | \$401 | \$441 | \$31.15 | \$30.00 | \$28.80 | 3.7% | 4.00% |
| 21-Sep-15 | Bought | \$300 | \$300 | \$35.52 | \$34.25 | \$32.88 | 3.1% | 4.00% |
| 19-Aug-14 | Bought | \$400 | \$460 | \$52.90 | \$51.00 | \$48.96 | 3.3% | 4.00% |
| 25-Mar-13 | Bought | \$352 | \$405 | \$36.04 | \$34.90 | \$33.50 | 3.2% | 4.00% |
| 01-Feb-12 | Bought | \$351 | \$404 | \$30.38 | \$29.00 | \$27.84 | 4.5% | 4.00% |
| 02-Nov-11 | Bought | \$125 | \$144 | \$29.94 | \$29.30 | \$28.13 | 2.1% | 4.00% |
| 27-Jan-09 | Bought | \$101 | \$101 | \$17.85 | \$16.50 | \$15.68 | 7.6% | 5.00% |
| 29-May-08 | Bought | \$100 | \$115 | \$26.76 | \$26.20 | \$24.89 | 2.1% | 5.00% |
| Median | | \$351 | \$404 | \$31.15 | \$30.00 | \$28.80 | 3.3% | 4.00% |
| Average | | \$470 | \$510 | \$32.65 | \$31.35 | \$30.06 | 4.0% | 4.19% |

AT-THE-MARKET OFFERINGS

| Issuer | Announcement Date | Maximum Size | Fee |
|-----------------------------|-------------------|--------------|------------|
| (name) | (date) | (C\$ mm) | (%) |
| Enbridge | 16-May-24 | \$2,750 | Up to 2% |
| Emera | 14-Nov-23 | \$600 | Up to 2% |
| Fortis | 19-Sep-23 | \$500 | Exactly 1% |
| Algonquin Power & Utilities | 15-Aug-22 | \$639 | Up to 2% |
| Emera | 12-Aug-21 | \$600 | Up to 2% |
| Algonquin Power & Utilities | 15-May-20 | \$706 | Up to 2% |
| Emera | 11-Jul-19 | \$600 | Up to 2% |
| Algonquin Power & Utilities | 28-Feb-19 | \$329 | Up to 2% |
| Fortis | 10-Dec-18 | \$500 | Up to 2% |
| Fortis | 26-Mar-18 | \$500 | Up to 2% |
| Median | | \$600 | |
| Average | | \$772 | |

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All values in this document are in C\$ unless otherwise specified

Appendix D

REGULATORY ACCOUNT FILING CHECKLIST

APPENDIX D**REGULATORY ACCOUNT FILING CHECKLIST**

| Item | Consideration | FEI and FBC Flotation Costs Deferral Account |
|----------|---|--|
| I. | Indicate if the request is: (a) for a modification or a change in scope to an existing Commission approved regulatory account; or (b) to establish a new regulatory account. | FortisBC requests the establishment of two new deferral accounts (one for FEI and one for FBC). |
| a) | If the request is for a modification or change in scope to an existing regulatory account, explain why the existing regulatory account is an appropriate account to use (specifically addressing the existing account's intended and approved purpose, mechanism for recovery, timeline for recovery and carrying costs). | N/A |
| b) | If the request is for approval of a new regulatory account, state the purpose of the regulatory account and explain its intended use. | The requested accounts are to capture the actual after-tax flotation costs for FEI and FBC. |
| II. | Propose a term (i.e. length of time) that the regulatory account should be approved for and explain why that term is appropriate. | FortisBC is not requesting a set term for these deferral accounts, as FortisBC is proposing to record future flotation costs in these accounts in the years that equity issuances occur. |
| III. | Identify any alternate treatments that were considered, including an overview of what the accounting treatment would be in the absence of approval of the request to establish a regulatory account, and explain why these alternate treatments may not be appropriate. | In the absence of deferral accounts, the costs would have to be forecast within the cost of service and recovered from customers in that year's forecasted rates. As explained in the Application, the amounts and timing of equity issuances are expected to vary from year-to-year; therefore, it would not be reasonable to forecast flotation cost amounts prior to an equity issuance occurring. |
| IV a) | Address: whether, or to what extent, the item is outside of management's control; | <p>The administration, timing, quantum, and source for Fortis Inc.'s external equity issuances are determined by the management of Fortis Inc. and therefore the quantum of equity flotation costs incurred is outside the control of the management of FEI and FBC.</p> <p>Regarding the 2023 and 2024 equity injections, the timing was coordinated between Fortis Inc. and FEI/FBC management due to the requirement for FEI and FBC to re-align, via equity injections, their actual capital structures to the debt-to-equity ratios approved by the BCUC in the 2023 Stage 1 GCOC Decision.</p> |

| Item | Consideration | FEI and FBC Flotation Costs Deferral Account |
|-------|--|---|
| b) | the degree of forecast uncertainty associated with the item; | Refer to IV. a). FEI and FBC forecast additions to the deferral account based on the flotation costs incurred in 2023 and 2024. Actual flotation costs will be recorded in the account so that actual, not forecast, flotation costs are recovered in rates. Going forward beyond 2024, FEI and FBC will record the actual flotation costs incurred for equity issuances in the deferral accounts. The timing and amounts of the issuances and resulting flotation costs are highly uncertain. |
| c) | the materiality of the costs | For 2023 and 2024, FEI estimates the total flotation costs to be \$18.5 million and FBC estimates the total flotation costs to be \$1.9 million. The future annual flotation costs will vary, as described in Section 3 of the Application. |
| d) | any impact on intergenerational equity | FortisBC is not proposing an amortization period as part of this Application. FortisBC will consider impacts on intergenerational equity when it proposes amortization periods for the deferral accounts in a future rate-setting application. |
| V. | Classify the regulatory account as either: (a) forecast variance account; (b) rate smoothing account; (c) benefit matching account; (d) retroactive expense account; or (e) other. | FEI and FBC would classify the account as “other”. Generally, FEI and FBC would not forecast additions to the account prior to an equity issuance occurring due to the uncertainty around the timing of Fortis Inc.’s equity issuances and the uncertainty around the resulting flotation cost amounts. In the case of the 2023 and 2024 flotation costs, these costs were un-forecasted and related to a previous unforeseen event (i.e., the 2023 Stage 1 GCOC Decision change in equity and the flotation costs not being included in the approved ROE). |
| VI. | Identify if the regulatory account is a cash or non-cash account. | The Flotation Costs deferral account is a cash account. |
| VII. | Specify what additions to the regulatory account are being requested (i.e. type and amount of additions), including whether the account is intended to capture additions for a specific period of time or on an ongoing basis. | Eligible costs include the flotation costs discussed in Section 3 of the Application. |
| VIII. | Propose a mechanism for recovery (e.g. how the balance in the regulatory account will be recovered or refunded to ratepayers) and explain why it is appropriate. | Costs are recovered in revenue requirements by way of amortization expense. |

APPENDIX D**REGULATORY ACCOUNT FILING CHECKLIST**

| Item | Consideration | FEI and FBC Flotation Costs Deferral Account |
|------|---|--|
| IX. | Propose a timeline for recovery (e.g. the period over which the regulatory account balance is either collected or refunded; also referred to as the amortization period) and explain why it is appropriate. | Please refer to Section 1 of the Application where FEI and FBC explain that they are not proposing an amortization period as part of the Application. FEI and FBC will instead each propose an amortization period for their individual deferral account in a future rate-setting application. |
| X. | Propose a carrying cost for the balance in the regulatory account and explain why it is appropriate. | FEI and FBC are requesting carrying costs based on their respective weighted average cost of capital (WACC). Non-rate base deferral accounts are generally financed using WACC. |
| XI. | Outline a recommended regulatory process for the Commission's review of the application. | The proposed deferral accounts can be reviewed as part of this Application. |

Appendix E
DRAFT ORDERS



ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and FortisBC Inc.

Application for Establishment of an Equity Issuance Cost Deferral Account and Recovery of Equity Issuance Costs

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. On December 11, 2024, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (together, FortisBC) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), seeking approval of the establishment of a new non-rate base deferral account, for each of FEI and FBC, titled the Flotation Costs deferral account, attracting a weighted average cost of capital (WACC) return. FortisBC is seeking approval to record the actual after-tax flotation costs attributable to each of FEI and FBC from equity injections from their parent company, Fortis Inc. incurred in 2023 and 2024 in the Flotation Costs deferral account, as well as to record future actual flotation costs (Application);
- B. By Decision and Order G-236-23 dated September 5, 2023, the BCUC concluded Stage 1 of the Generic Cost of Capital (GCOC) proceeding (2023 GCOC Decision) and established a deemed equity component of 45.0 percent and an allowed return on equity (ROE) of 9.65 percent for FEI and a deemed equity component of 41.0 percent and an allowed ROE of 9.65 for FBC;
- C. As part of the 2023 GCOC Decision, the BCUC accepted that any reasonable and prudently incurred flotation costs (also referred to as equity issuance costs) incurred by a public utility are recoverable from customers over and above the approved costs of capital, and noted that FortisBC can request recovery of actual costs incurred by the parent company, Fortis Inc., by providing supporting documentation when FortisBC issues additional equity;
- D. In the Application, FortisBC states it is not proposing an amortization period for the Flotation Costs deferral accounts, and will propose an amortization period in a future rate-setting application; and

- E. The BCUC has commenced its review of the Application and finds that the establishment of a regulatory timetable for the review of the Application is warranted.

NOW THEREFORE the BCUC orders as follows:

1. A regulatory timetable for the review of the Application is established as set out in Appendix A to this order.
2. FortisBC is to provide a copy of the Application and this order, electronically where possible, on or before **Day/Date**, to all registered interveners in the BCUC 2023 GCOC Stage 1 proceeding.
3. FortisBC is to publish the Application and this order on its website at www.fortisbc.com as soon as practicable, but no later than **Day/Date**.
4. FortisBC is to post notice of the Application and this order on its relevant and existing social media platforms, by no later than **Day/Date**. Weekly reminder posts must be posted on each platform until the conclusion of the intervener registration period on **Day/Date**.
5. In accordance with the BCUC's Rules of Practice and Procedure, parties who wish to actively participate in this proceeding must submit the Request to Intervene Form, available on the BCUC's website at <https://www.bcuc.com/GetInvolved/GetInvolvedProceeding>, by **Day/DATE**, as established in the regulatory timetable. Parties may also submit letters of comment by completing a Letter of Comment Form, available on the BCUC's website.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Attachment

FortisBC Energy Inc. and FortisBC Inc.
Application for Establishment of an Equity Issuance Cost Deferral Account and Recovery of Equity Issuance Costs

REGULATORY TIMETABLE

| Action | Date (2025) |
|--|-----------------------|
| FortisBC provides notice of Application | by Friday, January 31 |
| FortisBC provides confirmation of compliance with public notice requirements | Thursday, February 6 |
| Intervener registration deadline | Thursday, February 13 |
| BCUC Information Request (IR) No. 1 | Thursday, February 13 |
| Intervener IR No. 1 | Thursday, February 20 |
| FortisBC responses to IR No. 1 | Thursday, March 13 |
| FortisBC final argument | Thursday, April 3 |
| Intervener final arguments | Thursday, April 17 |
| FortisBC reply argument | Thursday, May 1 |



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.

Application for Establishment of an Equity Issuance Cost Deferral Account and Recovery of Equity Issuance Costs

BEFORE:

[X. X. Last Name, Panel Chair]
[X. X. Last Name, Commissioner]
[X. X. Last Name, Commissioner]

on [Month Day, Year]

ORDER

WHEREAS:

- A. On December 11, 2024, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (together, FortisBC) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), seeking approval of the establishment of a new non-rate base deferral account, for each of FEI and FBC, titled the Flotation Costs deferral account, attracting a weighted average cost of capital (WACC) return. FortisBC is seeking approval to record the actual after-tax flotation costs attributable to each of FEI and FBC from equity injections from their parent company, Fortis Inc. incurred in 2023 and 2024 in the Flotation Costs deferral account, as well as to record future actual flotation costs (Application);
- B. By Decision and Order G-236-23 dated September 5, 2023, the BCUC concluded Stage 1 of the Generic Cost of Capital (GCOC) proceeding (2023 GCOC Decision) and established a deemed equity component of 45.0 percent and an allowed return on equity (ROE) of 9.65 percent for FEI and a deemed equity component of 41.0 percent and an allowed ROE of 9.65 for FBC;
- C. As part of the 2023 GCOC Decision, the BCUC accepted that any reasonable and prudently incurred flotation costs (also referred to as equity issuance costs) incurred by a public utility are recoverable from customers over and above the approved costs of capital, and noted that FortisBC can request recovery of actual costs incurred by the parent company, Fortis Inc., by providing supporting documentation when FortisBC issues additional equity;
- D. In the Application, FortisBC states it is not proposing an amortization period for the Flotation Costs deferral accounts, and will propose an amortization period in a future rate-setting application;
- E. By Order G-xx-xx, the BCUC established a public review process for the Application; and

F. The BCUC has reviewed the Application and considers that approval is warranted.

NOW THEREFORE pursuant to sections 59 to 61 of the UCA, the BCUC orders as follows:

1. FEI is approved to establish a new non-rate base deferral account, titled the Flotation Costs deferral account, attracting a WACC return, to capture the actual flotation costs attributable to FEI from its parent company Fortis Inc.
2. FEI is approved to recover the actual 2023 and 2024 flotation costs of \$18.5 million attributable to the equity injections that were received from its parent company, Fortis Inc. The associated after-tax costs are approved to be recorded in the Flotation Costs deferral account.
3. FEI is directed to propose an amortization period for the Flotation Costs deferral account in the next annual review or rate-setting process.

DATED at the City of Vancouver, in the Province of British Columbia, this [XXth] day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.

Application for Establishment of an Equity Issuance Cost Deferral Account and Recovery of Equity Issuance Costs

BEFORE:

[X. X. Last Name, Panel Chair]
[X. X. Last Name, Commissioner]
[X. X. Last Name, Commissioner]

on [Month Day, Year]

ORDER

WHEREAS:

- A. On December 11, 2024, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (together, FortisBC) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), seeking approval of the establishment of a new non-rate base deferral account, for each of FEI and FBC, titled the Flotation Costs deferral account, attracting a weighted average cost of capital (WACC) return. FortisBC is seeking approval to record the actual after-tax flotation costs attributable to each of FEI and FBC from equity injections from their parent company, Fortis Inc. incurred in 2023 and 2024 in the Flotation Costs deferral account, as well as to record future actual flotation costs (Application);
- B. By Decision and Order G-236-23 dated September 5, 2023, the BCUC concluded Stage 1 of the Generic Cost of Capital (GCOC) proceeding (2023 GCOC Decision) and established a deemed equity component of 45.0 percent and an allowed return on equity (ROE) of 9.65 percent for FEI and a deemed equity component of 41.0 percent and an allowed ROE of 9.65 for FBC;
- C. As part of the 2023 GCOC Decision, the BCUC accepted that any reasonable and prudently incurred flotation costs (also referred to as equity issuance costs) incurred by a public utility are recoverable from customers over and above the approved costs of capital, and noted that FortisBC can request recovery of actual costs incurred by the parent company, Fortis Inc., by providing supporting documentation when FortisBC issues additional equity;
- D. In the Application, FortisBC states it is not proposing an amortization period for the Flotation Costs deferral accounts, and will propose an amortization period in a future rate-setting application;
- E. By Order G-xx-xx, the BCUC established a public review process for the Application; and

F. The BCUC has reviewed the Application and considers that approval is warranted.

NOW THEREFORE pursuant to sections 59 to 61 of the UCA, the BCUC orders as follows:

1. FBC is approved to establish a new non-rate base deferral account, titled the Flotation Costs deferral account, attracting a WACC return, to capture the actual flotation costs attributable to FBC from its parent company Fortis Inc.
2. FBC is approved to recover the actual 2023 and 2024 flotation costs of \$1.9 million attributable to the equity injections that were received from its parent company, Fortis Inc. The associated after-tax costs are approved to be recorded in the Flotation Costs deferral account.
3. FBC is directed to propose an amortization period for the Flotation Costs deferral account in the next annual review or rate-setting process.

DATED at the City of Vancouver, in the Province of British Columbia, this [XXth] day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner