

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

In the Matter of the Joint Application of )  
ITC Great Plains, LLC, and its Parent )  
Company, ITC Holdings Corp., Together )  
With Fortis Inc., FortisUS Inc., ITC )  
Investment Holdings Inc. and )  
Element Acquisition Sub Inc., for an )  
Order Approving the Acquisition by )  
Fortis Inc. of the Majority of All Classes )  
of the Stock of ITC Holdings Corp., )  
and its Subsidiary Companies, Including )  
ITC Great Plains, LLC. )

Docket No. 16- \_\_\_\_\_

**Direct Testimony of**

**BARRY V. PERRY**

**President and Chief Executive Officer of Fortis Inc.**

**May 10, 2016**

## **I. INTRODUCTION**

1 **Q. Please state your name and business address.**

2 **A.** My name is Barry V. Perry and I am the President and Chief Executive Officer of Fortis  
3 Inc. ("Fortis"). My business address is Fortis Place, Suite 1100, 5 Springdale Street, St. John's,  
4 Newfoundland and Labrador, Canada.

5

6 **Q. What is your educational background and work experience?**

7 **A.** I received a Bachelor of Commerce degree from Memorial University of Newfoundland  
8 in 1986 and I am a member of the Chartered Professional Accountants of Newfoundland and  
9 Labrador.

10 I have been in my current position at Fortis since January 1, 2015, after having been appointed as  
11 President of Fortis effective June 30, 2014. Before that, I held the position of Vice President,  
12 Finance and Chief Financial Officer of Fortis from January 2004.

13 Prior to that, I was Vice President, Finance and CFO of Newfoundland Power Inc.  
14 ("Newfoundland Power"), a Fortis regulated public utility operating in Newfoundland and  
15 Labrador, Canada. Before joining the Fortis organization, I held senior management positions  
16 with a global forest products company and a crude oil refiner.

17 I serve on the boards of directors of a number of Fortis companies. My *curriculum vitae* is  
18 attached as **Exhibit BVP-1**.

19

20 **Q. What is the purpose of your testimony?**

1     **A.**     I will provide an introduction to Fortis, including its history, organization, business  
2     model, and utility ownership and operating philosophy. I will describe Fortis' proposed  
3     acquisition of a controlling interest in ITC Holdings Corp. ("ITC") (the "Transaction") and its  
4     utility subsidiaries, ITC Great Plains, LLC ("ITC Great Plains"), International Transmission  
5     Company ("ITC*Transmission*"), Michigan Electric Transmission Company, LLC ("METC"),  
6     and ITC Midwest LLC ("ITC Midwest") (ITC Great Plains, ITC*Transmission*, METC, and ITC  
7     Midwest are referred to collectively as the "ITC Utilities"), and how the Transaction will  
8     promote the public interest. I will also describe Fortis' commitment to community involvement  
9     and how Fortis intends to conduct business in Kansas. My testimony will also provide  
10    information relevant to the Kansas Corporation Commission's (the "Commission") factors to  
11    weigh and consider when determining whether a transaction promotes the public interest.<sup>1</sup>

12  
13    **Q.     Do you have any opening comments?**

14    **A.**     Yes. The main message I wish to convey is that Fortis will be a good owner of the ITC  
15    Utilities. Fortis has a proven track record of supporting its regulated utilities, and we have  
16    significant experience in successfully executing acquisition transactions. Fortis' sound financial  
17    position, low-risk profile, investment-grade credit ratings, and status in the North American  
18    capital markets allow it to access capital on favorable terms to support the needs of the ITC  
19    Utilities.

20    The ITC Utilities will continue to be operated as they are today with the same management  
21    teams and regional offices, supported by the Fortis philosophy that utilities should be financed

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<sup>1</sup> See November 15, 1991, KPL/KGE Merger Order, Docket Nos. 172,745-U and 174-155-U ("Merger Order").

1 and operated on a standalone basis, with strong connections to the regions and customers they  
2 serve. Fortis will preserve the ITC Utilities' status as transmission-only companies with a core  
3 focus on safety, reliability and customer service.

4 The addition of Finn Investment Pte. Ltd., a wholly-owned affiliate of GIC Private Limited  
5 ("GIC"), an investment company that manages the Government of Singapore's foreign reserves,  
6 as an indirect non-controlling 19.9% minority investor in ITC, complements the Transaction.  
7 GIC will not have any authority to manage or control day-to-day operations of the ITC Utilities.

8 Upon consummation of the Transaction there will be a change in the upstream ownership of the  
9 four ITC Utilities. Today, the ITC Utilities are wholly-owned by ITC, which in turn is publicly  
10 held. After completion of the Transaction, the ITC Utilities will still be wholly-owned by ITC,  
11 but ITC will be indirectly majority-owned by Fortis. The operations of the ITC Utilities will  
12 continue as stand-alone transmission-only companies, and they will retain their focus on  
13 transmission investment and operational excellence.

14 FERC will retain exclusive jurisdiction over the rates ITC Great Plains may charge for the use of  
15 its transmission system. There are no rate changes being proposed before FERC as part of the  
16 Transaction, and the FERC Application under Section 203 of the Federal Power Act ("FPA")  
17 seeking approval of the Transaction contains a commitment to hold customers harmless from  
18 Transaction costs consistent with FERC precedent and procedures.<sup>2</sup>

## 19 **II. OVERVIEW OF FORTIS**

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<sup>2</sup> See pages 36 to 39 of the joint application to FERC for approval of the Transaction under sections 203(a)(1) and 203(a)(2) of the Federal Power Act and Part 33 of the regulations of FERC, filed April 28, 2016, under FERC Docket No. EC16-110-000.

1     **Q.     Please provide an overview of Fortis.**

2     **A.**     Fortis is a widely held<sup>3</sup> utility holding company providing regulated electricity and  
3     natural gas utility services to more than 3 million customers. As of December 31, 2015, Fortis  
4     had assets of approximately US\$23.2 billion,<sup>4</sup> and had fiscal 2015 revenues of approximately  
5     US\$5.4 billion. Fortis' regulated electric and gas utility holdings include operations in Arizona  
6     and New York State in the United States; the Provinces of British Columbia, Alberta, Ontario,  
7     Prince Edward Island and Newfoundland and Labrador in Canada; and in the Cayman Islands  
8     and the Turks and Caicos Islands in the Caribbean. Fortis also holds a minority interest in a  
9     regulated electric utility in Belize.

10    As of year-end 2015, regulated utilities comprised approximately 96% of Fortis' total assets with  
11    a combined workforce of approximately 7,650 employees.

12    Fortis also owns non-regulated energy infrastructure consisting of hydroelectric generation assets  
13    in British Columbia, Ontario and Belize, and a natural gas storage facility in British Columbia.

14    Fortis' common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the  
15    ticker symbol "FTS". In connection with the Transaction, Fortis will become a registrant of the  
16    Securities and Exchange Commission ("SEC") and has applied to list its common shares on the  
17    New York Stock Exchange ("NYSE"). Following completion of this Transaction, the shares of  
18    Fortis will be cross-listed on both the TSX and NYSE. Upon closing of the Transaction, the

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<sup>3</sup> Under Canadian securities laws, beneficial ownership reporting only applies to significant shareholders who beneficially own or control and direct, whether directly or indirectly, 10% or more of the common shares of an issuer. As a result, there is no method by which Fortis can reliably identify beneficial owners of 5% or more of its common shares. No shareholder of Fortis has reported that it beneficially owns or controls and directs 10% or more of Fortis' common shares. To the knowledge of Fortis' management, no single shareholder holds more than 5% of the common shares of Fortis.

<sup>4</sup> US\$ amounts are converted at a USD/CAD exchange rate of 1.25, the Bank of Canada's closing rate on April 29, 2016.

shareholders of ITC will hold approximately 27% of the issued and outstanding common shares of Fortis.

**Q. Please describe the origins of Fortis and its regulated operations.**

**A.** Fortis was created in December 1987 as a holding company for Newfoundland Power. Newfoundland Power is a regulated electric utility that has provided generation, transmission and distribution service to customers in the Province of Newfoundland and Labrador for 130 years. Newfoundland Power currently serves approximately 262,000 customers.

Since 1987, Fortis has expanded its regulated electric utility operations geographically and has diversified into natural gas distribution.

In 1990, Fortis acquired a 33% interest in Maritime Electric Company Ltd. ("Maritime Electric") which provides electrical service to approximately 78,000 customers in the Province of Prince Edward Island. In 1994, Fortis acquired the remaining outstanding common shares of Maritime Electric.

In 1996, Fortis acquired a 50% interest in Canadian Niagara Power Company, Ltd. ("CNP") which provides electrical service to residents of the Niagara Peninsula in the Province of Ontario, Canada. In 2002, Fortis acquired the remaining outstanding common shares of CNP. Fortis subsequently acquired three other small electricity distribution utilities in the Province of Ontario, which today operate collectively with CNP as FortisOntario, and serve approximately 65,000 customers. FortisOntario also owns a 10% interest in other regional electric distribution companies serving approximately 40,000 customers in Ontario.

1 In 2000, Fortis acquired a minority interest in Caribbean Utilities Company, Ltd. (“Caribbean  
2 Utilities”), a vertically integrated electric utility serving approximately 28,000 customers on  
3 Grand Cayman, Cayman Islands. Caribbean Utilities is publicly traded on the TSX under the  
4 ticker symbol “CUP.U”. Since 2000, Fortis has increased its ownership in this utility to  
5 approximately 60%.

6 In 2004, Fortis acquired the Canadian electric utility operations of Aquila, Inc., a Missouri-based  
7 utility holding company. The Canadian electric utilities acquired, now known as FortisAlberta  
8 Inc. (“FortisAlberta”) and FortisBC Inc. (“FortisBC”), are located in the Provinces of Alberta  
9 and British Columbia, and serve approximately 539,000 customers and 168,000 customers,  
10 respectively.

11 In 2006, Fortis acquired P.P.C. Limited, now referred to as Fortis Turks and Caicos, which is a  
12 regulated vertically integrated electric utility serving approximately 14,000 customers in the  
13 Turks and Caicos Islands.

14 In 2007, Fortis acquired from Kinder Morgan Inc. the regulated gas distribution operations of  
15 Terasen Inc. in the Province of British Columbia. This business, operating as FortisBC Energy  
16 Inc. (“FortisBC Energy”), is the largest distributor of natural gas in British Columbia, and serves  
17 approximately 985,000 customers.

18 In June 2013, Fortis completed the acquisition of its first regulated utility in the United States,  
19 Central Hudson Gas & Electric Corporation (“Central Hudson”). Central Hudson is a regulated  
20 transmission and distribution utility serving approximately 300,000 electric and 79,000 natural  
21 gas customers in New York State’s Mid-Hudson River Valley.

1 In August 2014, Fortis acquired UNS Energy Corporation (“UNS”) in Arizona. The operations  
2 of UNS include Tucson Electric Power Company (“TEP”), UNS Electric, Inc. (UNS Electric”)  
3 and UNS Gas, Inc. (“UNS Gas”) (collectively, TEP, UNS Electric and UNS Gas are referred to  
4 as the “UNS Utilities”). TEP is a vertically integrated regulated generation, transmission and  
5 distribution electric utility serving approximately 417,000 customers in southern Arizona,  
6 including the greater Tucson metropolitan area. TEP also sells wholesale electricity to other  
7 entities in the western United States. UNS Electric is a vertically integrated regulated  
8 generation, transmission and distribution electric utility serving approximately 94,000 customers  
9 in Arizona’s Mohave and Santa Cruz counties. UNS Gas is a regulated natural gas distribution  
10 utility serving approximately 152,000 customers in Arizona’s Mohave, Yavapai, Coconino,  
11 Navajo and Santa Cruz counties.

12 Fortis also invests in non-regulated, long-term energy contracted businesses. This consists  
13 primarily of hydroelectric generation assets and a natural gas storage facility. These non-  
14 regulated businesses represented approximately 4% of Fortis’ assets as of December 31, 2015.

15  
16 **Q. Please describe Fortis’ non-regulated electrical generation and natural gas storage**  
17 **assets which are associated with its regulated business.**

18 **A.** The Fortis group currently owns 391 MW of non-regulated generation, comprising 51  
19 MW in Belize, 5 MW in Ontario, and 335 MW in British Columbia. These non-regulated  
20 generation assets support Fortis’ regulated businesses in these service areas. The Belize assets  
21 consist of the 25 MW Mollejon, 7 MW Chalillo and 19 MW Vaca hydroelectric facilities, the  
22 output of which is contracted to Belize Electricity Limited, a regulated utility in which Fortis



1 holds a 33% interest, under 50-year power purchase agreements expiring in 2055 and 2060. The  
2 Ontario assets consist of a 5 MW gas-powered cogeneration plant in Cornwall, Ontario, the  
3 electricity output of which is contracted to Cornwall Street Railway Light and Power Company  
4 Limited, a regulated utility owned by FortisOntario. The British Columbia assets consist of the  
5 335 MW Waneta Expansion hydroelectric facility, where Fortis is a 51% majority partner in the  
6 Waneta Partnership, with the provincial government-owned Columbia Basin Trust and the  
7 Columbia Power Corporation owning the remaining 49%. The output of the Waneta Expansion  
8 facility is contracted under 40-year contracts to BC Hydro, the provincially-owned electric  
9 utility, and FortisBC.

10 On April 1, 2016 Fortis, through FortisBC Midstream Inc., an indirect wholly-owned subsidiary,  
11 acquired a majority interest in the Aitken Creek Gas Storage Facility<sup>5</sup>, the largest natural gas  
12 storage facility in British Columbia, with a total working gas capacity of 77 billion cubic feet.  
13 Aitken Creek is regulated by the British Columbia Utilities Commission with market based rates.  
14 FortisBC Energy contracts for approximately one third of the working gas capacity of the Aitken  
15 Creek facility, which supports FortisBC Energy's gas distribution service in British Columbia.

16 **Exhibit BVP-2** contains a summary of Fortis' principal regulated and non-regulated operations.

17  
18 **Q. How is Fortis Inc. organized?**

19 **A.** Fortis is incorporated under the *Corporations Act* of Newfoundland and Labrador. Fortis  
20 currently has fewer than 50 employees at its corporate head office in St. John's, Newfoundland

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<sup>5</sup> FortisBC Midstream Inc. owns 93.8% of the Aitken Creek gas storage site. The remaining interest is owned by BP Canada Energy Company.

1 and Labrador. The Fortis board of directors consists of twelve members, eleven of whom are  
2 independent.

3 With oversight by the Fortis board of directors, Fortis executives establish the strategic direction  
4 of the overall organization, determine the financing plans of the holding company, and have  
5 responsibility for compliance and consolidated financial reporting.

6 As described in further detail below, the utility subsidiaries of Fortis, which employ  
7 approximately 7,650 employees, are governed, managed, operated and financed on a standalone  
8 basis in their respective service territories. An organizational chart of Fortis today is attached to  
9 the Joint Application as **Exhibit B**. An organizational chart showing how ITC and the ITC  
10 Utilities will be held by Fortis following consummation of the Transaction is attached to the  
11 Joint Application as **Exhibit E**.

### 12 **III. THE FORTIS STRATEGY AND BUSINESS MODEL**

13 **Q. What is the long-term business strategy of Fortis?**

14 **A.** Fortis' long-term business objective is to own and operate sound regulated electric and  
15 gas utilities, while always providing a framework for the provision of safe and reliable service to  
16 customers. This strategy is principally based on operational excellence at existing regulated  
17 utility operations, while also selectively pursuing acquisitions of well-run North American  
18 regulated utilities that complement its existing utility portfolio.

19  
20 **Q. Please describe the Fortis business model.**

1     **A.**     Fortis believes the effective management of regulated utilities requires local management  
2     and decision making, and empowering local management in that regard. Local management is  
3     ideally positioned to understand a utility’s assets and operations, customer service requirements,  
4     regulatory framework and community attributes.

5     Fortis also believes that the financing of regulated utilities on a standalone basis ensures that  
6     customer rates appropriately reflect the cost of providing service to those customers. The  
7     operation and financing of utilities on a standalone basis also provides for transparency in  
8     regulation and provides greater insight into the needs of customers. For these reasons, Fortis’  
9     regulated utilities are governed, managed, operated and financed on a standalone basis.

10    In several recent acquisitions, local regulators commented favorably regarding Fortis’ capability  
11    and experience in owning regulated utilities. For example, in approving Fortis’ acquisition of  
12    UNS Energy in 2014, the Arizona Corporation Commission (“ACC”) noted that “Fortis is well-  
13    qualified to own and operate UNS Energy and the Regulated Utilities.”<sup>6</sup> Similarly, in approving  
14    the Fortis acquisition of Central Hudson and in considering the standalone philosophy of the  
15    Fortis operating model, the New York Public Service Commission (“NYPSC”) unanimously  
16    concluded that the acquisition was in the public interest.<sup>7</sup>

17  
18    **Q.     How is the Fortis operating philosophy applied to its regulated utilities?**

19    **A.**     The operating philosophy shared by Fortis and its regulated utilities is to maintain a  
20    strong financial position, provide a high level of safety, reliability, environmental responsibility

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<sup>6</sup> See AZCC Decision No. 74689, August 12, 2014, at page 30.

<sup>7</sup> See NYPSC Case 12-M-0192, Order Authorizing Acquisition Subject to Conditions, June 26, 2013, Conclusion, pages 58-61.

1 and customer service, and maintain strong relationships with regulators and the communities  
2 served. The local management and board of directors of each Fortis utility are responsible for  
3 executing this operating philosophy.

4 Each Fortis regulated utility has its own executive management team based in the area served by  
5 the utility. The executive management team is accountable to its board of directors. Within the  
6 Fortis group, management focus and accountability are reinforced through effective corporate  
7 governance. Each utility's management team is required to report to its board of directors on the  
8 key aspects of utility operations such as safety, customer satisfaction, service continuity,  
9 environmental impacts, cost management, financial performance and community involvement.  
10 The management teams also establish staffing levels and hiring practices, negotiate collective  
11 bargaining agreements, establish operating and capital budgets, and serve as the direct contact  
12 and decision-making authorities in regulatory matters.

13 For each of Fortis' large regulated utilities, the local board of directors, in consultation with local  
14 management and the Fortis board of directors, proposes individuals to fill board vacancies, as  
15 well as the annual slate of independent directors. Fortis believes that good governance of a  
16 regulated utility is advanced by the majority of the directors being. In the case of Fortis' large  
17 utilities, Central Hudson, the UNS Utilities, FortisBC Energy, FortisBC, FortisAlberta, Maritime  
18 Electric, and Newfoundland Power, the majority of the directors are independent and most reside  
19 in the jurisdiction served by the utility. Fortis typically appoints a minority of directors to the  
20 regulated utility boards which usually includes the utility's CEO, at least one CEO from a Fortis  
21 affiliated regulated utility, and one or two Fortis officers or directors, which facilitates the  
22 sharing of best practices and industry knowledge.

1 Each governing board of directors is responsible for management oversight generally, including  
2 the approval of annual capital and operating budgets, establishment of dividend policy, and  
3 determination of debt and equity requirements. Each governing board has an audit committee  
4 with a majority of independent members. Among other things, the audit committee oversees the  
5 ongoing financial integrity and effectiveness of the utility's internal controls.

6  
7 **Q. Will the addition of a minority investor affect the implementation of Fortis'**  
8 **operating philosophy at ITC?**

9 **A.** No. The minority investor will be an indirect, non-controlling shareholder at the ITC  
10 holding company level and will not have any authority to manage or control the day-to-day  
11 operations of the ITC Utilities. The ITC Utilities will continue to be overseen by the ITC board  
12 of directors, which will be made up of a majority of independent directors.

13  
14 **Q. How do the individual Fortis regulated utilities interact and collaborate?**

15 **A.** Each Fortis regulated utility has the physical, financial and human resources required to  
16 discharge its obligation to provide safe, reliable service. The Fortis model does not use central or  
17 shared services companies.

18 Fortis encourages its utilities to share best operating practices through collaboration where  
19 practical. Leaders in various functional areas such as operations, customer service and  
20 information technology meet on a regular basis. Among the best operating practices that  
21 members of the Fortis group are encouraged to share are safe work methods and learnings

1 associated with technology improvements. Fortis, however, does not impose top-down mandates  
2 given the diversity of service territories within the Fortis group, as such mandates could obstruct  
3 local management from responding to customers' needs and local conditions.

4 Fortis utilities also have access to opportunities to increase efficiencies. An example is the Fortis  
5 Corporate Risk Management and Insurance program. This program provides insurance coverage  
6 for the Fortis group, often at lower cost or with more comprehensive coverage than would  
7 otherwise be available to the Fortis regulated utilities individually. However, participation in  
8 such programs is not mandatory if a utility determines that participation would not be beneficial  
9 to that utility.

10  
11 **Q. Describe how the strategic plans and business plans of Fortis and its utilities are**  
12 **developed.**

13 **A.** Each Fortis operating subsidiary is required to prepare annual strategic and 5-year  
14 business plans for submission to its local board of directors. These plans typically include  
15 matters such as safety, customer satisfaction, service continuity, cost management, regulatory  
16 matters, capital and operating budgets, and financial performance. Once considered and  
17 approved by the local boards, these individual plans are used by Fortis management as the  
18 foundation for preparation of the Fortis annual strategic and 5-year business plans which are  
19 presented to the Fortis board annually.

20  
21 **Q. Describe Fortis' regulatory philosophy.**

1   **A.**     The responsible operation of any utility enterprise in a manner that serves the public  
2   interest requires an open, respectful and professional relationship between the utility and its  
3   regulators and stakeholders. Fortis follows this philosophy in all dealings with regulators across  
4   all jurisdictions in which it operates, and the local management of all Fortis utilities is expected  
5   to deal with regulators in a respectful and responsive manner. This uncompromising expectation  
6   is a cornerstone of the Fortis operating philosophy.

7  
8   **Q.     Does Fortis support community involvement by its regulated utilities?**

9   **A.**     Yes. Fortis believes that public utilities should be key supporters of the communities  
10  they serve. This includes volunteerism and community involvement by employees, which is a  
11  longstanding and proud tradition at Fortis. In 2015, the Fortis utilities, combined, contributed  
12  approximately US\$7.5 million in sponsorships and in-kind donations to local charitable causes in  
13  their communities. Employees across the Fortis group also participate in a wide range of  
14  community activities, volunteering thousands of hours in 2015.

15  
16  **Q.     Does Fortis support diversity in the workplace and with respect to suppliers?**

17  **A.**     Yes. Fortis values and recognizes the benefits of diversity in the workplace, including  
18  among its leadership and board of directors. Fortis is committed to providing an environment in  
19  which all employees are treated with fairness and respect, and have equal access to opportunities.  
20  Fortis has adopted a Diversity Policy for its board of directors which reflects these values, and  
21  which seeks to encourage diversity in gender, ethnicity, geographic representation, education,  
22  cultural background, experience and age.

1 Under the Fortis decentralized operating model, the regulated utilities make their own  
2 procurement decisions and use a diverse range of suppliers located in the communities they  
3 serve.

4  
5 **Q. How does Fortis reinforce ethical business behavior?**

6 **A.** Employees in the Fortis group are expected to maintain a high standard of ethical  
7 business behavior. Fortis and its utilities have robust policy frameworks that educate employees  
8 regarding ethical behavior, provide for the investigation of alleged wrongdoing, and enforce  
9 standards of conduct. These policy frameworks include, among other things, codes of conduct  
10 and ethics, and “whistleblower” policies. Fortis and its regulated utilities also have ethics  
11 reporting services which provide for anonymous reporting of ethical concerns to the chair of  
12 their audit committee or board of directors. The audit committees of Fortis and its utilities are  
13 kept apprised of activities under their respective whistleblower policies through regular  
14 reporting.

#### 15 16 **IV. FUTURE OPERATION OF ITC GREAT PLAINS**

17 **Q. How will ITC Great Plains operate under Fortis ownership?**

18 **A.** ITC Great Plains will continue to operate as it does today. The existing local ITC Great  
19 Plains management team will remain in place and continue to have day-to-day operational  
20 responsibility. In addition, ITC Great Plains will continue to be overseen by the ITC board of  
directors, which will be made up of a majority of independent directors. ITC Great Plains will



1 be in a position to continue its tradition as a strong, locally-based independent transmission  
2 company in the Regional Transmission Organization managed by the Southwest Power Pool  
3 (“SPP”) providing excellent customer service. In addition, as part of a larger organization of  
4 North American electric and natural gas utilities, ITC Great Plains will be able to draw upon the  
5 technical, operational, financial and regulatory expertise within the Fortis family, and Fortis’  
6 knowledge and experience in accessing capital. ITC Great Plains will also be able to participate  
7 in Fortis group activities and programs, such as the functional area meetings and the Corporate  
8 Risk Management and Insurance program.

9 Like all Fortis subsidiaries, ITC Holdings will be required to prepare annual strategic and 5-year  
10 business plans for submission to its board of directors. Once approved by the ITC Holdings  
11 board, these individual plans will be “rolled up” with the plans of the other Fortis subsidiaries,  
12 and used as the main inputs for Fortis’ annual strategic and 5-year business plans.

13  
14 **Q. Will ITC Great Plains’ current management team remain in place?**

15 **A.** Yes. Fortis does not plan to change the current management teams or corporate officers  
16 at ITC Great Plains. Future decisions in this regard will be made by local management and the  
17 ITC board of directors, as appropriate.

18  
19 **Q. Will ITC continue to have its headquarters in Novi, Michigan?**

1    **A.**     Yes. Fortis does not plan to change ITC’s corporate headquarters. ITC management will  
2    also continue to oversee the regional offices across the ITC Utilities’ operating territories to  
3    ensure appropriate management of their operations and key stakeholder relationships.

4  
5    **Q.**     **Will the Transaction affect ITC Great Plains’ capital plans and requirements?**

6    **A.**     ITC Great Plains will continue to operate on a standalone basis and will establish its own  
7    capital plans and requirements. Much of the ITC Great Plains annual capital plan is driven by  
8    the outcomes of the transmission planning processes of SPP, and ITC Great Plains will continue  
9    to be an independent advocate in those processes, and for the many benefits to customers  
10   resulting from a robust transmission system. Fortis will support and assist ITC Great Plains in  
11   accessing capital (including being the source of equity capital) and implementing its capital  
12   plans. Fortis has no current intention to alter the capital structures of any of the ITC Utilities.

13  
**V.     WILL THE TRANSACTION PROMOTE THE PUBLIC INTEREST<sup>8</sup>**

14   **Q.**     **What effect will the Transaction have on consumers? (Merger Standards Order,**  
15   **item (a))**

16   **A.**     ITC Great Plains’ customers, ratepayers and the public will benefit from ITC Great  
17   Plains’ continued operation as an independent transmission owner. ITC Great Plains will  
18   maintain a strong focus on the safety and reliability of transmission systems, non-discriminatory

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<sup>8</sup> In the Merger Standards Order, at pages 34-36, the Commission adopted standards for evaluating proposed mergers and acquisitions in Kansas. Consistent with its statutory charge to promote the public interest, the Commission adopted a list of factors to weigh and consider in determining whether a transaction promotes the public interest.

1 access to the grid, environmental responsibility, and the cost-effective delivery of energy. Fortis  
2 will stand behind these commitments and support ITC Great Plains' operations and capital  
3 investments, and support its ability to attract necessary capital.

4 In addition, the Fortis group has no operations in Kansas, SPP or MISO, nor does Fortis operate  
5 or control any electric or natural gas transmission lines parallel to or competing with ITC Great  
6 Plains anywhere in the SPP region, including Kansas. Therefore, there will be no effect on  
7 existing competition in Kansas as a result of the Transaction. Moreover, as I mentioned, FERC  
8 will retain exclusive jurisdiction over the rates ITC Great Plains may charge for the use of its  
9 transmission system and no rate changes are being proposed before FERC as part of the  
10 Transaction. Furthermore, the FERC Application under Section 203 of the Federal Power Act  
11 ("FPA") seeking approval of the Transaction contains a commitment to hold customers harmless  
12 from Transaction costs consistent with FERC precedent and procedures.<sup>9</sup>

13 The Transaction is not premised on the achievement of operational synergies. For example, no  
14 staff reductions are contemplated at ITC Great Plains or any of the other ITC Operating  
15 Companies under the Transaction. However, the Transaction will benefit ITC Great Plains'  
16 financial condition, as it will join the Fortis group of regulated utilities and become part of a  
17 larger, more diversified organization. This will mitigate ITC's single-line-of-business risk  
18 profile, and will assist ITC Great Plains in maintaining its ability to access capital on favorable  
19 terms. Moreover, when ITC Holdings becomes part of the Fortis group, ITC Great Plains will be  
20 able to participate in certain Fortis group programs and activities that promote efficiencies.<sup>10</sup>

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<sup>9</sup> See *supra* p. 4.

<sup>10</sup> See discussion *supra* at p. 17.

1 **Q. Will the Transaction be beneficial to Kansas and local economies and the**  
2 **communities served by ITC Great Plains? (Merger Standards Order, item (c))**

3 **A.** Fortis will continue to support the efforts that have been made by ITC Great Plains in  
4 cultivating strong relationships with local business and industry participants in Kansas. ITC  
5 Great Plains will be operated consistent with Fortis' standalone operating model and philosophy  
6 that strives to ensure Fortis' regulated utilities maintain beneficial relationships with local  
7 communities. Fortis has consistently applied this approach across its entire operations in Canada,  
8 the United States and the Caribbean, and will continue to do so with ITC Great Plains.

9 .  
10 **Q. Will the Transaction result in job reductions at ITC Great Plains?**

11 **A.** No. Fortis has no plans to reduce employment at ITC or any of the ITC Utilities.<sup>11</sup> All  
12 future employment decisions post-closing will be made by local management as they are today.  
13 The employees of the ITC Utilities will benefit from the strong cultural fit with the decentralized  
14 Fortis model, and a continued focus on the provision of safe and reliable service to their  
15 customers.

16  
17 **Q. Will the Transaction affect ITC Great Plains' community involvement?**

18 **A.** No. Volunteerism and community involvement are core values of the Fortis and ITC  
19 organizations. The ITC Charitable Giving Program focuses on areas such as education and

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<sup>11</sup> The terms of the Transaction are set forth in the Agreement and Plan of Merger, dated as of February 9, 2016, by and among FortisUS Inc., Element Acquisition Sub Inc., Fortis and ITC (the "Merger Agreement"), which provides at § 7.16(c) that Fortis commits to retain the current level of ITC employees for at least 3 years.

1 environmental stewardship, which help to strengthen communities, and Fortis supports these  
2 efforts. Likewise, Fortis endorses ITC's approach in developing long-standing relationships with  
3 local business partners in its service territories, such as with electric cooperatives in rural Kansas.  
4 Future decisions regarding community involvement will continue to be made by the local ITC  
5 management teams.

6  
7 **Q. What is the effect of the Transaction on public utility shareholders? (Merger**  
8 **Standards Order, item (e))**

9 **A.** In exchange for each ITC common share, ITC shareholders will receive US\$22.57 in  
10 cash and 0.7520 of a Fortis common share. Upon completion of the Transaction, the common  
11 shares of Fortis will be listed on both the TSX and NYSE, and ITC shareholders will hold  
12 approximately 27% of the issued and outstanding common shares of Fortis.

13  
14 **Q. Does the Transaction maximize the use of Kansas energy resources? (Merger**  
15 **Standards Order, item (f))**

16 **A.** The status quo will continue with respect to the operation of ITC Great Plains, with no  
17 operational changes related to the Transaction. Thus, Fortis will support ITC Great Plains'  
18 efforts to work closely with local business and industry participants in Kansas in order to  
19 maximize the use of Kansas energy resources.

1 **Q. Will the Transaction reduce the possibility of economic waste? (Merger Standards**  
2 **Order, item (g))**

3 **A.** Fortis believes that yes, the Transaction will reduce the possibility of economic waste.  
4 For instance, as a private company, ITC can focus exclusively on its core utility operations: the  
5 provision of safe and reliable transmission service. When ITC becomes a private company, non-  
6 core aspects of its current business relating to regulation of the listing of its common equity will  
7 be discontinued. In addition, ITC Great Plains, like all other regulated utilities in the Fortis  
8 group, will have access to the broad experience of the Fortis family of utilities, including sharing  
9 of best practices, and will have access to Fortis group activities and programs, which will  
10 promote efficiencies.

11  
12 **Q. What impact, if any, will the Transaction have on public safety? (Merger Standards**  
13 **Order, item (h))**

14 **A.** The Transaction will not affect public safety. The current management of ITC Great  
15 Plains will continue to locally manage their operations. The upstream change of ownership will  
16 not affect operations. Both Fortis and ITC share a commitment to operational excellence and  
17 high safety standards, and Fortis will continue to support ITC's ongoing efforts in this area.

18  
19 **Q. Does this conclude your testimony?**

20 **A.** Yes. Thank you.

**VERIFICATION**

CANADA )  
 )  
PROVINCE OF NEWFOUNDLAND AND LABRADOR ) ss.  
 )  
CITY OF ST. JOHN'S )

I, Barry V. Perry, being duly sworn, on oath state that I am the President and Chief Executive Officer of Fortis Inc., that I have read the foregoing testimony and know the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge and belief.

By: Barry Perry  
BARRY V. PERRY

The foregoing pleading was subscribed and sworn to before me this May 9<sup>th</sup>, 2016.

Paul H. Zetser  
Notary Public

My Commission Expires:

N/A



**Mr. Barry V. Perry***President and Chief Executive Officer**Fortis Inc.**DOB: 22/09/64***Education:**

1988	Chartered Accountant
1986	Memorial University of Newfoundland Bachelor of Commerce (Honours)

**Current Executive Position – Fortis Inc.:**

2015 -	Fortis Inc. President & CEO
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As President and Chief Executive Officer, Mr. Perry has all the duties and responsibilities normally associated with the CEO of a large publicly traded corporation.

**Prior Positions – Fortis Inc.:**

2014 – 2015	Fortis Inc. President
2004 – 2014	Fortis Inc. Vice President, Finance & CFO
2000 – 2003	Newfoundland Power Inc. Vice President, Finance & CFO

**Employment – Other:**

1999 – 2000	Abitibi-Consolidated Inc. Vice President Treasurer (Montreal Head Office)
1997 – 1998	Abitibi-Consolidated Inc. Director of Financial Reporting (Montreal Head Office)
1994 – 1996	Abitibi-Consolidated Inc. Chief Financial Officer International Business Unit (Grand Falls & Stephenville paper mills)



1989 - 1993 Newfoundland Processing Inc. (Come by Chance Oil Refinery)  
Corporate Controller

1983 – 1988 Ernst & Young Chartered Accountants  
Staff Accountant

**Fortis Boards:**

Mr. Perry serves on the Boards of Fortis Inc. and its utilities in British Columbia, Alberta, and Arizona.

**FORTIS INC. SUBSIDIARIES AND ASSETS****(updated April 25, 2016)****A. Fortis Inc.'s US Utility Subsidiaries and Assets****1. FortisUS Inc.**

FortisUS is a direct subsidiary of FortisUS Holdings Nova Scotia Limited ("FortisUS Holdings"), which was expressly formed for the purpose of holding FortisUS and is a wholly-owned direct subsidiary of Fortis Inc. Currently, FortisUS's subsidiaries include CH Energy Group, Inc. ("CHEG"), whose principal subsidiary is Central Hudson Gas & Electric Corporation ("Central Hudson"), and UNS Energy Corporation ("UNS Energy"), which owns Tucson Electric Power Company ("TEP"), UNS Electric, Inc. ("UNS Electric"), UNS Gas, Inc. ("UNS Gas"), and UniSource Energy Development Company ("UEDC").

**2. CHEG**

CHEG is a wholly owned, direct subsidiary of FortisUS, with its principal office located in Poughkeepsie, New York. CHEG is principally engaged in the business of owning Central Hudson, a regulated New York gas and electric corporation.

**a. Central Hudson**

Central Hudson is a direct, wholly-owned subsidiary of CHEG. It is a regulated New York gas and electric corporation, headquartered in Poughkeepsie, New York, that operates as a transmission and distribution public utility serving approximately 300,000 electric customers and 79,000 natural gas customers in eight counties in New York's mid-Hudson Valley region. Central Hudson owns transmission facilities in New York under operational control of the New York Independent System Operator, Inc. ("NYISO"). Central Hudson purchases more than 98% of its electricity, but does own two gas turbine units and three small hydroelectric stations in the NYISO Balancing Area Authority ("BAA") (with an aggregate nameplate installed generating capacity of approximately 66 MW). Central Hudson is regulated by the New York Public Service Commission. Central Hudson also has some long-term contracts with several small power facilities, totaling approximately 13 MW that Central Hudson uses as load modifiers to hedge its retail load and are treated as under the control of Central Hudson. New York is a retail choice state, so none of Central Hudson's retail electric customers are captive. Central Hudson is a "public utility" under the Federal Power Act ("FPA"), and is authorized by the Federal Energy Regulatory Commission ("FERC") to sell electric power at market-based rates.

**b. Central Hudson Enterprises Corporation ("CHEC")**

CHEC is a direct, wholly-owned subsidiary of CHEG. It owns the following small investments in generation projects located in the PJM BAA, as well as investments in other companies:<sup>1</sup>

(i) Hunterdon Cogeneration Limited Partnership (“*Hunterdon*”). CHEC owns a 50% limited partnership interest in the Hunterdon Cogeneration Limited Partnership (“*Hunterdon*”), a 4 MW cogeneration facility that provides electricity and steam to the Hunterdon Development Center and Edna Mahan Correctional Facility for Women in Union, New Jersey. The original contract expired on October 31, 2013, and has been amended to expire on August 31, 2016. FERC has granted Qualifying Facility (“QF”) status to Hunterdon.

(ii) CH-Community Wind Energy LLC (“*CH-CWELP LP*”). CHEC owns 50% of CH-WELP LP, which in turn owns a 40.7% Class B membership interest in JB Wind Holdings, LLC (“*JB Wind Holdings*”), which represents 17.7% of the total initial invested capital in JB Wind Holdings. JB Wind Holdings owns two wind projects: Jersey-Atlantic Wind, LLC, a 7.5 MW wind farm in Atlantic County, New Jersey, and Wind Park Bear Creek, LLC, a 24 MW wind farm in Luzerne County, Pennsylvania. Both wind projects have been granted QF status by FERC.

(iii) Nth Power Technologies Fund II LP (“*Nth Power Technologies*”). Nth Power Technologies is a venture capital investment fund located in San Francisco, California, specializing in venture capital investments in energy projects. CHEC maintains a 4% limited partnership interest in Nth Power Technologies.

c. Central Hudson Electric Transmission, LLC (“CHET”)

CHET is a wholly owned subsidiary of CHEG. It holds a 6.1% ownership interest in New York Transco, LLC (“*NY Transco*”), which was established in 2014 to develop, construct, and own electric transmission facilities. NY Transco has applied to FERC for formula rates and transmission rate incentives for several transmission projects in New York.<sup>2</sup>

d. Central Hudson Gas Transmission LLC (“CHGT”)

CHGT is a wholly owned subsidiary of CHEG. It was formed to hold the ownership interest in a FERC-regulated natural gas pipeline project. Currently, CHGT does not own any assets or engage in any FERC-jurisdictional activity.

3. UNS Energy

<sup>1</sup> CHEC previously owned Griffith Energy Services Inc., a non-regulated energy services company engaged in distribution of heating oil, gasoline, diesel fuel, kerosene and propane to customers in the mid-Atlantic region, as well as heating, ventilation and air conditioning services. Griffith Energy Services Inc. was sold to Star Gas Partners, L.P. on March 4, 2014. CHEC also previously had a 32.5 percent limited partnership interest in Plymouth Cogeneration Limited Partnership (“*Plymouth*”), which owned a 1.25 MW cogeneration facility in New Hampshire. CHEC’s interest in Plymouth was transferred to Plymouth State College in Plymouth, New Hampshire as of January 1, 2014.

<sup>2</sup> See *New York Indep. Sys. Operator, Inc.* 151 FERC ¶61,004 (2015).

UNS Energy, a direct, wholly-owned subsidiary of FortisUS, is a holding company existing under the laws of Arizona with its principal offices in Tucson, Arizona. UNS Energy is principally engaged in the business of owning TEP, UNS Electric, UEDC, and their affiliate UNS Gas, Inc. (“UNS Gas”).

a. TEP

TEP, a direct, wholly-owned subsidiary of UNS Energy, is an Arizona public service corporation. TEP is a vertically integrated utility providing regulated electric service to approximately 417,000 retail customers across 1,155 square miles of retail service territory in the greater Tucson metropolitan area in Pima County, Arizona and parts of Cochise County, Arizona. It is subject to regulation by the Arizona Corporation Commission (“ACC”) with respect to retail electric rates, the issuance of securities, affiliate transactions, and the maintenance of books and records and other matters.

TEP owns or leases approximately 2,763 MW<sup>3</sup> of generating capacity. As part of compliance with Arizona’s Renewable Energy Standard and Tariff, TEP has also entered into power purchase agreements (“PPAs”) with approximately 234 MW of renewable resources that have come online. TEP does not provide any wholesale or retail natural gas service, and does not own or operate any natural gas pipelines or distribution facilities. TEP is a “public utility” under the FPA. FERC has granted TEP market-based rate authority and TEP sells electricity at wholesale to other utilities and power marketers in the southwestern United States.

TEP presently owns, or participates in, an overhead electric transmission system consisting of approximately 2,173 circuit-miles of high voltage lines (138 kV to 500 kV). Open access to these facilities is provided pursuant to TEP’s OATT. TEP operates a NERC-certified BAA within Arizona and portions of western New Mexico.

b. UNS Electric

UNS Electric, a direct, wholly-owned subsidiary of UniSource Energy Services, Inc. (“UES”), which is a direct, wholly-owned subsidiary of UNS Energy, is an Arizona electric utility operating company that provides retail electric service to approximately 93,000 customers in Mohave County in northwest Arizona and in Santa Cruz County in southern Arizona. Substantially all of UNS Electric’s customers are residential or commercial classifications. UNS Electric is subject to regulation by the ACC with respect to retail electric rates, the issuance of securities, affiliate transactions, the maintenance of books and records, and other matters. UNS Electric is a “public utility” under the FPA and has been granted market-based rate authority by FERC.

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<sup>3</sup> This figure: (a) represents A/C equivalent maximum output values for solar facilities and nameplate values for all others; (b) includes TEP’s proportionate share of jointly-owned generating facilities, as well as Unit No. 2 of the Springerville generating station which is owned directly by TEP’s wholly owned subsidiary San Carlos Resources, Inc; and (c) TEP’s 49.5% of the fee interests in Springerville Unit No. 1, a 424.8 MW (nameplate) electric generating unit located near Springerville, Arizona. Currently pending before FERC is TEP’s application for authorization to acquire the remaining 50.5% fee interest in Springerville Unit No. 1. See *Tucson Electric Power Co.*, FERC Docket No. EC16-96-000 (filed March 29, 2016).

UNS Electric owns approximately 391 MW combined output of generating capacity.<sup>4</sup> As part of compliance with Arizona's Renewable Energy Standard and Tariff, UNS Electric has also entered into PPAs with approximately 19 MW<sup>5</sup> of renewable resources that have come online. UNS Electric's transmission system consists of approximately 334 circuit-miles of transmission lines rated 69 kV and above. All of UNS Electric's transmission facilities are located in Arizona. Open access to these facilities is provided pursuant to UNS Electric's OATT.

UNS Electric does not operate its own electric balancing authority area; rather, its transmission lines and load are part of the TEP BAA. Following energization of the approximately 55-mile, 138 kV Vail-Valencia transmission line in December 2013,<sup>6</sup> the UNS Electric service territory in Santa Cruz County in southern Arizona is now directly interconnected with the core of the TEP BAA.<sup>7</sup>

c. UNS Gas

UNS Gas, a direct, wholly-owned subsidiary of UESUNS Energy, is an Arizona distribution company serving approximately 152,000 retail customers in portions of northern and southern Arizona. UNS Gas owns 31 miles of gas transmission lines. Its gas transmission and distribution lines serve three electric generation facilities located in Arizona – Black Mountain, Valencia Generating Facility and Griffith Power Plant.<sup>8</sup> UNS Gas is subject to regulation by the ACC with respect to retail gas rates, issuance of securities, affiliate transactions, maintenance of books and records, among other matters. Most of the gas distributed by UNS Gas in Arizona is procured from the San Juan Basin and delivered on the El Paso and Transwestern interstate pipeline systems.

d. UEDC

UEDC, a direct, wholly-owned subsidiary of UNS Energy and an Arizona corporation, is a “public utility” under the FPA and has a market-based rate tariff on file with FERC but it does not presently engage in any relevant business activities.<sup>9</sup> UEDC formerly owned and operated the 121 MW (nameplate) Black Mountain Generating Station (“Black Mountain”) in northern Arizona, but sold the facility to UNS Electric in July 2011.

<sup>4</sup> This figure represents A/C equivalent maximum output values for solar facilities and nameplate values for all others.

<sup>5</sup> After May 18, 2016, this figure will increase to 49 MW when an additional 30 MW of renewable resources are expected to come online.

<sup>6</sup> Historically, UNS Electric's lines and load were not contiguous to the “core” of the TEP BAA (*i.e.*, not directly interconnected to the TEP service territory), but were interconnected with third-party transmission lines that form part of the adjacent WALC BAA.

<sup>7</sup> UNS Electric's transmission system in Mohave County in northwest Arizona is not directly interconnected with TEP's system and remains interconnected with the core of the TEP BAA only over third-party transmission lines.

<sup>8</sup> Black Mountain Generating Station and Valencia Generating Facility are owned by UNS; the Griffith Power Plant is owned by Star West Generation LLC.

<sup>9</sup> UEDC formerly owned and operated the 121 MW (nameplate) Black Mountain Generating Station in northern Arizona, but sold the facility to UNS Electric in July 2011.

## **B. Fortis Inc.'s Canadian Utility Subsidiaries and Assets**

### **1. FortisBC Holdings Inc. ("FortisBC Holdings")**

FortisBC Holdings (formerly Terasen Inc.), a wholly owned, direct subsidiary of Fortis Inc., is a holding company headquartered in Vancouver, British Columbia, that owns FortisBC Energy Inc. ("FortisBC Energy"). FortisBC Energy is primarily a natural gas distribution utility in British Columbia, Canada, serving approximately 985,000 customers. FortisBC Holdings also owns FortisBC Midstream, which is the owner of the Aitken Creek gas storage facility,<sup>10</sup> the largest gas storage facility in British Columbia, with a total gas capacity of 77 billion cubic feet. In addition, FortisBC Holdings owns FortisBC Huntingdon Inc. ("FortisBC Huntingdon"), which owns approximately 115 meters of pipeline facilities that interconnect the FortisBC Energy pipeline system to Northwest Pipeline's facilities at the U.S.-Canada border.

These FortisBC Huntingdon facilities are subject to regulation by the Canadian National Energy Board, as they interconnect at an international boundary. The remaining gas facilities owned by FortisBC Holdings are provincially regulated by the British Columbia Utilities Commission and the British Columbia Oil and Gas Commission.

FortisBC Holdings does not own or control any gas storage or pipeline facilities in the United States. It does, however, contract to utilize natural gas storage facilities in Washington and Oregon and transportation capacity on the Northwest Pipeline to help meet winter load requirements for certain FortisBC Energy gas customers.<sup>11</sup> The storage gas is sourced in Canada and transmitted over FortisBC Huntingdon pipelines to the United States border where it is transported by Northwest Pipeline. Redelivery of gas from the storage facilities is transported via Northwest Pipeline to the interconnection with FortisBC Huntingdon at the U.S.-Canada border, which in turn delivers the storage gas into the FortisBC Energy pipeline system in British Columbia.

FortisBC Energy engages in commodity resale activities, selling surplus natural gas to marketers and other utilities or other parties in Canada. This surplus natural gas is gas that FortisBC Energy contracts for on an annual basis, but that may be surplus to its customers' requirements during any particular day or period due to weather variations. All of these sales are made in Canada, historically at either the Huntingdon or Kingsgate market hubs. Neither FortisBC Energy nor FortisBC Huntingdon make retail or wholesale sales of gas in the United States.

### **2. FortisAlberta Inc. ("FortisAlberta")**

FortisAlberta, a wholly-owned, indirect subsidiary of Fortis West Inc. ("FortisWest"), which is a direct wholly-owned subsidiary of Fortis Inc., was purchased from

<sup>10</sup> FortisBC Midstream owns 93.8% of the Aitken Creek gas storage site. The remaining share is owned by BP Canada Energy Company.

<sup>11</sup> Specifically, FortisBC Energy has contracts for use of the Jackson Prairie Natural Gas Storage Facility, located in Washington State and jointly owned by Puget Sound Energy, Avista Utilities and Northwest Pipeline, and the Mist Storage Facility located in Oregon and owned by Northwest Natural Gas Company.

Aquila Networks Canada Ltd., a subsidiary of Aquila Inc., in 2004. FortisAlberta owns and operates regulated electricity distribution facilities located exclusively in the Province of Alberta and serves approximately 539,000 customers. It neither owns any transmission facilities in the United States nor makes any sales of power in the United States.

3. FortisBC Inc. (“FortisBC”)

FortisBC, a wholly-owned, direct subsidiary of FortisBC Pacific Holdings Inc. (“FortisBC Pacific”), which is a direct subsidiary of FortisWest, a vertically integrated electric utility operating in the southern interior of British Columbia that serves approximately 168,000 customers. FortisBC owns four hydroelectric generating facilities with a combined capacity of approximately 225 MW on the Kootenay River in British Columbia and a 16 MW hydroelectric generating facility near Lillooet, British Columbia. FortisBC also provides operating, maintenance and management services related to four other hydroelectric generation facilities in British Columbia. FortisBC does not make any sales of power in the United States or engage in the transmission of electric energy in the United States. FortisBC does have agreements with power marketers and occasionally engages in sales to the power marketers. All of these sales occur either within British Columbia or at the U.S.-Canada border, and title passes to the power marketers in British Columbia or at the U.S.-Canada border before the electricity enters the United States. FortisBC also purchases power at the U.S.-Canada border or within British Columbia that is sourced from the United States.

4. Newfoundland Power Inc. (“Newfoundland Power”)

Newfoundland Power’s common shares are owned by Fortis Inc. Newfoundland Power owns and operates facilities for the generation, transmission and distribution of electricity exclusively in the island portion of the Province of Newfoundland and Labrador, and serves approximately 262,000 customers. It has a total installed generating capacity of approximately 139 MW (97 MW hydroelectric, 5 MW diesel and 37 MW gas turbines). There is no electrical interconnection between the island of Newfoundland and mainland Canada or the United States, and Newfoundland Power does not sell power in the United States.<sup>12</sup>

5. FortisOntario Inc. (“FortisOntario”)

FortisOntario is a wholly-owned, direct subsidiary of Fortis Inc. FortisOntario is a licensed electricity generator, transmitter and distributor in Canada, is a registered market participant with the Independent Electricity System Operator in Ontario, and holds two permits from the National Energy Board (Canada) for the import/export of electricity between Canada and the United States. FortisOntario’s wholly-owned regulated utility investments in Ontario provide integrated electric utility service to more than 65,000 customers through its local distribution companies (Algoma Power Inc., Canadian Niagara Power Inc. (“CNPI”), and Cornwall Street Railway Light and Power Company Limited). FortisOntario also owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies serving approximately 40,000 customers in Ontario. FortisOntario also owns certain transmission assets located at Fort Erie and Cornwall

<sup>12</sup> There is a planned development by a provincial Crown corporation to link the island of Newfoundland to mainland Canada via a subsea cable by 2017 at the earliest.

(both in Ontario, Canada), including the Canadian portion of an emergency international 115 kV intertie that is located in Fort Erie.<sup>13</sup> FortisOntario does not own any transmission facilities in the United States.

6. Maritime Electric Company, Limited (“Maritime Electric”)

Maritime Electric, is a wholly-owned subsidiary of FortisWest. Maritime Electric is the principal distributor of electricity in the Province of Prince Edward Island. It owns and operates generation, transmission and distribution facilities on the island, and serves approximately 78,000 customers throughout the Province. It has a total installed on-island generating capacity of approximately 150 MW. Maritime Electric has no direct interconnection with any electric utility in the United States and is not interconnected with any Canadian utility except NB Power (formerly New Brunswick Power Corporation), with which it is only interconnected via two submarine cables, leased from the Government of Prince Edward Island. Maritime Electric does not export power from Prince Edward Island except for occasional sales to NB Power or Nova Scotia Power Inc. during curtailment events. Thus, Maritime Electric is primarily a distribution company and makes only very limited sales to electric markets outside Prince Edward Island and none into United States markets.

7. Canadian Generation and Gas Storage Assets

Fortis Inc. has a 51% controlling ownership interest in the Waneta Expansion Limited Partnership (with the Columbia Power Corporation and the Columbia Basin Trust holding the remaining 49% interest), which owns and operates a 335 MW expansion to the Waneta hydroelectric generating facility on the Pend d’Oreille River in British Columbia. In addition, FortisOntario also owns a 5 MW natural gas-powered cogeneration plant in Cornwall, Ontario, Canada.

**C. Fortis Inc.’s Caribbean Subsidiaries and Assets**

Fortis Inc. also has regulated utilities holdings in the Caribbean, consisting of Fortis Inc.’s approximate 60 percent controlling interest in Caribbean Utilities Company, Ltd. (“CUC”), its 33 percent equity investment in Belize Electricity Limited (“Belize Electricity”), and Fortis Turks and Caicos. CUC is an integrated electric utility and is the sole provider of electricity on Grand Cayman, Cayman Islands. Belize Electricity is an integrated electric utility and is the principal distributor of electricity in Belize. Fortis Turks and Caicos has two integrated electric utilities that provide electricity to certain islands in Turks and Caicos.

Fortis Inc., through its wholly-owned, indirect subsidiary, Belize Electric Company Limited, also owns three, non-regulated hydroelectric generating facilities in Belize, with a combined output of

<sup>13</sup> Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”) owns the portion of the emergency international intertie that is located within the United States. This intertie, which is normally operated in an open position, enables FortisOntario to receive electric energy from the NYISO grid during emergency outages. It has been used on only a single occasion since it was constructed for approximately 22 hours on November 12 and 13, 2006, to supply Fort Erie’s load while repairs were made on the CNPI transmission system. The energy was purchased from National Grid. The international emergency intertie connects asynchronous portions of the grid; that is, it cannot be used to move power between the U.S. and Canada unless the load in Fort Erie, which would be served by the emergency power, is first disconnected from Ontario.



51 MW. All of the output of these facilities is sold to Belize Electricity under 50-year power purchase agreements, which expire in 2055 and 2060.