FORTIS ALBERTA

Annual Information Form
Year Ended December 31, 2020

December 13, 2021

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GLOSSARY

Except as otherwise defined, or unless the context otherwise requires, the following terms have the meanings set forth below:

"ABCA" means the *Business Corporations Act* (Alberta);

"AESO" means the Alberta Electric System Operator;

"AIES" means the Alberta Interconnected Electric System;

"AIF" means the Annual Information Form;

"ARE Committee" means the Audit, Risk and Environment Committee of the Board;

"AUC" means the Alberta Utilities Commission;

"*AUCA*" means the *Alberta Utilities Commission Act*;

"Balancing Pool" means an independent government agency set up to manage the transition to a competitive generation market and administer the Power Purchase Arrangements;

"Board" means the Board of Directors of FortisAlberta Inc.;

"Corporation" means FortisAlberta Inc.;

"Commission" means the AUC;

"DBRS" means DBRS Limited;

"DC SERP" means the FortisAlberta Defined Contribution Supplemental Employee Retirement Plan;

"Debentures" means, collectively, the Series 04-2 Debentures, Series 06-1 Debentures, Series 07-1 Debentures, Series 08-1 Debentures, Series 09-1 Debentures, Series 09-2 Debentures, Series 10-1 Debentures, Series 11-1 Debentures, Series 12-1 Debentures, Series 13-1 Debentures, Series 14-1 Debentures, Series 14-2 Debentures, Series 15-1 Debentures, Series 16-1 Debentures, Series 17-1 Debentures, Series 18-1 Debentures and Series 20-1 Debentures;

"EMS" means the Environmental Management System;

"EPCOR" means EPCOR Energy Alberta GP Inc.;

"*EUA*" means the *Electric Utilities Act* (Alberta);

"Executive Officer" means an individual who is:

(a) a chair, vice-chair or president;
(b) a chief executive officer or chief financial officer;
(c) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
(d) performing a policy-making function in respect of this issuer;

"Fortis" means Fortis Inc.;

"FortisAlberta" means FortisAlberta Inc.;

"FPA" means forest protection area as defined by the *Forest and Prairie Protection Act* (Alberta);

“GHR Committee” means the Governance and Human Resources Committee of the Board;

“**GCOC**” means Generic Cost of Capital;

“GWh” means a gigawatt hour, which is a measure of energy used over a one-hour period that is equal to 1,000,000,000 watts;

“*HEEA*” means the *Hydro and Electric Energy Act* (Alberta);

“Indentures” means, collectively, the trust indentures respectively dated October 25, 2004 and September 7, 2011, between the Corporation and the Trustee, as each may be amended or supplemented from time to time, which trust indentures collectively provide for the issuance of the Debentures;

“ISO” means International Organization for Standardization;

“Korn Ferry” means Korn Ferry International;

“kWh” means a kilowatt-hour, which is a measure of energy used over a one-hour period that is equal to 1,000 watts;

“*MGA*” means the *Municipal Government Act* (Alberta);

“MSA” means the Market Surveillance Administrator;

“NEO” or Named Executive Officer means each of the following individuals:

(a) chief executive officer;
(b) chief financial officer; and
(c) the most highly compensated Executive Officer of the Corporation other than the Chief Executive Officer and Chief Financial Officer whose total compensation was more than $150,000 for the financial year;

“PBR” means Performance Based Regulation;

“PBR Utilities” means Alberta distribution utilities regulated under PBR;

“Power Pool” means the power pool of Alberta;

“Power Purchase Arrangements” means the legislated commercial arrangements known as power purchase arrangements;

“PSU” means performance share unit;

“*PUA*” means the *Public Utilities Act* (Alberta);

“Rate Base Assets” means all distribution utility assets in which the Corporation has invested to provide service to distribution utility customers, which are subject to a regulated rate of return that is considered in customer rates;

“**REA**” means Rural Electrification Association;

“ROE” means Return on Equity;

“RRO” means Regulated Rate Option;

"RRO Customers" means certain small and medium-sized customers for whom distribution utilities are required to continue to arrange for or provide retail services;

"RRSP" means registered retirement savings plan;

"RSU" means restricted share unit;

"S&P" means Standard and Poor's, a Division of The McGraw-Hill Companies, Inc.;

"TFOs" means Transmission Facility Owners;

"TransAlta" means TransAlta Utilities Corporation;

"Trustee" means Computershare Trust Company of Canada, in its capacity as trustee under the Indentures;

"TSX" means Toronto Stock Exchange; and

"UUWA" means the United Utility Workers' Association of Canada.

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise noted. Readers are directed to consider all forward looking information in this Annual Information Form with the qualifications contained in the section entitled "Forward-Looking Information" in this document.

THE CORPORATION

FortisAlberta is the owner and operator of a regulated electricity distribution business in the Province of Alberta and was incorporated under the *ABCA* on January 1, 2000. The Corporation is an indirect, wholly-owned subsidiary of Fortis, a diversified, international electricity and gas distribution utility holding company having investments in distribution, transmission and generation utilities. FortisAlberta's registered head office is located at 320 – 17th Avenue S.W., Calgary, Alberta, T2S 2V1. The Corporation has no subsidiaries.

BUSINESS OF FORTISALBERTA

FortisAlberta owns and operates electricity distribution facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers. The Corporation does not own or operate generation or transmission assets and is not involved in the direct sale of electricity. The Corporation intends to remain a regulated electric utility for the foreseeable future, focusing on the delivery of safe, reliable and cost-effective electricity services to its customers in Alberta.

FortisAlberta operates a predominantly rural and suburban, low-voltage distribution network in central and southern Alberta. The Corporation's network comprises approximately 127,000 kilometers of wires serving approximately 572,200 residential, commercial, farm, oil and gas, and industrial consumers of electricity. In 2020, FortisAlberta distributed approximately 23,000 GWh of electricity, including electricity distributed to customers in the FortisAlberta service area that are connected directly to the transmission grid.

The Corporation is regulated by the AUC pursuant to the *AUCA*. The AUC's jurisdiction, pursuant to the *EUA*, the *PUA*, the *HEEA* and the *AUCA*, includes the approval of distribution tariffs for regulated distribution utilities such as the Corporation, including the rates and terms and conditions on which service is to be provided by those utilities.

FRANCHISES

FortisAlberta customers that are located within a city, town, village or summer village boundary are served under franchise agreements between the Corporation and the respective customers' municipality of residence. FortisAlberta maintains standard franchise agreements with numerous municipalities throughout Alberta. Any franchise agreement that is not renewed at the expiry of the term continues in effect until either the Corporation or the municipality terminates it with the approval of the AUC. Section 47 of the *MGA* provides municipal governments with an option to purchase FortisAlberta assets that are located in their municipal boundaries upon termination of a franchise agreement. The Corporation must be compensated if a franchise agreement is terminated and the municipality subsequently exercises its right under the *MGA* to purchase FortisAlberta distribution assets. In such a case, compensation would likely be determined on the basis of a methodology approved by the AUC.

FortisAlberta holds franchise agreements with 163 municipalities within its service area. The franchise agreements include ten-year terms with an option to renew for up to two subsequent five-year terms. Over 99% of the Corporation's current franchise agreements were entered into in 2012 and subsequent years. Therefore, the initial terms of these agreements will not expire until 2022 with notices to extend the current agreement to be provided to these municipalities at the end of 2021 as stated in the current agreement.

MARKET AND SALES

The following tables compare 2020 and 2019 distribution revenues and energy deliveries by rate class:

	Revenue (1)			
Rate Class	**2020**		**2019**	
	($000)	%	($000)	%
Residential	199,353	31.3	192,237	30.4
Large Commercial, Industrial and Oilfield	125,629	19.8	132,674	21.0
Farm	77,359	12.2	76,947	12.2
Small Commercial	75,877	11.9	76,896	12.2
Small Oilfield	49,079	7.7	50,987	8.1
Other	29,841	4.7	28,420	4.4
Transmission Connected	1,130	0.2	1,089	0.2
Total Energy Revenue	558,268	87.8	559,250	88.5
Rate Riders, Deferrals and Adjustments	77,643	12.2	72,581	11.5
	635,911	100.0	631,831	100.0

(1) Includes customers within FortisAlberta's service area that are connected directly to the transmission grid.

	GWh Deliveries (1) (2)			
Rate Class	**2020**		**2019**	
	GWh	%	GWh	%
Residential	3,290	14.3	3,161	13.3
Large Commercial, Industrial and Oilfield	9,234	40.1	9,946	41.7
Farm	1,429	6.2	1,457	6.1
Small Commercial	1,370	5.9	1,434	6.0
Small Oilfield	728	3.2	848	3.6
Other	40	0.2	41	0.2
Transmission Connected(3)	6,932	30.1	6,940	29.1
Total Energy Deliveries	23,023	100.0	23,826	100.0

(1) Includes customers within FortisAlberta's service area that are connected directly to the transmission grid.
(2) Energy deliveries include adjustments related to prior periods.
(3) Transmission Connected energy is based on interim settlement that is expected to be finalized in May 2021.

The revenue and energy delivery tables above align with the rate classes on which FortisAlberta's tariff billing is based. These rate classes span industry classifications (also referred to as industry codes) and are grouped in broader categories for regulatory filings. They are available online at the AUC website at www.auc.ab.ca.

While FortisAlberta does not forecast or record revenue by industry classification, the Corporation does forecast and record distribution energy, or GWh, by both industry classification and rate class. The following table provides a mapping for distribution rate class by industry classification.

Mapping for Rate Class by Industry Classification

Category	Rate Class / Industry Code	Res	Farm					Other		Small Commercial	Small Oilfield	Large Commercial, Industrial and Oilfield	
Category	**Industry Code**	Rate 11 Residential	Rate 21 FAI Farm (1)	Rate 23 FAI Grain Drying (1)	Rate 24 REA Farm (2)	Rate 26 FAI Irrigation (1)	Rate 29 REA Irrigation (2)	Rate 31-33 Street Lighting	Rate 38 Yard Lighting	Rate 41 Small General Service	Rate 44-45 Oil & Gas Service	Rate 61 General Service	Rate 63 Large General Service
Retail	Residential	•								•			
	Commercial									•		•	•
	Outdoor Lighting							•	•				
Wholesale	Small Wholesale												•
Farm	FAI Farm (1)		•	•						•		•	
	FAI Irrigation (1)					•							
	REA Irrigation (2)						•						
	REA Farm (2)				•								
Oil and Gas	Oilfield									•	•	•	•
	Cavern Storage									•		•	•
	Pipelines									•		•	•
	Refineries											•	
	Gas Processing									•		•	•
Other Industrial	Misc. Industrial									•		•	•
	Chemical Plants									•		•	•
	Cement Plants									•		•	
	Food and Beverage									•		•	•
	Metal Products									•		•	•
	Coal Mines											•	
	Forest Products									•		•	•
Interchange	Interchange									•	•	•	•

Footnotes:

1. FAI refers to FortisAlberta Inc.
2. REA refers to Rural Electrification Association.

HUMAN RESOURCES

In 2020, FortisAlberta had 1,085 full time equivalent employees. Approximately 79% of the employees of the Corporation are members of the UUWA. Prior to the end of 2020, the Corporation and the UUWA entered into negotiations for a new collective agreement and a new agreement was approved by the membership on August 6, 2021. This new agreement expires December 31, 2022. For further information please refer to the Corporation's Management, Discussion and Analysis for the three and nine months ended September 30, 2021.

ENVIRONMENTAL MATTERS

Canadian federal, provincial and municipal governments share jurisdiction over environmental matters affecting the Corporation. As a result, the Corporation is subject to numerous acts, regulations and guidelines relating to the protection, preservation and enhancement of the natural environment. This includes air, water and soil, flora and fauna and natural resources including forests, grasslands, surface waters, species at risk and migratory birds. The environmental matters with the most significant impact to the Corporation are those associated with wildfires, oil releases, waste management, and wildlife and natural resources.

The Corporation has implemented programs and procedures within the context of its EMS to address environmental considerations associated with operational activities. The EMS is consistent with the guidelines of ISO 14001, an international standard for environmental management systems. The EMS provides a framework that allows for the identification of potential environmental impacts, the establishment of processes and programs to mitigate those impacts, and the monitoring of performance to aid in the continual improvement of the Corporation's environmental performance. The EMS is an adaptive system that evolves to the changing nature of the Corporation's business risks and objectives.

In 2020, the costs associated with adhering to environmental protection requirements were approximately $3.7 million.

ALBERTA'S ELECTRICITY INDUSTRY

The electricity industry in Alberta consists of four principal segments:

- *Generation* — Generation is the production of electricity. In 2020, generators in Alberta included both electricity producers and companies that have purchased the rights to the output of formerly regulated Alberta generators. Generators sell wholesale electricity into the Alberta Power Pool spot energy market or through direct contractual arrangements. Most of the electricity generated in Alberta is generated using coal or natural gas as the fuel source, with hydro and wind power comprising the majority of the remaining supply.

- *Transmission* — Transmission is the conveyance of electricity at higher voltages. Alberta's transmission system or "grid" is composed of high voltage transmission lines and related facilities, which convey electricity from generation facilities to distribution networks and directly connected end-users. The Alberta transmission grid is interconnected with the transmission system in British Columbia, which is also connected to the transmission system in the Pacific Northwest of the United States. The Alberta transmission grid is also connected to that of Saskatchewan via a smaller, direct current link. Transmission facilities are owned by TFOs that are regulated under the jurisdiction of the AUC. The approved costs of the TFOs are paid by the AESO, and the AESO funds these and other costs of its operations through a regulated system access tariff, with charges thereunder paid by users of the electric system, including FortisAlberta. Where the transmission system connects to a distribution network, transmission substations step-down the voltage to distribution level voltages.

- *Distribution* — Distribution is the conveyance of electricity at lower voltages. Distribution networks are composed of low voltage power lines and related facilities, which convey electricity from transmission systems to end-use customers.

Distribution Facility Owners (DFOs) are responsible for constructing, operating and maintaining the distribution network, providing non-discriminatory electric distribution service and arranging for system access service (i.e., transmission access) through the AESO for the end-use customers to whom they distribute electricity. DFOs are also responsible for metering, meter data management, wholesale billing, customer enrolment services and load settlement, and for arranging for or providing regulated rate and regulated default retail electricity supply services under the *EUA*. Load settlement is the process whereby hourly consumption is calculated for each site in Alberta, in support of the Alberta competitive electricity marketplace. The major distribution companies are regulated under the jurisdiction of the AUC.

The distribution network in Alberta is comprised of the networks owned by FortisAlberta, ATCO Electric Ltd. and multiple local distribution utilities, including companies owned by the cities of Calgary and Edmonton, REAs and a number of smaller municipalities. All electricity customers have the right to choose their electricity retailer, with the distribution utility continuing to provide distribution services. While most electricity distribution networks are regulated monopolies, independent retailers sell electricity to end-use customers on a competitive basis.

Distribution utilities are required to provide or arrange for the provision of retail services to eligible RRO Customers. RRO Customers can choose to purchase electricity from the regulated distribution utility or from its appointed regulated retailer at the RRO rate.

Electricity distribution utilities collect distribution revenues from retailers (including self-retailers, as defined below) that sell electricity to, and collect payment from, end-use customers. The credit risk associated with a retailer's payment obligations to a distribution utility is mitigated by regulatory provisions that require the retailer to support its payment obligations by way of credit or prudential measures if certain criteria are met. These credit or prudential measures generally involve obtaining security from a retailer in the form of a letter of credit, an investment grade credit rating from a major rating agency, a third party guarantee from an entity that has an investment grade rating, or a cash deposit. In the event that a distribution utility incurs credit losses, such utility may apply to the regulator to recover these bad debts in rates, but there is no guarantee that this will be approved by the regulator.

- *Retail* — Retailing is the selling or offering for sale of electricity to the end-use customers. In Alberta, retailers purchase power through the Power Pool operated by the AESO or through direct supply contracts, arrange for distribution and sell electricity and other services directly to end-use customers. Some end-use customers may act as their own retailer. These "self-retailers" are typically large commercial or industrial entities. Self-retailers interact with other participants in the Alberta electricity industry, such as distribution utilities, in the same manner as other retailers.

REGULATION OF ALBERTA'S ELECTRICITY INDUSTRY

BACKGROUND

Alberta restructured its electricity industry in 1996. At that time, the prior system of vertically integrated regulated utilities was replaced with one that introduced a competitive market for the generation and retail sale of electricity. Distribution and transmission sectors continued to be subject to traditional rate regulation under the jurisdiction of the AUC.

KEY ENTITIES

Alberta Utilities Commission

The AUC is an independent, quasi-judicial agency of the Government of Alberta that regulates natural gas, electric and water utilities operating in Alberta, including the Corporation. The Commission regulates both rates and terms and conditions of natural gas, electric, and water utility services to ensure that customers receive safe and reliable service at just and reasonable rates. The AUC regulates the transmission and distribution sectors of Alberta's electricity industry, the major intra-Alberta gas transmission system and larger municipal electricity distributors.

Alberta Electric System Operator

The AESO is a not-for-profit statutory corporation that is responsible for overseeing the safe, reliable and efficient operation of the AIES, and for operating the Power Pool. The AESO is also responsible for managing the operation of the transmission system and administering load settlement. It recovers associated costs under a tariff approved by the AUC.

The AESO also operates Alberta's hourly energy spot market, receives electricity supply offers and demand bids, sets the schedule for the dispatch of generating units, schedules generating units to provide system support services, carries out the financial settlement for electricity exchanged through the Power Pool and reports the hourly Power Pool price for electricity. The AESO's costs of operating the Power Pool are recovered through a surcharge on all electricity transacted in Alberta's market.

Market Surveillance Administrator

The MSA is an independent entity appointed by the provincial government that has a broad mandate to monitor market activity and investigate complaints regarding market operations. The MSA implements rules governing Alberta's electricity industry in order to prevent anti-competitive practices.

Balancing Pool

The Balancing Pool is an independent government agency originally created to administer long-term Power Purchase Agreements in support of Alberta's energy-only electricity market.

REGULATORY PROCESS

The Corporation's electricity distribution business and its distribution assets are regulated by the AUC under authority of the *PUA*, the *EUA,* the *HEEA* and the *AUCA*.

The AUC approves tariffs for regulated distribution utilities. These tariffs establish rates that may be charged to customers, as well as terms and conditions of service. The AUC's objective is to ensure that customers receive safe and reliable service at just and reasonable rates. The *EUA* requires regulated distribution utilities, such as FortisAlberta, to file a distribution tariff for approval by the AUC.

Prior to January 1, 2013, electric distribution service rates were developed using a cost-of-service model. Under this approach, utilities applied for approval to recover prudently incurred costs associated with the provision of utility service, including a fair return, on a forecast basis. These costs included:

- *Depreciation and Amortization* – an allowance for a return of capital and the depreciation or amortization expense that is associated with its Rate Base Assets, net of any customer contribution amortization;

- *Income Taxes* – an allowance for the recovery of deemed income taxes in respect of the regulated operations of the distribution utility;

- *Operating and Maintenance Expense* – an allowance for the prudent operating and maintenance costs associated with operating the distribution utility; and

- *Total Return* – the return on capital invested by the distribution utility in its approved Rate Base Assets, net of customer contributions, and financed through a capital structure comprised of debt and equity.

In early 2010, the AUC began reforming utility rate regulation for distribution utilities in Alberta. At the beginning of 2013, the Commission transitioned distribution utilities from cost-of-service rate regulation to

PBR. PBR ratemaking models delink a utility's costs and revenues during a ratemaking term following the determination of a revenue requirement by using a formula to determine customer rates on an annual basis. The result is that the utility is incented to identify efficiencies to maintain and improve returns.

The AUC's PBR model sets customer rates annually by applying an escalation formula to the prior year's rates. The annual adjustment is equivalent to an inflation factor less a productivity factor (I-X). The inflation factor (I) is determined each year using a weighted combination of the Statistics Canada Consumer Price Index and the Alberta Weekly Earnings Index, while the productivity factor (X) is set at the outset of the five-year PBR term. Other components of the formula used to determine customer rates include: (i) flow-through items to be collected, or refunded, annually (Y factor); (ii) incremental capital requirements (K factor or K-Bar); and (iii) exogenous costs outside of the control of the utility (Z factor).

In addition to the application to determine the revenue requirement, the regulatory model also includes a process known as a Phase II application, which establishes a rate structure by determining the specific rates to be charged to different classes of consumers. A Phase II determination provides rate schedules applicable to different customer classes, as well as terms and conditions that govern the services provided to customers. The determination of a rate structure typically involves the allocation of the revenue requirement to customer classes based on various class characteristics, followed by the design of specific rates to recover the allocated costs in a reasonable and equitable manner.

Revenue collected is determined by multiplying approved rates by billing determinants. Billing determinants may be either fixed or variable, with fixed billing determinants providing more revenue stability and minimizing the revenue impact of fluctuations in the volume of electricity distributed. FortisAlberta's distribution revenue can be considered stable as approximately 85% of the Corporation's distribution revenue is derived from fixed or largely fixed billing determinants. FortisAlberta's billing determinants include:

- energy (variable charges);
- demand (largely fixed charges);
- basic service charges (fixed charges); and
- contract kilometers (fixed distance-based charges).

Significant Regulatory Proceedings

Performance Based Regulation

In September 2012, the AUC issued Decision 2012-237 (PBR Decision), which approved the transition to PBR for a five-year term beginning January 2013 and ending December 2017.

In December 2016, the AUC issued Decision 20414-D01-2016 (Second Term PBR Decision) outlining the way in which distribution rates would be determined for PBR Utilities during the second PBR term, which is 2018 to 2022.

During the second PBR term, customer rates continue to be determined using a formula that estimates inflation and assumes productivity improvements (I-X) applied to the preceding year's distribution rates. The inflation factor (I) will be determined annually in the same manner as during the first PBR term. The productivity factor (X) has been set at 0.30% for the second PBR term, compared to 1.16% for the first PBR term.

Also consistent with the first PBR term, the second PBR term will include: a Y factor, for the recovery or settlement of items determined to flow through directly to customers; a Z factor, which permits an application for recovery of costs related to significant unforeseen events; a PBR re-opener, which permits an application to re-open and review the PBR plan to address specific problems with the design or operation of the PBR plan; and an ROE efficiency carry-over mechanism, which provides an efficiency incentive by permitting a utility to continue to benefit from any efficiency gains achieved during a prior PBR term for two years of a subsequent PBR term. Incremental capital funding to recover costs related to capital expenditures that are not recovered through the formula will continue to be available in the second PBR term, but will be provided using two mechanisms, as discussed below.

The capital tracker mechanism from the first PBR term will continue for capital expenditures identified as "Type 1". Type 1 capital must be extraordinary, not previously included in the utility's rate base, and required by a third party. In the event that PBR Utilities seek to obtain Type 1 capital funding, they will be required to submit, as part of their annual rates application, a forecast K factor amount relating to any Type 1 capital, 90% of which will be reflected in distribution rates as a placeholder. An annual Type 1 true-up application will be required to test the prudency of the capital expenditures and to true-up to the actual K factor amount.

Type 2 capital will include all capital in the notional going-in rate base with a provision for a prescribed level of annual capital additions funded through a K-Bar mechanism. A K-Bar amount will be established for each year of the term based on the resulting projected rate base for Type 2 capital programs.

The Second Term PBR Decision also addressed Phase II applications. PBR Utilities are permitted to submit a Phase II application subsequent to the approval of the second compliance filing. Approvals resulting from the Phase II application will apply for the entirety of the second PBR term. The Corporation initially filed a Phase II application for approval by the AUC in January 2020. This application, which incorporated data from all feeders on FortisAlberta's distribution system, was subsequently refiled in October 2020 in accordance with AUC directions.

As described in the Corporation's Management, Discussion and Analysis for the three and nine months ended September 30, 2021, the AUC issued a decision on the Phase II application in the third quarter of 2021.

2020 Annual Rates Application

In September 2019, the Corporation submitted its 2020 Annual Rates Application. The rates and riders, proposed to be effective on an interim basis for January 1, 2020, include an increase of approximately 4.9% to the distribution component of customer rates. The increase in the distribution component of customer rates reflected: (i) an I-X of 1.06%; (ii) a collection of $0.2 million for the true-up of going-in rates; (iii) a net collection of $1.5 million for the true-up of the 2018 and 2019 K-Bar amounts; (iv) a 2020 K-Bar placeholder of $58.4 million; (v) a refund of $11.5 million for the 2018, 2019 and 2020 AESO contributions hybrid deferral; and (vi) a net refund of Y factor amounts of $1.3 million.

In December 2019, the AUC issued Decision 24876-D01-2019 approving the Corporation's 2020 rates, as filed in the 2020 Annual Rates Application, on an interim basis.

2021 Annual Rates Application

In November 2020, the Corporation filed an updated 2021 Annual Rates Application incorporating the impacts of the AUC's Decision 24932-D01-2020 associated with the review and variance of the 2018 Independent System Operator ("ISO") Tariff, discussed in more detail below. In December 2020, the AUC issued Decision 25843-D01-2020 approving the Corporation's 2021 rates and riders, effective on an interim basis for January 1, 2021, including an increase of approximately 0.9% to the distribution component of customer rates. The increase in the distribution component of customer rates reflects: (i) an I-X of 2.12%; (ii) a refund of $1.5 million for the true-up of going-in rates; (iii) a refund of $5.4 million for the true-up of the 2018, 2019 and 2020 K-Bar amounts; (iv) a 2021 K-Bar placeholder of $76.8 million; (v) a net refund of $14.6 million for the true-up of the 2018, 2019, and 2020 AESO contributions hybrid deferral; (vi) a placeholder refund of $11.6 million for the 2021 AESO contributions hybrid deferral; (vii) a refund of $1.2 million for the true-up of the Corporation's approved 2016 and 2017 K factor amounts; and (viii) a net refund of Y factor amounts of $1.5 million.

Generic Cost of Capital

In December 2018, the AUC initiated a proceeding to consider establishing a formula-based approach to setting the approved ROE and to consider whether any process changes are necessary for determining capital structure in the years in which the ROE formula would be in place. In April 2019, the AUC confirmed that the proceeding will include a traditional assessment of ROE and deemed capital structure for the 2021 and 2022 test period. This proceeding was commenced in January 2020 but was later suspended as a result of the onset of the novel coronavirus (COVID-19) pandemic. On October 13, 2020, the Commission approved an ROE of 8.50% and a deemed equity ratio of 37% for all Alberta electric utilities, including the Corporation, through to the end of 2021 on a final basis. In December 2020, the AUC initiated the 2022 Generic Cost of Capital proceeding to assess the establishment of cost of capital parameters for 2022 and possibly one or more additional years.

As described in the Corporation's Management, Discussion and Analysis for the three and nine months ended September 30, 2021, a regulatory decision was received in 2021 resulting in the 2022 cost of capital parameters remaining unchanged from 2021.

Utility Asset Disposition Proceedings

In Decision 2011-474 (2011 GCOC Decision), the AUC made statements regarding cost responsibility for stranded assets. The AUC found that stranded assets included utility assets no longer used to provide utility services as a result of extraordinary circumstances. The affected utilities sought leave to appeal the 2011 GCOC Decision to the Alberta Court of Appeal and filed a Review and Variance Application with the AUC. This prompted the AUC to initiate the Utility Asset Disposition (UAD) proceeding to further examine the issues raised by the utilities' concerns.

In November 2013, the AUC issued Decision 2013-417 (UAD Decision) regarding the UAD proceeding. The UAD Decision confirmed that in the AUC's view, utilities were responsible for any gains or losses related to the extraordinary retirement of utility assets. The utilities subsequently sought leave to appeal the UAD Decision to the Alberta Court of Appeal.

The appeals of the 2011 GCOC Decision and the UAD Decision were heard jointly in June 2015. In September 2015, the Alberta Court of Appeal dismissed the appeal (2015 UAD Appeal Decision). The basis for the court's decision was that the AUC should be accorded deference for its conclusions with respect to utility asset disposition matters.

In November 2015, the utilities filed an application with the Supreme Court of Canada seeking leave to appeal the 2015 UAD Appeal Decision. The court dismissed the leave to appeal application in April 2016.

These court decisions have no immediate impact on the Corporation's financial position. However, the Corporation is exposed to the risk that the unrecovered costs associated with utility assets subsequently deemed by the AUC to have been subject to an extraordinary retirement as contemplated by the UAD Decision, including removals from service resulting from sudden obsolescence, will not be recoverable from customers. Currently, the Corporation has no asset retirements considered to be extraordinary.

Electric Distribution System Purchases

If the Corporation and a municipality or an REA come to an agreement to transfer electric distribution system assets to the Corporation, the transfer and purchase is subject to AUC approval and regulatory oversight. The municipality or REA is required to apply to the AUC to cease and discontinue its operations. Concurrently, the Corporation is required to apply to the AUC to alter its electric service area to include the electric service area of the municipality or REA and to obtain approval of the purchase price for the distribution system assets and the related rate treatment. Distribution assets transferred to the Corporation in connection with acquisitions included in regulated rate base are valued using the Replacement Cost New minus Depreciation (RCN-D) method. The Corporation completes RCN-D valuations by first estimating the costs it would incur to replace applicable assets at current standards. The RCN value is thereafter reduced by a depreciation factor to account for the estimated accumulated depreciation at the time that the assets are to be transferred to the Corporation. The Corporation applies to the AUC for recovery of the RCN-D value in rates. The Corporation has previously accepted transfers of distribution system assets from both REAs and smaller municipalities upon receiving the required approvals from the Commission.

In December 2018, the AUC issued a bulletin announcing the initiation of a generic proceeding to establish the rate treatment methodology in respect of distribution system purchases by distribution utilities under 2018 to 2022 PBR plans. In determining the generic proceeding, the AUC confirmed that incremental capital funding requirements for all post-2019 transfers of distribution assets would be addressed using the Corporation's K-Bar funding.

Distribution System Inquiry

On December 6, 2018, the AUC issued Bulletin 2018-17, which initiated an inquiry into various matters relating to the continuing evolution of the electric distribution grid in Alberta. The AUC has requested comments from stakeholders, including the Corporation, regarding the specific scope of the inquiry and the processes that will be followed.

In Bulletin 2018-17, the AUC stated that "[T]he purpose of the inquiry is to map out the key issues related to the future of the electric distribution grid, to aid in developing the necessary regulatory framework to accommodate the evolution of the electric system." Information provided by the AUC indicates that the topics to be covered in the inquiry will include, but not necessarily be limited to: technological requirements and impacts on system planning, the role of regulated electric distribution service providers in grid modernization, and the means by which the distribution system can evolve to provide appropriate price signals to participating stakeholders. The electric distribution system inquiry concluded in July 2020. The Commission's report on the results of the distribution system inquiry is expected to be released in 2021.

As an update to the above, the AUC issued Decision 24116-D01-2016 on February 19, 2021.

2018 Independent System Operator (ISO) Tariff Application

Throughout 2018 and 2019, the Corporation participated in an application initiated by the AESO for approval of its 2018 ISO Tariff. This ISO Tariff application engaged an issue that directly impacted FortisAlberta's future ability to earn a regulated return on certain investments. Specifically, the AUC engaged in a reconsideration of the AESO's longstanding Customer Contribution Policy. This policy permits DFOs, including the Corporation to make contributions to transmission investments, and to earn a regulated return on investments made in those transmission assets under prescribed circumstances. These investments are known as "AESO Contributions".

In a decision issued on September 22, 2019, the AUC determined that market participant / DFOs, including the Corporation, would be prevented from making future investments under the AESO Customer Contribution Policy. In the same decision, the Commission also directed FortisAlberta to transfer the remaining unamortized balances of all prior AESO Contributions, totaling approximately $403.8 million, to the incumbent TFO in the Corporation's service area, AltaLink Management Ltd.

On September 25, 2019, FortisAlberta filed a request for immediate review and variance of the decision as it relates to the AESO Contribution matter. The Corporation also sought permission to appeal the AUC's decision to the Alberta Court of Appeal. In October 2019, the Commission confirmed that it would reconsider its decision prior to the end of 2019 and stayed the operation of the 2018 ISO Tariff decision pending the conclusion of that process.

On December 20, 2019, the AUC informed stakeholders that it would not complete its reconsideration of the 2018 ISO Tariff decision prior to the end of 2019. The Commission's reconsideration was completed in 2020. In a decision issued on November 4, 2020, the Commission rescinded the portions of the 2018 ISO Tariff decision that directed the Corporation to transfer the remaining unamortized balances of its prior AESO Contributions to AltaLink Management Ltd. In the same decision, the Commission directed the Corporation to apply a transmission asset depreciation rate to its AESO Contributions on a go forward basis. Following the issuance of this decision, the Commission initiated a new proceeding to consider whether changes are required to be made to the AESO Customer Contribution Policy on a prospective basis. The Corporation's future ability to make, and earn a regulated return on, AESO Contributions will be determined by the outcome of this new proceeding.

As described in the Corporation's Management, Discussion and Analysis for the three and nine months ended September 30, 2021, the AUC issued a decision on this new proceeding regarding the financial treatment of future AESO Contributions during 2021.

Phase II Distribution Tariff Application (DTA)

A Phase II Distribution Tariff Application ("DTA") is undertaken periodically to propose revisions to rate design and rate class cost allocations that will determine how much of the Corporation's revenue requirement will be recovered from each customer class. The DTA also establishes the billing determinants that will apply to each rate class. The Corporation filed a Phase II DTA in January 2020, which proposed a revised rate design intended to achieve improved alignment between revenues collected from, and costs assigned to, specific rate classes.

Shortly after filing the DTA, certain REAs challenged the Corporation's proposal to allocate distribution costs to them on jurisdictional grounds. In April 2020, the AUC ultimately determined that it does not have the authority to allocate upstream distribution costs to REAs, as requested by the Corporation. The Corporation sought further direction from the Alberta Court of Appeal regarding the correctness of the AUC's decision and proposed that the AUC's consideration of the Phase II DTA be withdrawn. In May 2020, the AUC approved the Corporation's request to withdraw its Phase II DTA, pending the determination of proceedings with the Alberta Court of Appeal. In July 2020, the Alberta Court of Appeal dismissed the Corporation's application for permission to appeal the AUC's decision.

As directed by the AUC, the Corporation re-filed its Phase II DTA in October 2020 excluding its proposal to allocate upstream distribution charges to REAs. In December 2020, the Corporation held a virtual technical conference with the AUC and intervenors to the proceeding. Virtual oral argument is scheduled for April 2021 and a decision is expected in the third quarter of 2021.

As an update to the above, the AUC issued Decision 25916-D01-2021 in July 2021. For further information please refer to the Corporation's Management, Discussion and Analysis for the three and nine months ended September 30, 2021.

MARKET FOR SECURITIES

None of the issued and outstanding securities of the Corporation, including the Debentures, are listed on any exchange.

DIVIDEND POLICY

The following table summarizes the cash dividends declared at the discretion of the Board for the past three years on the Corporation's Class "A" Common Shares. Dividends were paid in four equal instalments in February, May, August and November each year.

	Dividends Declared and Paid (Millions)		
Share Capital	2020	2019	2018
Class "A" Common Shares	80	75	70

Certain of the Corporation's debt covenants contain restrictions on the payment of dividends if consolidated debt exceeds 75% of the Corporation's consolidated capitalization ratio, which is based on the Corporation's total capital structure. Certain further restrictions apply on dividends that are not in the ordinary course of business. The Corporation remains in compliance with these covenants.

DESCRIPTION OF CAPITAL STRUCTURE

GENERAL DESCRIPTION

The Corporation has authorized share capital consisting of an unlimited number of Common Shares, Class "A" Common Shares and First Preferred Shares. The holders of the Common Shares are entitled to receive notice of, and to attend, all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each Common Share held at all such meetings. The holders of the Class "A" Common

Shares are entitled to receive notice of, and to attend, all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each Class "A" Common Share held at all such meetings, other than a meeting of the First Preferred Shares, as a class. The holders of the First Preferred Shares as a class are not entitled to receive notice of, to attend, nor to vote at any meeting of the shareholders of the Corporation, other than those meetings called for the purpose of authorizing the voluntary liquidation and dissolution of the Corporation.

The issued and outstanding capital of FortisAlberta consists of 63 Class "A" Common Shares with no par value. There are no Common Shares or First Preferred Shares outstanding. Fortis Alberta Holdings Inc., the Corporation's parent company and an indirect, wholly-owned subsidiary of Fortis, owns all the issued and outstanding Class "A" Common Shares of the Corporation.

RATINGS

The following information relating to the Corporation's credit ratings is provided as it relates to the Corporation's financing costs and liquidity. Specifically, credit ratings affect the Corporation's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current ratings on the Corporation's debt by its rating agencies or a negative change in the ratings outlook could adversely affect the Corporation's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Corporation's ability to, and the associated costs of, entering into normal course derivative or hedging transactions or its ability to maintain ordinary course contracts with customers and suppliers on acceptable terms.

The Corporation's credit ratings as at the date hereof are set out in the following table:

Rating Agency	Rating/Outlook
DBRS Morningstar ("DBRS")	A (low), Stable Trend
S&P	A-, Stable

The ratings are not recommendations to purchase, hold or sell Debentures, because ratings do not comment on the market price or suitability of Debentures for a particular investor. The Corporation understands that ratings are based on, among other things, information furnished to the rating agencies by the Corporation and information obtained by the rating agencies from public sources. Ratings may be changed, suspended or withdrawn at any time by the rating agencies.

DBRS long-term debt ratings are on a rating scale that ranges from AAA to C, which represents the range from highest to lowest quality of such securities. DBRS states that its long-term debt ratings are meant to give an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. DBRS ratings do not take factors such as pricing or market risk into consideration and the ratings are expected to be used by purchasers as one part of their investment decision. Every DBRS rating is based on quantitative and qualitative considerations that are relevant for the borrowing entity. According to DBRS, a rating of A by DBRS is in the middle of three subcategories within the third highest of ten major categories; such rating is assigned to debt instruments considered to be of satisfactory credit quality and for which protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities. Entities in the A category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated entities. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. DBRS ratings trends provide guidance regarding the outlook for the rating. A Positive Trend represents an indication that there is a greater likelihood that the rating could improve in the future than would be the case if a Stable Trend was assigned.

S&P's long-term debt ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities. S&P states that its long-term debt rating evaluates the obligor's capacity and willingness to meet its financial commitments as they come due. Issue ratings are an assessment of default risk but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. According to S&P, a rating of A by S&P is the third highest of ten major categories. An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. The assignment of a “(+)” or “(-)” modifier within each rating category indicates relative standing within such category. S&P's rating outlook indicates their view regarding the potential direction of a long-term credit rating over the intermediate term, typically six months to two years. In determining a rating outlook, consideration is given to any changes in the economic or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future action. Positive means that a rating may be raised. Stable means that a rating is not likely to change, whereas Negative means that a rating may be lowered.

FortisAlberta has paid each of DBRS and S&P their customary fees in connection with the provisions of the above ratings. FortisAlberta has not made any payment to DBRS or S&P in the past two years for services unrelated to the provision of such ratings.

RISK FACTORS

The Corporation is subject to a variety of risks and uncertainties that may have material and adverse effects, financial or otherwise, on the results of the Corporation’s operations.

REGULATORY OPERATIONS

The regulated operations of the Corporation are subject to the uncertainties faced by regulated utility companies. Those uncertainties include whether customer rates approved by the AUC will provide a reasonable opportunity to the Corporation for recovery of the estimated costs of providing utility services, including a fair return on the portion of approved rate base funded by the equity component of the capital structure, on a timely basis. The ability of the Corporation to recover the actual costs of providing services and to earn the approved ROE depends on the Corporation’s ability to operate using the revenues provided through regulatory mechanisms.

Through the regulatory process, the AUC approves the allowed ROE for rate-making purposes and capital structure. Regulatory treatment that allows the Corporation to earn a fair risk-adjusted rate of return, comparable to that available on alternative investments of similar risk, is essential for maintaining access to capital.

The fundamental risk faced by all regulated utilities is that the regulator-approved rates will not provide sufficient revenue to recover all of the costs associated with providing service. During the PBR term, the formula that determines annual customer rates exposes the Corporation to the following specific risks: (i) that the Corporation will experience inflationary increases in excess of the inflationary factor set by the AUC in the formula; (ii) that the Corporation will be unable to achieve the productivity improvements expected over the PBR term; (iii) that the costs related to the Corporation’s capital expenditures will be in excess of that provided for in the base formula and the incremental capital funding mechanism; and (iv) that material unforeseen costs will be incurred and that they will not qualify, or be approved, as a Z factor.

The Corporation's rate base, including the cost of replacement or upgrades to existing facilities and the addition of new facilities, continue to require the approval of the AUC. There is no assurance that the Corporation will receive regulatory orders in a timely manner, and the Corporation may incur costs prior to having approved rates. A failure to obtain approval of capital expenditures may adversely affect the Corporation’s results of operations or financial position.

In the interest of regulatory efficiency, the AUC can employ generic proceedings to address regulatory matters that impact multiple utilities. While generic proceedings allow for regulatory efficiencies, there is the risk that a collective result will not adequately address individual utility circumstances.

The Corporation is exposed to the risk that the unrecovered costs associated with utility assets subsequently deemed by the AUC to have been subject to an extraordinary retirement, including removals from service resulting from sudden obsolescence, will not be recoverable from customers. This exposure persists in the wake of the UAD Decision and the previous provincial government's decision to remove portions of Bill 13, *An Act to Secure Alberta's Energy Future*, which were intended to address utility asset disposition related risks by legislative means. Currently, the Corporation has no asset retirements considered to be extraordinary.

As an owner of an electricity distribution network under the *EUA*, the Corporation is required to act, or to authorize a substitute party to act, as a provider of electricity services, including the wholesale purchase and retail sale of electricity, to eligible customers under a regulated rate and to appoint a retailer as default supplier to provide electricity services to customers otherwise unable to obtain electricity services. In order to remain solely a distribution utility, the Corporation appointed EPCOR as its regulated rate and default provider. As a result of this appointment, EPCOR assumed all of the Corporation's contractual rights and obligations in respect of the provision of these services. In the unlikely event that EPCOR is unable or unwilling to act as regulated rate provider or as default supplier, and no other party is willing to act as regulated rate provider or as default supplier, the Corporation would be required under the *EUA* to act as a provider of electricity services to eligible customers under a regulated rate or to provide electricity services to customers otherwise unable to obtain electricity services. If the Corporation could not secure outsourcing for these functions, the Corporation would be required to administer these responsibilities by adding staff, facilities, and/or equipment, as necessary.

Loss of Service Areas

The Corporation serves customers residing within various municipalities throughout its service areas. Periodically, municipal governments in Alberta give consideration to creating their own electricity distribution utilities by purchasing the assets of the Corporation located within their municipal boundaries. Upon the termination of a franchise agreement, a municipality has the right, subject to AUC approval, to purchase the Corporation's assets within its municipal boundaries pursuant to the *MGA*, with the price based upon replacement cost less depreciation and to be as agreed to by the Corporation and the municipality. Failing an agreement between the parties, the price is to be determined by the AUC.

Additionally, under the *HEEA*, if a municipality that owns an electricity distribution system expands its boundaries, the municipality can acquire the Corporation's assets in the annexed area. In such circumstances, the *HEEA* provides that the AUC may determine that the municipality should pay compensation to the Corporation for any facilities transferred on the basis of replacement cost less depreciation. Given the historical population and economic growth of Alberta and its municipalities, the Corporation is occasionally affected by transactions of this type.

Within certain portions of the Corporation's service area that overlaps with REAs, consumers who chose to voluntarily become members have the right to obtain electric distribution service from an REA as defined in the integrated operating agreements between the Corporation and those REAs.

Historically, eligibility criteria included in statutorily mandated contracts between the Corporation and REAs limited the provision of service by REAs to members whose land is used for agricultural activity. However, as a result of the outcome of an arbitration completed in 2016 between the Corporation and EQUS REA, Ltd. ("EQUS"), an integrated operating agreement was established between the Corporation and EQUS that does not contain eligibility criteria. As currently framed, the integrated operating agreement with EQUS may result in persons choosing to receive service from EQUS in overlapping areas, where they previously would have been obligated to take service, except agricultural/farm service, from the Corporation. Subsequent arbitration decisions involving the Corporation and REAs have resulted in eligibility criteria similarly being removed from other such operating agreements.

The consequence to the Corporation of a municipality purchasing its distribution assets or the loss of the opportunity to serve customers receiving distribution services from a REA would be a reduction in revenue associated with the loss of these customers and the consequent transfer of assets.

Government Policies Impacting the Electricity Industry

The regulatory framework under which the Corporation operates is impacted by significant shifts in government policy and/or changes in government, which creates uncertainty about public policy priorities and directions, particularly around electricity and environmental issues. The regulations that govern the competitive wholesale and retail electricity markets in Alberta continue to evolve and the extent to which the Government of Alberta may participate in, and make adjustments to, the regulations cannot be foreseen. If significant changes were to occur in these regulations, it could adversely affect the ability of the Corporation to recover its costs or to earn a reasonable return on its capital.

ECONOMIC CONDITIONS

Alberta's economy is impacted by a number of factors including the level of oil and gas exploration and production activity in the province, which is influenced by the market prices of oil and gas, government mandated oil production limits and access to market. A general and extended decline in Alberta's economy would be expected to have the effect of reducing requests for electricity service over time and may increase the number of salvaged sites. Significantly reduced requests for services in the Corporation's service areas and existing customers reduced demand and energy consumption could materially reduce the Corporation's revenues and its capital spending forecast, specifically related to customer growth, externally driven and AESO contribution expenditures. A reduction in capital spending would, in turn, affect the Corporation's rate base and earnings growth.

In 2020, Alberta experienced a notable economic downturn related to the combined impacts of the COVID-19 pandemic and a decline in world oil prices. There were no material impacts to the Corporation's revenues in 2020 as approximately 85% of the Corporation's distribution revenue is derived from fixed or largely fixed billing determinants. However, the Corporation's revenues and capital program in future years may be impacted by a reduction in requests for electricity service, an increased number of salvaged sites, and reduced demand and energy consumption.

ECONOMIC IMPACTS OF THE COVID-19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19 a pandemic. The result was significant disruptions to businesses, including the closure of non-essential businesses and educational institutions, the imposition of travel restrictions, and a global economic slowdown. The COVID-19 pandemic is an evolving situation that has caused volatility in capital markets and adversely impacted economic activity and conditions around the world. There continues to be uncertainty surrounding the extent of the pandemic, particularly around the resurgences of variants of the virus and the timing, availability, administration and efficacy of COVID-19 vaccines. The impact of the COVID-19 pandemic on the Corporation's operational and financial performance is expected to evolve through the duration of the pandemic. While the following potential impacts to the Corporation may not materialize or significantly change, they are being considered and monitored. At the time of filing this AIF, potential areas that could be impacted include, but are not limited to, availability of personnel, energy usage and revenues, customer retention, the timing of capital expenditures, supply chain, the amount and timing of operating and maintenance expenses, ability to access debt markets, timing of regulatory filings, valuation of goodwill, valuation of long-lived assets and accounts receivable valuation.

Counterparty risk with retailer billings arising from the pandemic is mitigated through the Corporation obtaining an acceptable form of prudential, which includes a cash deposit, a letter of credit, an investment grade credit rating from a major rating agency, or a financial guarantee from an entity with an investment grade credit rating. Currently, the Corporation does not expect a significant change in risk related to its retailer billings. The Corporation continues to provide safe and reliable electric service to customers, restrict business travel, and allow employees and contractors who can remain off-site to continue to do so by working remotely.

The duration and extent of the pandemic will continue to inform the Corporation's assessment of the financial impacts on its operations, financial condition and liquidity. At the time of filing this AIF, there is uncertainty around both the duration and the extent of the virus' impact and therefore it is unclear as to whether the COVID-19 pandemic will have a material adverse effect on the Corporation.

ENVIRONMENTAL RISKS

The Corporation is subject to numerous laws, regulations and guidelines governing the generation, management, storage, transportation, recycling and disposal of hazardous substances and other waste materials, and otherwise relating to the protection of the environment. Environmental damages and associated costs could arise due to a variety of events, including the impact of severe weather on the Corporation’s facilities, human error or misconduct, or equipment failure. Costs arising from compliance with such environmental laws, regulations and guidelines may become material to the Corporation. In addition, the process of obtaining environmental permits and approvals, including any necessary environmental assessments, can be lengthy, contentious and expensive. The Corporation would seek to recover in customer rates the costs associated with environmental protection, compliance and damage; however, there is no assurance that such costs will be recoverable through rates and, if substantial, unrecovered costs may have a material adverse effect on the Corporation’s results of operations, cash flow and financial position.

The Corporation is also subject to the risk of contamination of air, soil and water primarily related to the use and/or disposal of petroleum-based products, mainly transformer, hydraulic and lubricating oil, in the Corporation’s day-to-day operating and maintenance activities. Contamination typically occurs through the accidental release of transformer or lubricating oils either through equipment failure or human error. The Corporation could be found to be responsible for remediation of contaminated properties, whether or not such contamination was actually caused by the Corporation. Environmental laws make owners, operators and senior management subject to prosecution or administrative action for breaches of environmental laws, including the failure to obtain regulatory approvals. Changes in environmental laws governing contamination could lead to significant increases in costs to the Corporation.

To identify, mitigate and monitor environmental performance the Corporation has established an EMS. The Corporation’s EMS is consistent with the principles of the International Organization for Standardization 14001. The Corporation has an independent external audit completed every three years on the entire EMS to ensure compliance with International Organization for Standardization 14001. The most recent external EMS audit was completed in the third quarter of 2018. As at December 31, 2020, there were no environmental liabilities recorded in the Corporation’s financial statements and there were no unrecorded environmental liabilities known to management.

Electricity distribution facilities have the potential to cause fires as a result of equipment failure, trees falling on and lightning strikes to distribution lines or equipment, and other causes. Risks associated with fire damage are related to weather, the extent of forestation and grassland cover, habitation and third-party facilities located on or near the land on which the facilities are situated. The Corporation may become liable for fire suppression costs, regeneration and timber value costs, and third-party claims in connection with fires on land where facilities are located if it is found that such facilities were the cause of a fire, and such claims, if successful, could be material.

The Corporation has a wildfire agreement with the Government of Alberta, which limits the Corporation’s liability for the Crown’s forest fire suppression costs in the FPA. The agreement allows the Corporation to limit its liability to 25% of the fire suppression costs to a maximum of $100,000 per incident, following approval by the Crown of the Corporation’s annual wildfire management plan for wildfire prevention. Absent this approval or work not completed as per the annual wildfire management plan, the Corporation’s liability is limited to 50% of the fire suppression costs to a maximum of $200,000 per incident. The Corporation’s wildfire management plan is presented for approval annually, prior to the wildfire season, with the approval in 2020 being received on March 1, 2020 and effective March 1, 2020.

While the Corporation maintains insurance for costs associated with fires, including fire suppression costs and liability for third-party claims, the insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions, and there can be no assurance that the liabilities that may be incurred by the Corporation will be covered by its insurance.

Capital Resources and Liquidity

The Corporation's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. Funds generated from operations after payment of expected expenses, including interest payments on any outstanding debt, will not be sufficient to fund all anticipated capital expenditures and the repayment of all outstanding liabilities when due. The ability to arrange sufficient and cost-effective financing is subject to numerous factors, including regulatory approval or exemption, the regulatory environment in Alberta, the results of operations and financial position of the Corporation and Fortis, conditions in the capital and bank credit markets, the credit ratings assigned by rating agencies, and general economic conditions. There can be no assurance that sufficient capital will be available on acceptable terms to fund capital expenditures and repay existing debt.

Operating and Maintenance Risk

The Corporation is required to operate and maintain its electric distribution system in a manner that enables the provision of safe and reliable utility service to customers and that will ensure the safety of employees, contractors and the general public. An inability to discharge these responsibilities may result in material adverse consequences for the Corporation.

The Corporation's distribution assets require normal course maintenance, improvement and replacement in accordance with applicable standards. The Corporation determines expenditures that must be made to maintain and replace equipment in order to ensure the continued safe and reliable operation of its distribution assets. An inability on the part of the Corporation to perform required work in a timely manner may result in increased costs and service disruptions for customers.

The Corporation continually develops expenditure programs and assesses current and future operating and maintenance expenses that will be incurred in the ongoing operation of its distribution assets. The Corporation's analysis is based on assumptions as to the costs of services and equipment, regulatory requirements, revenue requirement approvals, and other matters, all of which are uncertain. If the Corporation's actual costs to provide utility services exceed AUC approved customer rates these additional costs may not be recoverable through rates. An inability to recover these additional costs could have a material adverse effect on the financial condition and results of operations of the Corporation.

Weather and Climate-Change

The Corporation's physical assets are exposed to the effects of severe weather conditions and other acts of nature, some of which could be caused by climate-change. Although the physical assets have been constructed and are operated and maintained to withstand severe weather and other acts of nature, there is no assurance that they will successfully do so in all circumstances Many of the physical assets are located in remote areas that makes it more difficult to perform maintenance and repairs if such assets are damaged. Losses resulting from repair costs and lost revenues could substantially exceed insurance coverage. Furthermore, the Corporation could be subject to claims from its customers for damages caused by the failure to transmit or distribute electricity to them in accordance with the Corporation's contractual obligations.

In the event of a material uninsured loss or liability caused by severe weather conditions or other acts of nature, the Corporation may apply to the AUC to recover such losses through customer rates. However, in light of the AUC's UAD Decision there is a risk that such losses could be deemed an "extraordinary retirement" and that any unrecovered costs associated with the loss of utility assets due to severe weather conditions or other acts of nature would not be recovered from customers.

Information and operations Technology and Cybersecurity Risk

The Corporation's ability to operate effectively is dependent upon developing and maintaining information systems and infrastructure that support the operation of its distribution facilities, provide the electricity market with billing and load settlement information and support the financial and general operating aspects of the business.

Exposure of the Corporation's information and operations technology systems to external threats poses a risk to the security of these systems and information. Such cybersecurity threats include unauthorized access to information and operations technology systems due to hacking, viruses and other causes that can result in service disruptions, acts of war or terrorism, system failures and the deliberate or inadvertent disclosure of confidential business, employee and customer information.

The Corporation is required to protect information and operations technology systems and to safeguard the confidentiality of business, employee and customer information in order to operate effectively and to comply with regulatory and legal requirements. The Corporation has security measures, systems, policies and controls designed to protect and secure the integrity of its information and operations technology systems; however, cybersecurity threats frequently change and require ongoing monitoring and detection capabilities. In the event the Corporation's information and operations technology security measures are breached, it could experience service disruptions, property damage, or corruption or unavailability of critical data or confidential business, employee and customer information. A material breach could adversely affect the financial performance of the Corporation, its reputation and standing with customers, regulators, or financial markets and expose it to claims for third-party damage. The financial impact of a material breach in cybersecurity, act of war or terrorism could be material and may not be covered by insurance policies or, in the case of utilities, through regulatory recovery.

Cybersecurity breaches, acts of war or terrorism, grid disturbances or security breaches involving the misappropriation of sensitive, confidential and proprietary customer, employee, financial or system operating information could significantly disrupt the Corporation's business operations and have an adverse effect on its reputation. The Corporation assessed its cybersecurity measures and continues to strengthen and protect the Corporation's technological infrastructure from potential malicious attacks as employees continue to work remotely during the COVID-19 pandemic.

Insurance Coverage Risk

The Corporation maintains insurance coverage at all times with respect to certain potential liabilities and the accidental loss of value of certain of its assets, in amounts and with such insurers, as it considers appropriate, taking into account relevant factors, including the practices of owners of similar assets and operations. However, the Corporation's distribution assets are not covered by insurance, as is customary in North America, as the coverage is not readily available nor is the cost of the coverage considered economically viable.

It is anticipated that existing insurance coverage will be maintained. However, there can be no assurance that the Corporation will be able to obtain or maintain adequate insurance in the future at rates it considers reasonable or that insurance will continue to be available on terms as favourable as the Corporation's existing arrangements, or that insurance companies will meet their obligation to pay claims. Further, there can be no assurance that available insurance will cover all losses or liabilities that may arise in the conduct of the Corporation's business. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Corporation, or a claim that falls within a significant self-insured retention could have a material adverse effect on the Corporation's results of operations, cash flow, and financial position.

In the event of a material uninsured loss or liability, the Corporation may apply to the AUC to recover such losses through customer rates. However, in light of the AUC's UAD Decision, there is a risk that such losses could be deemed an "extraordinary retirement" and that any unrecovered costs associated with the loss of utility assets would not be recoverable from customers.

Permits and Rights-of-Way

The acquisition, ownership and operation of distribution assets requires numerous permits, approvals and certificates from federal, provincial and municipal government agencies and from First Nations. The Corporation may not be able to obtain or maintain all required approvals. If there is a delay in obtaining any required approval, or if the Corporation fails to maintain or obtain any required approval or fails to comply with any applicable law, regulation or condition of an approval, the operation of its assets and the distribution of electricity could be prevented or become subject to additional costs, any of which could have a material adverse effect on the Corporation.

It is frequently necessary for portions of the Corporation's power lines to cross certain private and public lands. In those cases, the Corporation must secure permission to cross such lands through easements or rights-of-way. The inability to secure such easements or rights-of-way could increase the costs to provide distribution service beyond amounts forecast in customer rates.

Certain of the Corporation's distribution assets may be located on land that is not known to be deeded and for which it has not acquired appropriate rights. In addition, the Corporation has distribution assets on Indigenous lands, for which access permits are held by TransAlta. In order for the Corporation to acquire these access permits, both the individual First Nations and Crown-Indigenous Relations and Northern Affairs Canada must grant approval. The Corporation may not be able to acquire the access permits from TransAlta and may be unable to negotiate land usage agreements with property owners or, if negotiated, such agreements may be on terms that are less than favourable to the Corporation and, therefore, may have a material adverse effect on the Corporation.

Continued Reporting in Accordance with US GAAP

In December 2017, the Ontario Securities Commission ("OSC") approved the extension of the Corporation's exemptive relief order which permits the Corporation to continue reporting in accordance with US GAAP, until the earliest of: (i) January 1, 2024; (ii) the first day of the financial year that commences after the Corporation ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the International Accounting Standards Board ("IASB") for the mandatory application of a standard within International Financial Reporting Standards ("IFRS") specific to entities with activities subject to rate regulation. The IASB has released an interim, optional standard on Regulatory Deferral Accounts and continues to work on a project focusing on accounting specific to rate-regulated activities. It is not yet known when this project will be completed or whether IFRS will, as a result, include a permanent mandatory standard to be applied by entities with activities subject to rate regulation. The Corporation continues to closely monitor the efforts of the IASB to issue a permanent standard specific to entities with activities subject to rate regulation. In the event that such a standard will not be issued before, or issued with an effective date after, the expiry of the OSC relief order, the Corporation will consider seeking an extension to the OSC relief order. If the OSC relief does not continue as detailed above, the Corporation would then be required to become a United States Securities and Exchange Commission ("SEC") registrant in order to continue reporting under US GAAP or adopt IFRS. In the absence of a permanent standard for rate-regulated activities or continued OSC relief, adopting IFRS could result in volatility in the Corporation's earnings as compared to what would otherwise be recognized under US GAAP.

Labour Relations

Approximately 79% of the employees of the Corporation are members of the UUWA. The Corporation's three-year Collective Agreement with the UUWA expired on December 31, 2020. In the fourth quarter 2020, the Corporation and the UUWA entered into collective bargaining negotiations and in July of 2021, a new tentative agreement was reached for presentation to the UUWA membership. The membership approved this 2-year agreement on August 6, 2021. The agreement expires on December 31, 2022. The Corporation considers its relationship with the UUWA to be satisfactory; however, there can be no assurance that current relations will not be impacted through the collective bargaining process. The inability to maintain a collective bargaining agreement on acceptable terms could result in increased labour costs or costs associated with service interruptions arising from labour disputes not provided for in customer rates, which could have a material adverse effect on the Corporation's results of operations, cash flow, and financial position.

Human Resources

The Corporation's ability to deliver service in a cost-effective manner is dependent on the ability of the Corporation to attract, develop and retain a skilled workforce. Given the demographics of the Corporation's workforce, there will likely be an increase in retirement of critical workforce segments in future years.

Meeting the capital program and customer expectations could be challenging if the Corporation does not continue to attract and retain qualified personnel.

DIRECTORS AND OFFICERS

DIRECTORS

The following table sets out the name, municipality of residence, term of office and number of Fortis shares beneficially owned, directly or indirectly, or controlled or directed, for each of the directors of FortisAlberta as at December 31, 2020. Also included are principal occupations within the five preceding years from December 31, 2020. All directors are elected annually.

Name and Municipality of Residence	**Director Since**	**Fortis Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed**	**Principal Occupation or Employment for Past Five Years[1]**	
Linda Apsey Brighton, Michigan USA	2017	53,889 shares	***ITC Holding Corp.*** *(An electricity transmission company)* *November 2016 to December 31, 2020* ***ITC Holding Corp.*** *(An electricity transmission company)* *June 2007 to November 2016*	President and Chief Executive Officer Executive Vice President
Ross Bricker Didsbury, Alberta Canada	2017	1,125 shares	***Westcott Ventures Inc.*** *(A business management consulting company)* *June 2016 to December 31, 2020*	Managing Partner
Nora Duke St. John's, Newfoundland Canada	2017	108,336 shares	***Fortis Inc.*** *(A gas and electric distribution utility holding company)* *December 2017 to December 31, 2020* ***Fortis Inc.*** *(A gas and electric distribution utility holding company)* *August 2015 to December 2017*	Executive Vice President, Sustainability and Chief Human Resource Officer Executive Vice President, Corporate Services and Chief Human Resource Officer
Mona Hale Edmonton, Alberta Canada	2016	1,500 shares	***Finning International Inc.*** *(A Distributor of Caterpillar products and support services company)* *2011 to February 2020* ***Corporate Director*** *February 2020 to December 31, 2020*	Senior Vice President, Global Finance
David G. Hutchens Tucson, Arizona USA	2016	36,674 shares	***Tucson Electric Power (TEP) and its parent Company, UNS Energy Corporation*** *(An electric utility company)* *2011 to December 31, 2020*	President and Chief Executive Officer

[1] The information included in this column is accurate as at December 31, 2020 unless otherwise indicated.

Name and Municipality of Residence	Director Since	Fortis Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed	Principal Occupation or Employment for Past Five Years[1]	
Michael Mosher Chestermere, Alberta Canada	2018	4,753 shares	***FortisAlberta*** *September 2018 to December 31, 2020* ***Central Hudson Gas & Electric Corporation*** *April 2016 to September 2018* ***Central Hudson Gas & Electric Corporation*** *June 2006 to April 2016*	President and Chief Executive Officer President and Chief Executive Officer Vice President, Regulatory Affairs
Ray Price Acme, Alberta Canada	2018	NIL	***Sunterra Group of Companies*** *1979 to December 31, 2020*	President
Shelley Ralston Red Deer County, Alberta Canada	2015	350 shares	***Red Deer College*** *(A public comprehensive community college)* *October 2017 to December 31, 2020* ***Xerox Canada*** *(A document technology and services company)* *March 2010 to March 2017*	Vice President, Corporate Director of Talent and Culture
Lorne Rubis Edmonton, AB Canada	2019	500 shares	***Rubis & Company*** *(a consulting company)* *July 2018 to December 31, 2020* ***NorQuest College*** *(a public comprehensive community college)* *April 2019 to July 2020* ***ATB Financial*** *(a financial institution)* *January 2016 to December 2018*	Owner and Consultant Chief Culture and Transformation Officer Chief Evangelist
Roger D. Thomas Calgary, Alberta Canada	2013	1,500 shares	***Corporate Director*** *July 2009 to December 31, 2020*	

OFFICERS

The following table sets out the name and municipality of residence of each of the officers of FortisAlberta as at December 31, 2020 and indicates the office(s) held and principal occupations within the five preceding years from December 31, 2020.

Name and Municipality of Residence	Office Held	Principal Occupation or Employment for Past Five Years[2]	
Michael Mosher Chestermere, Alberta Canada	President and Chief Executive Officer	***FortisAlberta*** *September 2018 to December 31, 2020*	President and Chief Executive Officer
		Central Hudson Gas & Electric Corporation *April 2016 to September 2018*	President and Chief Executive Officer
		Central Hudson Gas & Electric Corporation *June 2006 to April 2016*	Vice President, Regulatory Affairs
Janine Sullivan Calgary, Alberta Canada	Executive Vice President	***FortisAlberta*** *November 2020 to December 31, 2020*	Executive Vice President
		FortisAlberta *August 2020 to October 2020*	Executive Vice President, and Chief Financial Officer
		FortisAlberta *June 2015 to July 2020*	Vice President, Finance and Chief Financial Officer

[2] The information included in this column is accurate as at December 31, 2020 unless otherwise indicated.

Name and Municipality of Residence	Office Held	Principal Occupation or Employment for Past Five Years	
Brett Henderson Calgary, Alberta Canada	Vice President, Finance and Chief Financial Officer	***FortisAlberta*** *November 2020 to December 31, 2020* ***FortisBC*** *May 2012 to October 2020*	Vice President, Finance and Chief Financial Officer Director, Finance and Accounting
Cameron Aplin Airdrie, Alberta Canada	Vice President, Operations	***FortisAlberta*** *May 2011 to December 31, 2020*	Vice President, Operations
Todd Dettling Calgary, Alberta Canada	Vice President, Customer Service	***FortisAlberta*** *July 2017 to December 31, 2020* ***FortisAlberta*** *July 2016 to July 2017* ***FortisAlberta*** *January 2012 to July 2016*	Vice President, Customer Service Director, Grid Connections Director, Project Management
Curtis Eck Airdrie, Alberta Canada	Vice President, Engineering	***FortisAlberta*** *July 2014 to December 31, 2020*	Vice President, Engineering
Richard Finn Calgary, Alberta Canada	Vice President, Regulatory Affairs and General Counsel	***FortisAlberta*** *October 2020 to December 31, 2020* ***FortisAlberta*** *November 2019 to September 2020* ***FortisAlberta*** *August 2018 to November 2019*	Vice President, Regulatory Affairs and General Counsel Director, Legal & Regulatory and Corporate Secretary Director, Regulatory and Corporate Strategy
		FortisAlberta *August 2017 to August 2018* ***FortisAlberta*** *September 2016 to August 2017* ***Alberta Utilities Commission*** *(Provincial utilities regulator)* *June 2013 to August 2016*	Acting Director, Regulatory and Corporate Planning Regulatory Counsel Commission Counsel
Heather Speers Calgary, Alberta Canada	Vice President, Human Resources	***FortisAlberta*** *May 2018 to December 31, 2020* ***FortisAlberta*** *June 2016 to May 2018* ***FortisAlberta*** *Oct 2014 to June 2016*	Vice President, Human Resources Director, Human Resources Manager, Talent Management
Rob Tisdale Calgary, Alberta Canada	Vice President, Customer and Information Services	***FortisAlberta*** *June 2015 to December 31, 2020*	Vice President, Customer and Information Services

The directors and officers of FortisAlberta, as a group, do not beneficially own, directly or indirectly, or exercise control or direction over any issued and outstanding shares of the Corporation. The directors and officers of FortisAlberta, as a group, beneficially own, directly or indirectly, or exercise control or direction over less than 1% of the issued and outstanding Fortis shares.

COMMITTEES

The Board has two standing committees: the Audit, Risk and Environment Committee and the Governance and Human Resources Committee.

Audit, Risk and Environment Committee – The ARE Committee's mandate is to assist the Board in discharging its fiduciary duties to the Corporation relating to financial reporting and disclosure. The Committee is charged with: (i) reviewing all published financial statements and reports that require Board approval; (ii) the operation of the pension plan and the financial performance of the pension plan assets; (iii) the adequacy of the Corporation's internal control systems, and corporate policies relating to code of conduct; (iv) the environment and risk/insurance management; and (v) the preservation of assets.

The members of the ARE Committee as at December 31, 2020 were Mona Hale (Chair), Roger Thomas, David Hutchens, Ross Bricker, and Ray Price, each of whom is independent and financially literate, as such terms are defined in National Instrument 52-110 Audit Committees.

The Corporation recognizes the importance of appointing knowledgeable and experienced individuals to the ARE Committee. Committee composition includes members that have the necessary background and skills to provide effective oversight of external audit and the accounting, financial reporting and disclosure processes on behalf of the Board. All Committee members have significant senior leadership experience. More specifically, Ms. Hale, Mr. Thomas, Mr. Hutchens, Mr. Bricker, and Mr. Price each have direct operational or functional experience overseeing accounting and finances at organizations similar in complexity to FortisAlberta.

In fulfilling its duties and responsibilities with respect to external audit and accounting matters, the ARE Committee seeks periodic input, advice, and recommendations from various sources, including the Board, Executive Officers, the internal auditor and external auditors. The ARE Committee retains discretion in its decisions and is not bound by any input, advice, or recommendations received from external independent consultants, in instances where such parties are retained.

The charter of the ARE Committee is attached hereto as Appendix "A".

Governance and Human Resources Committee – The GHR Committee's mandate is to review, report and make recommendations to the Board on: (i) corporate governance policies; (ii) compensation, benefits and perquisites of Executive Officers of the Corporation; (iii) the respective duties of the Chair of the Board, the Chief Executive Officer, the Board and other officers of the Corporation; (iv) assessing the effectiveness of the Board and proposing new nominees for election or appointment to the Board; and (v) reporting to the Corporation's shareholders regarding corporate governance and executive compensation matters.

The members of the GHR Committee as at December 31, 2020 were Shelley Ralston (Chair), Linda Apsey, Nora Duke, Roger Thomas and Lorne Rubis.

The Corporation recognizes the importance of appointing knowledgeable and experienced individuals to the GHR Committee. Committee composition includes members that have the necessary background and skills to provide effective oversight of corporate governance and executive compensation, including adherence to sound risk management principles. All Committee members have significant senior leadership experience. More specifically, Ms. Ralston, Ms. Apsey, Ms. Duke, Mr. Thomas and Mr. Rubis each have direct operational or functional experience overseeing compensation at organizations similar in complexity to FortisAlberta.

In fulfilling its duties and responsibilities with respect to executive compensation, the GHR Committee seeks periodic input, advice, and recommendations from various sources, including the Board, Executive Officers, and the executive compensation consultants. The GHR Committee retains discretion in its executive compensation decisions and is not bound by any input, advice, or recommendations received from the external independent consultants, in instances where such parties are retained.

CONFLICTS OF INTEREST

The directors and officers of Corporation are engaged in, and will continue to engage in, other activities in the industries in which the Corporation operates and, as a result of these and other activities, the directors and officers of the Corporation may become subject to conflicts of interest. The *ABCA* provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *ABCA*. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *ABCA*. As at the date hereof, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and any director or officer of the Corporation.

REPORT ON EXECUTIVE COMPENSATION

It is the responsibility of the GHR Committee to review, recommend and administer the compensation policies in respect of the Corporation's Executive Officers. The GHR Committee's recommendations as to annual base salary, short-term incentives and grants under the Performance Share Unit (PSU) Plan are submitted to the Board of the Corporation for approval. Proposed grants of stock options to the Corporation's Executive Officers under the Stock Option Plan of Fortis and grants under the Restricted Share Unit (RSU) Plan are submitted by the Corporation's Board to the Human Resources Committee of the Board of Directors of Fortis for approval.

The Corporation's executive compensation policies are designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance. The GHR Committee recognizes the need to provide a total compensation package that will attract and retain qualified and experienced Executive Officers as well as align the compensation level of each Executive Officer to that officer's level of responsibility. The GHR Committee regularly reviews survey data gathered by independent professional compensation consultants in respect of a wide group of comparable Canadian commercial industrial companies.

The Corporation has a policy of compensating Executive Officers at approximately the median, 50th percentile of comparable Canadian commercial industrial companies. For clarity, this reference group does not include organizations in the financial service and broader public sectors, and includes organizations from the energy, mining and manufacturing sectors. Annually, the GHR Committee uses the compensation data from this reference group to compare each Executive Officer to corresponding positions within the reference group. This framework serves as a guide for the GHR Committee's deliberations. The actual total compensation or amount of each compensation component for an individual Executive Officer may be more or less than the median amount.

Total annual compensation for the Executive Officers is composed primarily of the following components:

- annual base salary;
- an annual incentive plan that provides the opportunity to earn a cash bonus;
- share-based awards that provide the opportunity to earn cash based on performance metrics at the end of a three-year period (PSU Plan);
- share-based awards that provide the opportunity to settle in cash or common shares at the end of a three-year period (RSU Plan);
- options-based awards to purchase common shares of Fortis; and
- pension arrangements.

Total annual compensation for the Executive Officers involves a significant proportion that is at-risk due to the use of short-term, medium-term and long-term incentive components. In 2020, approximately 65% of Mr. Mosher's total annual compensation in the role of President and Chief Executive Officer was at-risk. Similarly, approximately 47% of Ms. Sullivan's total annual compensation in the various executive and Chief Financial Officer (CFO) roles she held throughout 2020 was at-risk (Vice President, Finance and CFO (January-August), Executive Vice President and CFO (August-November), and Executive Vice President (November-December)). Approximately 47% of Mr. Aplin's total annual compensation in the role of Vice President, Operations was at-risk in 2020. Finally, approximately 43% of Mr. Henderson's total annual compensation upon his appointment to the role of Vice President, Finance and Chief Financial Officer in November 2020 was at-risk. Total annual compensation includes both the cash compensation paid to the Executive Officers in the year and the estimated compensation for the medium and long-term incentive components. The estimated value of the option-based long-term incentive component is determined using the binomial pricing model at the date of grant of options.

The Corporation's executive compensation regime is structured in a manner that recognizes the greater ability of the President and Chief Executive Officer to influence corporate performance by making a greater portion of that individual's compensation dependent upon corporate performance.

COMPENSATION REVIEW FRAMEWORK

Annual Review

FortisAlberta monitors, reviews, and evaluates its executive compensation program annually to ensure that it provides reasonable compensation ranges at appropriate levels and remains competitive and effective.

As part of the annual review process, Fortis engages Korn Ferry, its primary compensation consultant, to provide comparative analyses of market compensation data reflecting the pay levels and practices of Canadian commercial industrial companies. Using this data, a detailed review of FortisAlberta's competitive compensation positioning against its peer group is undertaken. Korn Ferry provides Fortis and its subsidiaries' management preliminary recommendations on the basis of pay competitiveness, emerging market trends and best practices. From time to time, the Corporation also receives general market and job specific compensation data from Willis Towers Watson for its officers.

Management then takes into account the corporate performance against pre-determined objectives and together with the Chief Executive Officer, recommends a set of new performance objectives for the following year. Individual performance reviews, incentive award payouts, and compensation adjustments, if any, are also determined at this stage. The Chief Executive Officer does not make recommendations to the GHR Committee with respect to his own compensation.

In the final step, the GHR Committee reviews the recommendations set forward by management and the compensation consultants prior to seeking approval from the Board regarding the current year's compensation payouts and the succeeding year's performance objectives. The GHR Committee and the Board may exercise discretion when making compensation decisions in appropriate circumstances and make deviations from the prescribed incentive award formulas, if necessary.

COMPENSATION RISK CONSIDERATIONS

Risk is considered throughout FortisAlberta's annual compensation review processes to ensure that effective control systems are in place to mitigate the perceived risks inherent in the compensation structure. The GHR Committee has identified the following external and internal risk controls within the Corporation's executive compensation program:

External Compensation Risk Mitigating Controls

With respect to the Corporation's regulatory environment, there exists an extensive regulatory framework as well as reporting and approval mechanisms. FortisAlberta's ongoing compliance with existing regulatory requirements and emerging best practices ensure that risks within its compensation program are being continually monitored and controlled.

Internal Compensation Risk Mitigating Controls

The compensation program is designed such that risk is taken into consideration throughout the compensation review process:

Annual Salary	Annual salaries are targeted approximately at market median levels and, as such, do not encourage excessive risk-taking.
Short-Term Incentives	*Board Discretion:* The GHR Committee retains the discretion to make upward or downward adjustments to the prescribed incentive payout formulas and actual payouts based on its assessment of the risk assumed to generate financial results, circumstances that may have influenced individual performance, as well as external factors that may have impacted the Corporation's financial performance. *Award Cap:* Short-term incentives awarded to Executive Officers are capped at 200% of target.
Medium and Long-Term Incentives	*Share and Option Based Awards:* PSUs are awarded to executives to emphasize their ability to influence overall corporate performance. The deferred component of PSUs, RSUs and stock options provides for an appropriate alignment between incentive payouts and the timeline of risks for the Corporation. *Stock Ownership Requirements:* Executive Officers are required to beneficially own, directly or indirectly, a minimum number of Fortis shares based on position. For the President and Chief Executive Officer, the minimum shareholding amount is two times their annual base salary, and for all other executives the minimum amount is equal to their annual salary. Minimum share ownership must be achieved within five years of the initial calculation date. The initial calculation date is December 31st of their year of appointment to an eligible position. Any Executive Officer that fails to comply with share ownership requirements will not be eligible for future equity-based compensation awards until the later of: (i) the end of the one year period commencing on the date of such failure, or (ii) such time as the Executive Officer is again in compliance with the share ownership policy. *Anti-Hedging Policy:* The Corporation's Executive Officers are not permitted to hedge against declines in the market value of equity securities received as compensation.

The elements of executive compensation, for which all Executive Officers are eligible, and their respective compensation objectives are set out below:

Compensation Element	Description	Compensation Objectives
Annual Base Salary & Annual Incentive		
Annual Base Salary	- Salary is a market-competitive, fixed level of compensation.	- Retain and attract highly qualified leaders. - Motivates strong business performance.
Annual Incentive Plan	- Combined with salary, the target level of annual incentive provides a market-competitive total cash opportunity. - Annual incentive payout depends on individual and corporate performance.	- Retain and attract highly qualified leaders. - Motivate strong business performance through achievement of short-term objectives. - Simple to communicate and administer. - Compensation dependent on individual and corporate performance.
Mid-term Equity Based Incentive		
Share-Based Awards (PSUs)	- Incentive is based on both Fortis' and FortisAlberta's performance over a three-year period against predetermined measures. - The amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average price of Fortis' common shares for the five trading days immediately preceding the date of the grant. The grant date is January 1st of each year. - Cash payout upon completion of the three-year performance period.	- Align executive and shareholder interests. - Attract and retain highly qualified leaders. - Encourage strong long-term business performance. - Balance compensation for short and long-term strategic results. - Compensation dependent on corporate performance. - Simple to communicate and administer.
Share-Based Awards (RSUs)	- Annual grants are issued by the Fortis Inc. Human Resources Committee or other designated Committee by the Fortis Inc Board. - The amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average price of Fortis' common shares for the five trading days immediately preceding the date of the grant. The grant date is January 1st of each year. - Payout upon completion of the three-year period may be settled in cash or common shares.	- Align executive and shareholder interests. - Attract and retain highly qualified leaders. - Balance compensation for short and long-term strategic results. - Simple to communicate and administer.

Stock Options		
Option-based Awards	- Annual equity grants are made in the form of stock options to purchase common shares of Fortis. These options are only made available to Executive Officers of Canadian subsidiaries who are Canadian residents. - Beginning in 2015, the amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the binomial valuation of Fortis' share price. - Prior to 2015, the amount of annual grant was dependent on the level of the executive and any applicable share ownership guideline. - Options vest over a 4-year period and expire after 10 years (2012 Stock Option Plan).	- Align executive and shareholder interests. - Attract and retain highly qualified leaders. - Motivate strong long-term business performance. - Align long-term interests of officers with those of Fortis shareholders. - Balance compensation for short and long-term strategic results. - Simple to communicate and administer.
Pension Arrangements for Eligible Canadian Executives		
Registered Retirement Savings Plan	- Contribution to a registered retirement savings plan equal to 6.5% of a participant's annual base salary and annual incentive which is matched by the participant up to the maximum annual contribution limit allowed by the Canada Revenue Agency.	- Retain highly qualified leaders. - Simple to communicate and administer. - Motivates strong business performance. - Balance compensation for short-, medium- and long-term strategic results.
Defined Contribution Pension Plan (DC SERP)	- Accrual of 13% of annual base salary and annual incentive in excess of the allowed Canada Revenue Agency annual limit. - At time of retirement, paid in one lump sum or in equal payments over a period not greater than 15 years.	- Retain highly qualified leaders. - Simple to communicate and administer.
Pension Arrangements for Eligible US Taxpaying Executives		
Defined Benefit Plan	- The Retirement Income Plan of Central Hudson Gas & Electric Corporation (Retirement Plan). The Retirement Plan's assets are held in a trust fund. Central Hudson has provided periodic updates to the benefit formulas stated in the Retirement Plan.	- Retain highly qualified leaders. - Motivates strong business performance. - Balance compensation for short-, medium- and long-term strategic results.
Supplemental Executive Retirement Plan	- The Central Hudson Gas & Electric Corporation Supplemental Executive Retirement Plan (SERP). The SERP is designed to work in conjunction with the Retirement Plan to provide benefits in excess of those under the Retirement Plan.	- Retain highly qualified leaders. - Motivates strong business performance. - Balance compensation for short-, medium- and long-term strategic results.

The GHR Committee believes that the Corporation's compensation regime appropriately takes into account the performance of the Corporation and the contribution of the President and Chief Executive Officer and other Executive Officers of the Corporation toward that performance.

Annual Base Salary

Base salaries for the Executive Officers are established annually by reference to the range of salaries paid generally by comparable Canadian commercial industrial companies and are targeted to the median of the comparator group.

Annual Incentive Plan

The Executive Officers of the Corporation participate in a short-term incentive plan which provides for annual cash bonuses. The amount of each bonus is determined by way of an annual assessment of corporate and personal performance in relation to targets approved by the Board and is expressed as a percentage of each Executive Officer's base salary. The Corporation's annual net earnings must reach a minimum threshold level before any payout is made under the plan. For competitive reasons the minimum threshold level is not disclosed.

Corporate performance is determined with reference to the performance of the Corporation relative to weighted targets in respect of customer satisfaction, productivity, reliability and safety. For 2020, there were five corporate targets: (i) a customer satisfaction index as measured by quarterly customer surveys (15% weighting); (ii) a measure of annual net income (35% weighting); (iii) cash flow before working capital (15% weighting); (iv) electrical system average interruption duration index calculated in accordance with national industry standards (15% weighting); and (v) an all injury frequency rate calculated in accordance with national industry standards (20% weighting).

Personal performance is determined with reference to individual contribution to corporate objectives. For the President and Chief Executive Officer, 80% of the annual cash bonus is based on corporate targets and 20% is based upon individual targets. For each of the other Executive Officers, 70% of the annual cash bonus is based upon corporate targets and 30% is based upon individual targets.

In 2020, the target cash bonus, which is payable upon the achievement of 100% of corporate and individual targets, was 60% of base salary for the President and Chief Executive Officer, 40% for Executive Vice President, 40% for the Vice President, Operations, 35% for the Vice President, Finance and Chief Financial Officer, and 30% - 35% of base salary for all other Vice Presidents. At the discretion of the Board, Executive Officers may be awarded additional incentive pay in recognition of exceptional performance contributions.

Medium- and Long-term Incentive Plan

Effective January 1, 2015, the Corporation changed its medium and long-term incentive granting practices to provide a target long-term incentive (LTI) value, expressed as a percentage of base salary, which is then granted in a pre-determined mix of PSUs, RSUs and stock options. The LTI value for the President and Chief Executive Officer is 125% of his base salary. The Executive Vice President and the Vice President, Operations is granted LTI having a market value at the time of grant equal to 50% of their base salaries, the Vice President, Finance and Chief Financial Officer is granted LTI having a market value at the time of grant equal to 40% of his base salary. Each of the other NEOs is granted LTI having a market value at the time of grant equal to 30% - 40% of their base salary. The LTI value is granted to all the Executive Officers (with the exception of Michael Mosher, President and Chief Executive Officer) through a combination of 50% in PSUs, 25% in RSUs and 25% in stock options. The LTI value granted to Michael Mosher, President and Chief Executive Officer, is determined using a combination of 67% PSUs, and 33% RSUs.

Share-Based Awards

PSUs: Effective January 1, 2013, the Corporation adopted a PSU plan (2013 PSU Plan). Each PSU represents a unit with an underlying value equivalent to the value of a Fortis common share. Grants of PSUs are determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average trading price of Fortis common shares for the five trading days immediately preceding the date of the grant. Notional dividends are assumed to accrue to the holder of the PSU and to be reinvested on the quarterly dividend payment dates of the common shares. Payment is made three years after the grant in an amount of 0-200% of the number of PSUs accumulated, including reinvestment of notional dividends, times the volume-weighted average trading price of Fortis common shares, as determined appropriate by the GHR Committee upon measurement of Fortis' performance, as compared to a comparable group of utility holding companies, over such three-year period against predetermined measures. Previous grants of PSUs are not taken into consideration when new PSUs are awarded. Effective January 1, 2015, the Corporation adopted a 2015 PSU Plan. The terms of the plan are largely consistent with the 2013 PSU Plan, with modifications related to the criteria by which Fortis' performance is measured and the maximum payment amount extended to 200%.

RSUs: Effective January 1, 2020, grants of RSUs are issued under a Fortis Inc. Restricted Share Units Plan. Each RSU represents a unit with an underlying value equivalent to the value of a Fortis common share. Grants of RSUs and the accumulation of notional dividends are consistent with the PSU plan. Upon vesting, the grant will be settled in cash or common shares in an amount equal to the number of RSUs accumulated, including reinvestment of notional dividends, times the volume- weighted average trading price of Fortis common shares.

Prior to 2020, RSUs were issued under the 2015 FortisAlberta Restricted Share Units Plan. The terms of the plan are largely consistent with the 2020 Fortis Inc. RSU Plan, with the exception that in the former plan vested awards settle in cash.

Option-Based Awards

Long-term incentives take the form of grants of options under a Fortis Stock Option Plan, pursuant to which options to acquire Fortis common shares may be granted to Executive Officers, in order to encourage increased share ownership to participants as an incentive to maximize shareholder value. Beginning in 2015, the amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the binomial valuation of Fortis' common share price. Mr. Mosher does not participate in the Fortis Stock Option Plan. The Executive Vice President, and the Vice President, Operations were granted options entitling each executive to purchase that number of common shares of Fortis having a market value at the time of grant equal to 12.5% of such executive's salary. Each of the other executives were granted options entitling them to purchase that number of Fortis common shares having a market value at the time of grant equal to 7.5% - 10% of such executive's base salary. The Vice President, Finance and Chief Financial Officer did not receive a grant in the 2020 calendar year as he joined the company in November 2020. Previous grants of stock options are not taken into consideration when new options are awarded.

The 2006 Stock Option Plan became effective on May 2, 2006. Under this plan, options are subject to a vesting requirement whereby options vest at a rate of 25% per year over the four-year period commencing on the first anniversary of the date of grant. The options granted prior to 2012 are exercisable for seven years from the grant date. The 2006 Stock Option Plan terminated on March 2, 2018.

The stock option plan in place for 2020 was the 2012 Stock Option Plan. The 2012 Stock Option Plan became effective May 4, 2012. The provisions of the 2012 Stock Option Plan dealing with the eligibility, grant, terms of options, and vesting period are similar to the 2006 Stock Option Plan. The options granted in 2012 and subsequent years are exercisable for 10 years from the grant date.

Pension Arrangements

Executive Officers also participate in various pension arrangements as outlined on pages 38 and 39 of this AIF.

DIRECTOR AND NEO COMPENSATION

The following table sets forth information concerning the annual and long-term compensation earned for services rendered in respect of each of the individuals who were, for the year ended December 31, 2020, the President and Chief Executive Officer, Executive Vice President, the Vice President, Finance and Chief Financial Officer and the Corporation's one other most highly paid Executive Officer. This table also details individual director compensation.

Name and Position	Year	Salary or Retainer ($) (1)	Annual Bonus ($) (2)	Committee or Meeting Fees ($) (3)	Value of Perquisites ($) (4)	Value of all Other Compensation ($) (5, 6,7)	Total Compensation ($)
Michael Mosher (8, 9) President and Chief Executive Officer and Director	2020	783,900	692,780	-	-	1,385,345	2,862,025
	2019	758,100	617,120	-	72,085	126,807	1,574,112
	2018	171,375	183,671	-	22,244	188,254	565,544
Janine Sullivan (10) Executive Vice President	2020	345,000	203,000	-	-	60,965	608,965
	2019	305,000	189,000	-	-	62,220	556,220
	2018	295,000	161,000	-	-	55,696	511,696
Brett Henderson (11) Vice President, Finance and Chief Financial Officer	2020	40,673	-	-	-	23,708	64,381
	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
Cameron Aplin Vice President, Operations	2020	313,000	182,000	-	-	64,631	559,631
	2019	305,000	147,000	-	-	170,258	622,258
	2018	285,000	147,000	-	-	55,765	487,765
Linda Apsey Director	2020	65,000	-	-	-	1,250	66,250
	2019	65,000	-	-	-	5,000	70,000
	2018	50,000	-	-	-	5,000	55,000
Ross Bricker Director	2020	65,000	-	-	-	-	65,000
	2019	65,000	-	-	-	1,250	66,250
	2018	50,000	-	-	-	3,750	53,750
Nora Duke Director	2020	65,000	-	-	-	1,250	66,250
	2019	65,000	-	-	-	5,000	70,000
	2018	50,000	-	-	-	6,250	56,250
Mona Hale Director	2020	73,000	-	-	-	1,250	74,250
	2019	73,000	-	-	-	3,750	76,750
	2018	55,250	-	-	-	6,250	61,500
David G. Hutchens Director	2020	65,000	-	-	-	1,250	66,250
	2019	65,000	-	-	-	5,000	70,000
	2018	50,000	-	-	-	6,250	56,250
Ray Price Director	2020	65,000	-	-	-	-	65,000
	2019	65,000	-	-	-	1,250	66,250
	2018	37,500	-	-	-	1,250	38,750
Shelley Ralston Director	2020	70,000	-	-	-	1,250	71,250
	2019	68,750	-	-	-	5,000	73,750
	2018	50,000	-	-	-	3,750	53,750
Lorne Rubis Director	2020	65,000	-	-	-	1,250	66,250
	2019	48,750	-	-	-	2,500	51,250
	2018	-	-	-	-	-	-

Roger D. Thomas Director	2020	100,000	-	-	-	-	100,000
	2019	100,000	-	-	-	1,250	101,250
	2018	78,000	-	-	-	-	78,000

Footnotes to Compensation Table:

(1) Represents the annual salary for the NEOs and the annual retainer of $65,000 paid to each of the Directors, the annual retainer of $100,000 paid to the Chairman of the Board, the annual retainer of $5,000 paid to the Chairperson of the GHR Committee and the annual retainer of $8,000 paid to the Chairperson of the ARE Committee.

(2) Represents amounts awarded under the Corporation's short-term non-equity incentive program in recognition of FortisAlberta's respective corporate performances and the individual's performance for the reported year and paid in the following year.

(3) Represents the remuneration fees of $1,250 paid to each Director for attending the directors' and committee meetings. These fees were eliminated in 2018 and are now included in the annual retainer with the new fee schedule.

(4) The value of perquisites for Mr. Mosher, Ms. Sullivan, Mr. Henderson, and Mr. Aplin does not exceed the minimum disclosure threshold of 10% of the total annual salary of the NEO.

(5) Represents all compensation paid or accrued to NEOs relating to the DC SERP. Mr. Mosher does not participate in the defined contribution supplemental employee retirement plan, he participated in the Central Hudson Gas & Electric Corporation Supplemental Executive Retirement Plan. See REPORT ON EXECUTIVE COMPENSATION – Pension Arrangements.

(6) Includes: (i) the dollar value on imputed interest benefits from loans provided to the NEOs and the dollar value of insurance premiums paid by the Corporation with respect to term life insurance; (ii) 10% match by the Corporation on contributions made to purchase Fortis shares through the Employee Share Purchase Plan; (iii) payment in lieu of vacation; (iv) contributions made by the Corporation to RRSP and SERP for the NEOs; and v) the taxable benefit associated with exercising stock options. Mr. Mosher's payment is inclusive of tax equalization payments paid and end of contract retention payment.

(7) Represents the director's compensation in the amount of $1,250 for travel time to meetings located in a city outside of the location of their primary residence, if applicable.

(8) All of Mr. Mosher's compensation is received in his capacity as an officer of the Corporation. Mr. Mosher is not compensated for serving as a director of the Corporation while he is President and CEO.

(9) Mr. Mosher is paid in U.S. currency, amounts reported are shown in Canadian currency and have been converted from U.S. to Canadian dollars using a weighted average foreign exchange rate approach. Mr. Mosher's 2020 annual salary was converted from U.S. to Canadian Dollars using the 2020 average exchange rate; $1.34 = $1.00 CAD.

(10) Ms. Sullivan was appointed Executive Vice President and CFO effective August 1, 2020. Ms. Sullivan's title changed to Executive Vice President effective November 1, 2020 and she was promoted to President & CEO effective January 1, 2021.

(11) Mr. Henderson was appointed Vice President, Finance and CFO effective November 1, 2020. His annualized salary equals $235,000, amount reflected in the table is representative of his earned income while employed with FortisAlberta.

COMPENSATION SECURITIES

The following table sets forth details of the securities granted to each NEO in the most recently completed financial year.

Name & Position	Type of Compensation Security	Number of Compensation Securities (1)	Date of Grant	Issue or Exercise Price ($) (2)	Closing Price of Underlying Security on Date of Grant ($) (3)	Closing Price of Underlying Security at Year End ($) (3)	Expiry Date (4)
Michael Mosher (5) President and Chief Executive Officer	Stock Options	-	N/A	N/A	N/A	N/A	N/A
	PSU	11,733.472	Jan 1, 2020	53.9706	53.73	52.00	Dec 31, 2022
	RSU	5,866.736	Jan 1, 2020	41.5478 (9)	53.73	52.00	Dec 31, 2022
Janine Sullivan(6) Executive Vice President	Stock Options	6,700	Feb 26, 2020	58.40	57.59	52.00	Feb 26, 2030
	PSU	1,449.863	Jan 1, 2020	53.9706	53.73	52.00	Dec 31, 2022
	RSU	724.932	Jan 1, 2020	53.9706	53.73	52.00	Dec 31, 2022
Brett Henderson(7) Vice President, Finance and Chief Financial Officer	Stock Options	N/A	N/A	N/A	N/A	N/A	N/A
	PSU	N/A	N/A	N/A	N/A	N/A	N/A
	RSU	N/A	N/A	N/A	N/A	N/A	N/A
Cameron Aplin(8) Vice President, Operations	Stock Options	6,700	Feb 26, 2020	58.40	57.59	52.00	Feb 26, 2030
	PSU	1,449.863	Jan 1, 2020	53.9706	53.73	52.00	Dec 31, 2022
	RSU	724.932	Jan 1, 2020	53.9706	53.73	52.00	Dec 31, 2022

(1) Each unit of stock option, PSU and RSU are equivalent to one common share of Fortis. The compensation securities granted in 2020 represent less than 1 per cent of the total number of common shares issued and outstanding of Fortis.
(2) The exercise price for stock options and issue price for PSUs and RSUs is the volume weighted average price of the common shares of Fortis traded on the Toronto Stock Exchange for the five (5) trading days immediately preceding the date of grant.
(3) Represents the closing price of Fortis Common Shares on the TSX on the applicable dates.
(4) PSUs and RSUs granted in 2020 will be eligible for payment effective January 1, 2023.
(5) Mr. Mosher does not participate in the Stock Option program.
(6) At December 31, 2020, Ms. Sullivan held 37,164 unexercised stock options, of which 19,102 were fully vested. Options vest at a rate of 25 per cent, per year over the four year period commencing on the first anniversary of the date of grant. Ms. Sullivan also held 7,665 PSUs and RSUs, of which none were fully vested. PSUs and RSUs vest upon the completion of the three-year period from the date of grant.
(7) No securities were issued by FortisAlberta in 2020 to Mr. Henderson.
(8) At December 31, 2020, Mr. Aplin held 46,788 unexercised stock options, of which 28,846 were fully vested. Options vest at a rate of 25 per cent, per year over the four year period commencing on the first anniversary of the date of grant. Mr. Aplin also held 7,574 PSUs and RSUs, of which none were fully vested. PSUs and RSUs vest upon the completion of the three-year period from the date of grant.
(9) Mr. Mosher's RSU Issue Price is reflected in USD consistent with the RSU plan text treatment of US Taxpayers, the price was converted from Canadian to U.S. Dollars using the exchange rate: $1.00 = $1.299 USD.

The following table sets forth details of the securities exercised by each NEO in the most recently completed financial year. PSUs that fully vested on December 31, 2020 will be reviewed and approved for payment by the GHR Committee during the first quarter of 2021.

Name & Position	Type of Compensation on Security (1)	Number of Underlying Securities Exercised	Exercise Price per Security ($)	Date of Exercise	Closing Price per Security on Date of Exercise ($)	Difference Between Exercise Price and Closing Price on Date of Exercise ($)	Total Value on Exercise Date ($)
Michael Mosher(2,3) President and Chief Executive Officer	PSUs	12,415.9752	53.9706	Jan 1, 2020	-	-	670,097.63
	RSUs	4,205.954	53.9706	Jan 1, 2020	-	-	226,997.86
Janine Sullivan Executive Vice President	PSUs	1,793.110657	53.9706	Jan 1, 2020	-	-	130,549.82
	RSUs	896.555887	53.9706	Jan 1, 2020	-	-	48,387.66
	Stock Options	-	-	-	-	-	-
Brett Henderson (4) Vice President, Finance and Chief Financial Officer	PSUs	-	-	-	-	-	-
	RSUs	-	-	-	-	-	-
	Stock Options	-	-	-	-	-	-
Cameron Aplin Vice President, Operations	PSUs	1,793.110657	53.9706	Jan 1, 2020	-	-	130,549.82
	RSUs	896.555887	53.9706	Jan 1, 2020	-	-	48,387.66
	Stock Options	-	-	-	-	-	-

(1) PSUs represent the 2017 PSU values that were realized and paid in 2020 in respect of the three-year period. The actual value of the PSUs at the payment date is dependent on meeting the payment criteria and corporate performance. The performance component of the 2017 grant payout was equal to 134.9%. RSUs represent the 2017 RSU values that were realized and paid in 2020 in respect of the three-year period.
(2) Mr. Mosher's amounts were compensated in U.S currency, amounts were converted from U.S. to Canadian dollars using the exchange rate at the time of payment; $1.396 = $1.00 CAD.
(3) Mr. Mosher's PSU and RSU payments listed above represents the obligation of FortisAlberta with respect to the maturity of all 2017 grants, prorated to reflect Mr. Mosher's service within the maturity period. The number of underlying securities exercised has been adjusted based on the total FortisAlberta payment amount divided by the exercise price.
(4) Mr. Henderson was appointed Vice President, Finance and CFO effective November 1, 2020.

PENSION ARRANGEMENTS

In 2020, the Corporation contributed to an RRSP for the NEOs at an amount equal to 6.5% of their annual base salary, which contributions were matched by the NEOs up to a maximum RRSP contribution limit of $27,230 as allowed by the Canada Revenue Agency. In 2020, the Corporation contributed $13,615 for each of Ms. Sullivan and Mr. Aplin.

The NEOs participate in a non-contributory DC SERP. In 2020, the DC SERP provided for the contribution by the Corporation of an amount equal to 13% of the annual base salary plus annual paid cash bonus of Ms. Sullivan and Mr. Aplin in excess of $209,462 to a notional account upon which interest will accrue at the interest rate of a 10-year Government of Canada bond, plus a premium of 0% to 3%, dependent upon years of service.

Prior to joining the Corporation Mr. Mosher participated in the Retirement Income Plan of Central Hudson Gas & Electric Corporation and the Central Hudson Gas & Electric Corporation Supplemental Executive Retirement Plan. Mr. Mosher's participation continues in the aforementioned plans during the term of his employment agreement. Mr. Mosher does not participate in the RRSP or DC SERP as listed above.

The following table sets forth details of the balances accrued due to the NEOs pursuant to pension arrangements for the year ended December 31, 2020.

Name and Principal Position	Accumulated Value at Start of Year ($)	Compensatory ($)	Accumulated Value at Year-end ($)(1)
Michael Mosher (2) President and Chief Executive Officer	1,025,100	(69,680)	956,090
Janine Sullivan Executive Vice President	189,475	33,586	227,905
Brett Henderson (3) Vice President, Finance and Chief Financial Officer	0	813	815
Cameron Aplin Vice President, Operations	215,907	32,882	259,070

(1) Year-end value includes changes in both compensatory and non-compensatory values for the given year. Non-compensatory items may include notional interest and gains or losses during the year.
(2) Mr. Mosher's accumulated values represent the accrued benefits under both the Retirement Income Plan of Central Hudson Gas & Electric Corporation and the Central Hudson Gas & Electric Corporation Supplemental Executive Retirement Plan following his transfer to FortisAlberta. Values represented were converted from U.S. to Canadian dollars using the 2020 average exchange rate; $1.34 = $1.00 CAD.
(3) Mr. Henderson was appointed Vice President, Finance and CFO effective November 1, 2020.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or officers are indebted to the Corporation other than routine indebtedness.

TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

There is a written employment agreement for Mr. Mosher which contains the basic provisions of employment including, among other things, base salary, short-term incentive bonus, benefits, vacation, and relocation. This agreement contains provisions dealing with termination (whether voluntary, involuntary or constructive) or a change in control that would produce an estimated payment of $1,881,360.[1] (approximate value of one and a half times Mr. Mosher's base salary and target bonus). The agreement also includes provisions for a retention end of contract incentive bonus payable at an estimated $1,729,200.[3] Mr. Mosher's retention bonus was triggered December 31, 2020 upon his retirement from President & CEO of FortisAlberta. This payment has been captured in the value of his 2020 compensation listed in the Director and NEO Compensation table.

Other than the agreement for Mr. Mosher listed above there are no employment contracts between the Corporation and its NEOs that provide for payments at, following or in connection with any termination, resignation, retirement, change in control of the Corporation or a change in the NEOs' responsibilities.

COMPENSATION OF DIRECTORS

The GHR Committee reviews director compensation on a periodic basis by reviewing directors' fees paid by organizations of similar size and complexity to the Corporation.

3 Mr. Mosher is compensated in U.S. dollars. The estimated payments were converted from U.S. to Canadian dollars using the 2020 average exchange rate; $1.34 = $1.00 CAD.

The Corporation pays an annual retainer to each of its directors of $65,000. In addition to the annual retainer, each director that was not resident in the community in which a meeting is held receives an additional $1,250 of remuneration if they travel to the community to attend the meeting.

The Chairman of the Board is not entitled to receive the annual retainer paid to directors as described above. Instead, the Chairman receives a separate annual retainer of $100,000. The Chairpersons of each Board Committee receive remuneration in addition to the annual retainer paid to directors described above. The Chairperson of the GHR Committee receives an additional annual retainer of $5,000. The Chairperson of the ARE Committee receives an additional annual retainer of $8,000.

The directors are also reimbursed for miscellaneous out-of-pocket expenses incurred in carrying out their duties as directors of the Corporation. Mr. Mosher was not paid any remuneration for services rendered in his capacity as a director in accordance with the Corporation's policy of not compensating a director that is also a member of the management of the Corporation.

MATERIAL CONTRACTS

The EUA provides that an owner of an electric distribution system is required to act, or to authorize a substitute party to act, as a provider of electricity services, including the wholesale purchase and retail sale of electricity, to eligible customers under a regulated rate option and as a default supplier to customers otherwise unable to obtain electricity services. In May 2019, the Corporation entered into an arrangement whereby it continues to convey these obligations to EPCOR Energy Alberta GP Inc. ("EPCOR") under an eight-year Customer Rights Agreement (the "Agreement") beginning in 2021. The Agreement provides for successive options to renew every three-years. In December 2019, the AUC issued Decision 24839-D01-2019 approving those aspects of the Agreement that require regulatory approval, being the provision of regulated rate option electricity services. In December 2020, the Corporation received an upfront payment of $52.4 million from EPCOR pursuant to the terms of the Agreement.

The Corporation entered into an agreement for a $150.0 million non-revolving one-year bilateral credit facility in March 2020. In December 2020, the Corporation repaid all borrowings and the facility was terminated upon repayment.

Other than this bilateral credit facility and contracts entered into in the ordinary course of business, there are no material contracts which have been entered into by the Corporation.

LEGAL PROCEEDINGS

The Corporation is subject to various legal proceedings and claims that arise in the ordinary course of business operations, none of which are currently material to the Corporation.

FORWARD-LOOKING INFORMATION

The Corporation includes forward-looking information in the AIF within the meaning of applicable securities laws in Canada. The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation's management.

The forward-looking information in the AIF includes, but is not limited to statements regarding: the Corporation's expectation on remaining a regulated electric utility; the Corporation's expectations relating to the conduct, outcome and timing of regulatory hearings and other litigation matters; the Corporation's expectation to generate sufficient cash required to complete planned capital programs from a combination of long-term debt and short-term borrowings, internally generated funds and equity contributions; and the Corporation's belief that it does not anticipate any difficulties in accessing the required capital on reasonable market terms. The forecasts and projections that make up the forward-looking information are based on assumptions that include, but are not limited to: the Corporation's current business plans; the Corporation's understanding of the regulatory environment; the advice provided to the Corporation by its advisors; the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major events; the Corporation's ability to maintain its electricity systems to ensure their continued performance; favourable economic conditions; the level of interest rates; access to capital; maintenance of adequate insurance coverage; the ability to obtain licenses and permits; retention of existing service areas; favourable labour relations; and sufficient human resources to deliver service and execute the capital program. The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: legislative and regulatory developments that could affect costs, revenues and the speed and degree of competition entering the electricity distribution market; loss of service areas; costs associated with environmental compliance and liabilities; costs associated with labour disputes; adverse results from litigation; timing and extent of changes in prevailing interest rates; inflation levels; weather and general economic conditions in geographic areas where the Corporation operates; and results of financing efforts.

All forward-looking information in the AIF is qualified in its entirety by the above cautionary statements and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

TRANSFER AGENTS AND REGISTRARS

Computershare Trust Company of Canada, at its office located at Calgary, Alberta, is the Trustee under the Corporation's Indentures. Registers for the registration and transfer of the Debentures will be kept at the offices of the Trustee in Calgary, Alberta. The Trustee is also the paying agent for the Debentures.

EXTERNAL AUDITORS SERVICE FEES

The Corporation's financial statements for the year ended December 31, 2020 have been audited by Deloitte LLP, which were first appointed by the shareholders of the Corporation on May 4, 2017. The aggregate amounts paid or accrued by the Corporation with respect to fees payable to Deloitte LLP for the last two completed financial years for audit, audit-related, tax and other services in the applicable fiscal periods ended were as follows:

	2020	**2019**
Audit Fees	$390,280	$375,689
Audit-Related Fees	$35,598	$37,096
Tax Fees	$6,420	$6,206
Total	**$432,298**	**$418,991**

The audit fees include the aggregate professional fees paid to the auditors for the audit of the annual financial statements, the quarterly reviews, work performed related to issuance of debt, shelf prospectus and translation services. The audit-related fees include the aggregate professional fees paid to the auditors for employee benefit plan audit and consultation on financial accounting and reporting standards. Tax fees comprise of services for tax compliance, tax advice and tax planning.

The Corporation is relying upon the exemption in section 6.1 of National Instrument 52-110 Audit Committees.

INTERESTS OF EXPERTS

Deloitte LLP is the auditor of the Corporation and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information related to FortisAlberta may be found on SEDAR at www.sedar.com. Financial information is provided in the December 31, 2020 audited Financial Statements and Management Discussion and Analysis, which can also be found on SEDAR at www.sedar.com.