

H.S. Marshall
President and Chief Executive Officer
Fortis Inc.

Opening Remarks
CARILEC CEO Conference

Grand Cayman

June 7, 2009

Check against delivery

HSM - OPENING REMARKS CARILEC CONFERENCE
Grand Cayman, June 7, 2009

Thank you. Good day, everyone. It is a pleasure to be here with you today.

Congratulations to CARILEC on 20 years of leadership in the electricity business. This organization has made a significant contribution to our industry and to enhancing the quality of life of people in the Caribbean. Reliable electrical service is essential to any modern society. With all the changes happening in the world, our customers generally take our industry for granted which, to my mind, is the ultimate compliment!

In 1989, the year CARILEC was established, the world was focused on major political events:

- George Bush, Sr. became the 41st president of the United States.
- Mikhail Gorbachev was named President of the Soviet Union.
- East Germany opened its borders to West Germany and the Berlin Wall was torn down, marking the beginning of the end of the Cold War.

Few paused to observe other developments that would be much more important to the daily lives of our customers. One of the greatest technological innovations of our time was launched after 20 years of development: the World Wide Web.

The ever-growing applications for information technology alone ensure that the value of electricity will rise much more rapidly than its price, irrespective of the cost of oil and other commodities used as inputs.

Electrification tops the list of the '20 greatest engineering achievements of the 20th century' as published by the U.S. National Academy of Engineering. So you know, the automobile, airplane, water supply/distribution systems, and electronics round out the 'Top Five'. This is

HSM - OPENING REMARKS CARILEC CONFERENCE
Grand Cayman, June 7, 2009

somewhat surprising considering that the theoretical principles of electricity were established in the early 1800s by people like Faraday, Galvani and Volta.

In 1879, Thomas Edison improved upon a 70-year old idea and demonstrated the first commercially successful electric light bulb, which burned for about 40 hours. By 1882, the Edison Electric Illuminating Company was generating and distributing 110 volts of direct current to approximately 60 customers located in an area about one square mile in lower Manhattan, New York. In a little over a year, the utility's customer base had grown tenfold.

In 1885, a predecessor company of Fortis, the St. John's Electric Light Company, was established in St. John's, Newfoundland. It was no coincidence that we were one of the earliest to adapt to the technology. By 1885, Newfoundland was the terminus of the great transatlantic telegraph cables from Europe. The many American electrical engineers required to support early communications ensured that new developments in electricity could be quickly implemented on the island.

For the first two decades of the 20th century, the electricity industry continued its rapid growth everywhere. The installed per capita capacity in the U.S. increased from about 75 kilowatts to 565 kilowatts.

It is interesting to observe that, in the early part of the 20th century, more electric cars were produced in the U.S. than gas-powered cars. Peak production was reached in 1912 when some 10,000 electric passenger and commercial vehicles were built. By 1933, the production of electric passenger cars had ceased in North America, its demise at the time due to lack of horsepower and the ready supply of gasoline to power more long-distance vehicles. Thirty years or so would pass before the electric car would resurface.

In the 1920s, electricity expansion slowed because of the technical and economic challenges of developing larger systems and, in the 1930s, by the Great Depression.

HSM - OPENING REMARKS CARILEC CONFERENCE
Grand Cayman, June 7, 2009

The technological advances of the 1940s onward increased both the demand and availability of electricity. Today, world electricity consumption is in the range of 18 trillion kilowatt hours, almost double the level of consumption 20 years ago. Transmission voltages increased from 220 volts in the late 1880s to 765,000 volts today.

Safe, quality electricity service is critical to powering today's knowledge-based economy. And yet, for all the advances made and ongoing, there are substantial efficiency and reliability gains still to be made. Power outages currently cost American businesses an estimated \$100 billion annually. Almost 60% of all energy produced in the U.S. economy is wasted, largely due to inefficient technology and design.

200 years after the technology was first developed and 100 years after our industry first gained importance, electricity still has an exciting and challenging future.

In my view, the challenges of the next 20 years for CARILEC and all of us in this industry will likely not resemble those of the last 20 years.

Over the last two decades, we have experienced a unique period of prosperity:

- World per capita GDP has more than doubled and today stands at about US\$8,200.
- The biggest housing-price boom in history occurred. Between 2000 and 2005, the total value of residential property in developed countries rose by more than \$30 trillion to \$70 trillion; the increase in the value was equivalent to 100% of the combined GDPs of these countries.
- In the U.S., personal spending has risen every year for almost three decades and is expected to exceed \$10 trillion this year.

HSM - OPENING REMARKS CARILEC CONFERENCE
Grand Cayman, June 7, 2009

- The recent commodity price boom was the largest and longest of any boom since 1900. In the 5-year period up to mid-2008, oil prices rose some 320% in dollar terms.

Unfortunately, the bubble has burst or, rather, three bubbles have burst: the housing bubble, the commodity bubble and the bubble created by total U.S. consumer debt. And while the current financial crisis originated in the U.S., it has spread to all areas of the world economy and threatening global prosperity.

The economic outfall and forecasts are grim. Among them:

- Some \$30 trillion, or half of the value of global stock markets, has been wiped out.
- World GDP growth in 2009 is projected to fall to one-half per cent, its lowest rate since World War II.
- The unemployment rate in the U.S. has reached its highest level in more than a quarter of a century, with more than 5 million job lost.
- In the last 20 years, U.S. consumer debt as a percentage of disposable income has climbed from about 80% to more than 130%.
- U.S. consumers have experienced an unprecedented loss of wealth in the range of \$11 trillion last year.

The U.S. consumer accounts for 70% of the U.S. economy and 18% of the world economy. And the U.S. consumer is in bad shape, with record-high debt and no savings.

HSM - OPENING REMARKS CARILEC CONFERENCE
Grand Cayman, June 7, 2009

In recent months, the U.S. consumer has been saving more and spending considerably less. This will have global economic ramifications.

Hardest hit by a halt in U.S. consumer spending will be those countries and industries which provide American consumers with goods and services related to discretionary spending. You're seeing this in the Caribbean region where tourism is being impacted.

The impact of unemployment on migrant workers will have an effect on the flow of remittances. For some countries here in the Caribbean and in Latin America, remittances from overseas workers are estimated to be the equivalent of 20% or more of their GDP.

What will the next 20 years hold? Indeed that is the **trillion** dollar question of the day.

This recession has been deeper and longer than most people suspected. It's going to be a difficult few years ahead and no industry is immune to the effects of this recession, with economic indicators still pointing lower. Commodity prices, such as oil prices, have collapsed from record-setting highs of about a year ago. If, as predicted, global oil consumption declines in 2009 due to the economic recession, it will mark the first time in 30 years that world consumption has declined for two consecutive years.

An ebb tide carries all ships, the same as a rising tide. We all participated in the boom and we're all going to participate, however unwillingly, in the bust.

Despite all the challenges and changes that are occurring on the global economic front, there is one thing that has **not** changed. And that is the **obligation** of electric utilities to provide our customers with safe and reliable service. Unlike other businesses, we cannot choose not to serve.

World energy demand is forecast to increase by 50 per cent from 2005 to 2030.

HSM - OPENING REMARKS CARILEC CONFERENCE
Grand Cayman, June 7, 2009

Notwithstanding the impact of the current recession on energy demand, substantial capital investment will be required. The electric utility industry is extremely capital intensive.

To meet generation and T&D needs, it is estimated that, over the next 20 years, the U.S. electric utility industry alone will need to make a total infrastructure investment of \$1.5 to \$2 trillion. On a global scale, the forecast is in the range of \$20 trillion.

The majority of this investment will have to be financed in the capital markets. This will be a major challenge for many utilities.

As a result of the dramatic rise in risk levels associated with the financial crisis, investors likely find current level of returns to be inadequate. Investors will also scrutinize regulatory mechanisms for the flow through of fuel cost to reduce utility risk.

The economic road to recovery will be a long and winding and bumpy one, to be sure. Attempts by government to revive the global economy have planted the seeds of the next bubble – government spending and inflation.

However, let me finish on a positive note and say that some bumps in the road can be a good thing...literally. A group of students at the Massachusetts Institute of Technology recently discovered that the energy dispersed as heat from a vehicle's shock absorbers equates to six kilowatts. They are currently testing a design to generate electricity using a vehicle's shock absorbers. Electric shock may have a whole new meaning!

And speaking of roads, an update on the status of the electric car I spoke about earlier. The first highway-capable electric car in the world is scheduled for testing this year. GM has come out with the Volt, its plug-in hybrid vehicle but, then again, GM has gone into bankruptcy protection – who would have thought that 20 years ago!

HSM - OPENING REMARKS CARILEC CONFERENCE
Grand Cayman, June 7, 2009

Twenty years from now, most of the vehicles in your service areas could be electric – what would **that** do to your demand?

Here's to powering the road ahead.

Enjoy your conference.