



FOR IMMEDIATE RELEASE:

St. John's, NL (December 11, 2013):

**FORTIS INC. ANNOUNCES \$1.8 BILLION FINANCING
COMPRISING \$1.594 BILLION BOUGHT DEAL AND
\$206 MILLION CONCURRENT PRIVATE PLACEMENT OF
CONVERTIBLE DEBENTURES
(REPRESENTED BY INSTALMENT RECEIPTS)**

Not for distribution to U.S. news wire services or dissemination in the United States.

Fortis Inc. (TSX:FTS) ("Fortis" or the "Corporation") announced today that its direct wholly owned subsidiary, FortisUS Holdings Nova Scotia Limited (the "Selling Debentureholder"), has agreed to sell \$1,594,000,000 aggregate principal amount of 4.00% convertible unsecured subordinated debentures ("Debentures") of Fortis in a secondary offering on a "bought deal" basis to the public (the "Public Offering") and separately has agreed to sell \$206,000,000 aggregate principal amount of Debentures to certain institutional investors on a private placement basis (the "Private Placement" and together with the Public Offering, the "Offerings"). In connection with the Public Offering, the underwriters have also been granted an over-allotment option to purchase up to an additional \$239,100,000 aggregate principal amount of Debentures at the offering price, within 30 days from the date of the closing of the Public Offering solely to cover over-allotments, if any, and for market stabilization purposes.

All Debentures are being sold on an instalment basis at a price of \$1,000 per Debenture, of which \$333 is payable on the closing of the Offerings and the remaining \$667 is payable on a date ("Final Instalment Date") to be fixed following satisfaction of all conditions precedent to the closing of Fortis' acquisition of UNS Energy Corporation (NYSE:UNS).

Earlier today, Fortis announced that it had entered into an agreement and plan of merger pursuant to which it will indirectly acquire UNS Energy Corporation, a vertically integrated utility services holding company, headquartered in Tucson, Arizona, engaged through three regulated subsidiaries in the electric generation and energy delivery business, primarily in the State of Arizona, for a purchase price of approximately US\$4.3 billion including the assumption of approximately US\$1.8 billion in debt. Prior to the Final Instalment Date, the Debentures will be represented by instalment receipts. Application has been made to list the instalment receipts on the Toronto Stock Exchange. The Debentures will not be listed. Completion of each of the Public Offering and the Private Placement will be subject to the acceptance and approval of the Toronto Stock Exchange.

The Debentures will mature on January 9, 2024 and will bear interest at an annual rate of 4.00% per \$1,000 principal amount of Debentures (an effective annual yield of 12.00% based on a first instalment of \$333) until and including the Final Instalment Date, after which the interest rate will be 0%.

If the Final Instalment Date occurs on a day that is prior to the first anniversary of the closing of the Offering, holders of Debentures who have paid the final instalment on or before the Final Instalment Date will be entitled to receive, on the business day following the Final Instalment Date, in addition to the payment of accrued and unpaid interest to and including the Final Instalment Date, an amount equal to the interest that would have accrued from the day following the Final Instalment Date to, but excluding, the first anniversary of the closing of the Offering had the Debentures remained outstanding until such date (the "Make-Whole Payment"). No Make-Whole Payment will be payable if the Final Instalment Date occurs on or after the first anniversary of the closing of the Offering.

At the option of investors and provided that payment of the final instalment has been made, each Debenture will be convertible into common shares of Fortis ("Common Shares") at any time after the Final Instalment Date but prior to maturity or redemption by the Corporation at a conversion price of \$30.72 per Common Share, being a conversion rate of 32.5521 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain circumstances.

The Debentures will not be redeemable except that Fortis will redeem the Debentures at a price equal to their principal amount plus accrued and unpaid interest following the earlier of: (i) notification to holders that the conditions necessary to approve the acquisition of UNS Energy Corporation will not be satisfied; (ii) termination of the acquisition agreement; and (iii) July 2, 2015, if notice of the Final Instalment Date has not been given to investors on or before June 30, 2015. Upon any such redemption, the Corporation will pay for each Debenture: (i) \$333 plus accrued and unpaid interest to the holder of the Instalment Receipt; and (ii) \$667 to the Selling Debentureholder on behalf of the holder of the Instalment Receipt in satisfaction of the final instalment. In addition, after the Final Instalment Date, any Debentures not converted may be redeemed by Fortis at a price equal to their principal amount plus unpaid interest, which accrued prior to the Final Instalment Date.

At maturity, Fortis will have the right to pay the principal amount due in Common Shares, which will be valued at 95% of their weighted average trading price on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the maturity date.

The net proceeds of the first instalment payment of the Offerings are expected to be, in aggregate, \$563,400,000 (assuming no exercise of the Public Offering's over-allotment option), and will be used to repay borrowings under Fortis' existing revolving credit facility and for other general corporate purposes. The net proceeds of the final instalment payment of the Offerings are expected to be, in aggregate, \$1,164,600,000 (assuming no exercise of the Public Offering's over-allotment option), and will be used to repay borrowings under non-revolving term credit

facilities which will be used to finance the acquisition of UNS Energy Corporation (including acquisition-related expenses).

The Offerings are subject to the receipt of all necessary regulatory and stock exchange approvals. Closing of the Offerings is expected to occur on or about January 9, 2014. The closing of the Private Placement is subject to the concurrent closing of the Public Offering.

The syndicate of underwriters for the Offerings is being co-led by Scotiabank, RBC Capital Markets, TD Securities Inc. and CIBC, and includes BMO Capital Markets, National Bank Financial Inc. and Desjardins Securities Inc.

The Public Offering is only being made by short form prospectus. Copies of the short form prospectus may be obtained from any of the underwriters referred to above. Investors should read the short form prospectus before making an investment decision. There will not be any sale of the securities being offered until a receipt for the final short form prospectus has been issued. The description of the Debentures and the Instalment Receipts set forth above is qualified in its entirety by the trust indenture and instalment receipt agreement, respectively, and the summary thereof contained in the short form prospectus.

The securities offered have not been registered under the U.S. *Securities Act of 1933*, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This media release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the securities in any state in which such offer, solicitation or sale would be unlawful.

Fortis is the largest investor-owned gas and electric distribution utility in Canada, with total assets of approximately \$17.6 billion, as at September 30, 2013, and fiscal 2012 revenue (which excludes the June 2013 acquisition of CH Energy Group) totalling approximately \$3.7 billion. Its regulated utilities serve more than 2.4 million customers across Canada and in New York State and the Caribbean. Fortis owns non-regulated hydroelectric generation assets in Canada, Belize and Upstate New York. The Corporation's non-utility investments are comprised of hotels and commercial real estate in Canada and petroleum supply operations in the Mid-Atlantic Region of the United States.

Fortis shares are listed on the Toronto Stock Exchange and trade under the symbol FTS. Additional information can be accessed at www.fortisinc.com or www.sedar.com.

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Fortis includes forward-looking statements in media releases which reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify the forward-looking statements, which, without limitation, include those statements related to the acquisition of UNS Energy Corporation, the conditions precedent to the closing of such acquisition, the closing of the public and private offerings, the listing of securities on and approval of the Toronto Stock Exchange and the timing of payment of the final instalment amount. These statements reflect management's current beliefs and are based on information currently available to the Corporation's management. Forward-looking statements involve

significant risk, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. Such risk factors or assumptions include, but are not limited to, regulation, energy prices, general economic conditions, weather, derivatives and hedging, capital resources, loss of service area, licences and permits, environment, insurance, labour relations, human resources and liquidity risk. Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For more information please contact:

Mr. Barry Perry
Vice President, Finance and Chief Financial Officer
Fortis Inc.
Phone: 709.737.2800

Ms. Donna Hynes
Manager, Investor & Public Relations
Fortis Inc.
Phone: 709.737.5323