FORTIS INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2014

February 18, 2015

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2014

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DEFINITIONS OF CERTAIN TERMS

Certain terms used in this 2014 Annual Information Form are defined below:

"2014 Annual Information Form" means this annual information form of the Corporation in respect of the year ended December 31, 2014;

"2014 Audited Consolidated Financial Statements" means the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2014 and 2013 and related notes thereto;

"ACC" means the Arizona Corporation Commission;

"Algoma Power" means Algoma Power Inc.;

"AUC" means the Alberta Utilities Commission;

"BC Hydro" means the BC Hydro and Power Authority;

"BCUC" means the British Columbia Utilities Commission;

"BECOL" means Belize Electric Company Limited;

"Belize Electricity" means Belize Electricity Limited;

"BEPC" means Brilliant Expansion Power Corporation;

"Board" means the Board of Directors of the Corporation;

"BPC" means Brilliant Power Corporation;

"Canadian Niagara Power" means Canadian Niagara Power Inc.;

"Caribbean Utilities" means Caribbean Utilities Company, Ltd.;

"CEA" means the Canadian Electricity Association;

"Central Hudson" means Central Hudson Gas & Electric Corporation;

"CEO" means the Chief Executive Officer of the Corporation;

"CH Energy Group" means CH Energy Group, Inc.;

"Convertible Debentures" means the $1.8 billion aggregate principal amount of 4% convertible unsecured subordinated debentures represented by Installment Receipts issued by the Corporation in January 2014;

"COPE" means the Canadian Office and Professional Employees Union;

"Cornwall Electric" means Cornwall Street Railway, Light and Power Company, Limited;

"Corporation" means Fortis Inc.;

"CPA" means the Canal Plant Agreement;

"CPC/CBT" means Columbia Power Corporation and Columbia Basin Trust;

"CUPE" means the Canadian Union of Public Employees;

"DBRS" means DBRS Limited;

"DEC" means the New York State Department of Environmental Conservation;

“Eastern Canadian Electric Utilities” means, collectively, the operations of Newfoundland Power, Maritime Electric and FortisOntario;

“EMS” means environmental management systems;

“EPA” means the United States Environmental Protection Agency;

“ERA” means the Electricity Regulatory Authority of the Cayman Islands;

“External Auditor” means the firm of Chartered Professional Accountants registered with the Canadian Public Accountability Board or its successor and appointed by the shareholders of the Corporation to act as external auditor of the Corporation;

“FAES” means FortisBC Alternative Energy Services Inc.;

“FEI” means FortisBC Energy Inc.;

“FERC” means the United States Federal Energy Regulatory Commission;

“FEVI” means FortisBC Energy (Vancouver Island) Inc.;

“FEWI” means FortisBC Energy (Whistler) Inc.;

“FHI” means FortisBC Holdings Inc., the parent company of FEI, FEVI and FEWI;

“Final Installment Date” means the date on which the second and final installment payment in respect of the Convertible Debentures was paid, being October 27, 2014;

“Fitch” means Fitch Ratings Inc.;

“Fortis” means Fortis Inc.;

“FortisAlberta” means FortisAlberta Inc.;

“FortisAlberta Holdings” means FortisAlberta Holdings Inc.;

“FortisBC Amalgamation” means the amalgamation of FEI, FEVI, FEWI and one or more non-operating companies, effective December 31, 2014;

“FortisBC Electric” means, collectively, the operations of FortisBC Inc. and its parent company, FortisBC Pacific Holdings Inc., but excludes its wholly owned partnership, Walden Power Partnership;

“FortisBC Energy companies” means FortisBC Energy Inc., the company resulting from the FortisBC Amalgamation;

“FortisBC Pacific Holdings” means FortisBC Pacific Holdings Inc.;

“Fortis Generation East Partnership” means Fortis Generation East LLP;

“FortisOntario” means, collectively, the operations of Canadian Niagara Power, Cornwall Electric and Algoma Power;

“Fortis Properties” means Fortis Properties Corporation;

“FortisTCI” means FortisTCI Limited;

“Fortis Turks and Caicos” means, collectively, FortisTCI and Turks and Caicos Utilities Limited;

“FortisUS” means FortisUS Inc.;

“FortisUS Energy” means FortisUS Energy Corporation;

“FortisUS Holdings” means FortisUS Holdings Nova Scotia Limited;

"FortisWest" means FortisWest Inc.;

"**Four Corners"** means Four Corners Generating Station;

"GHG" means greenhouse gas;

"GOB" means the Government of Belize;

"Griffith" means Griffith Energy Services, Inc.;

"GSMIP" means Gas Supply Mitigation Incentive Plan;

"GWh" means gigawatt hour(s);

"Hydro One" means Hydro One Networks Inc.;

"IBEW" means the International Brotherhood of Electrical Workers;

"IESO" means the Independent Electricity System Operator of Ontario;

"Installment Receipts" means the installment receipts representing the Convertible Debentures;

"ISO" means International Organization for Standardization;

"LNG" means liquefied natural gas;

"Management" means, collectively, the senior officers of the Corporation;

"Maritime Electric" means Maritime Electric Company, Limited;

"MD&A" means the Corporation's Management Discussion and Analysis prepared in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations,* in respect of the Corporation's annual consolidated financial statements for the year ended December 31, 2014;

"MGP" means manufactured gas plant;

"Moody's" means Moody's Investors Service;

"MW" means megawatt(s);

"MWh" means megawatt hour(s);

"NB Power" means New Brunswick Power Corporation;

"NEB" means the National Energy Board;

"Newfoundland Hydro" means Newfoundland and Labrador Hydro Corporation;

"Newfoundland Power" means Newfoundland Power Inc.;

"NYISO" means the New York Independent System Operator;

"OEB" means the Ontario Energy Board;

"PBR" means performance-based rate-setting;

"PCB" means polychlorinated biphenyl;

"PEI" means Prince Edward Island;

"PEI Energy Accord" means the Prince Edward Island Energy Accord;

“PJ” means petajoule(s);

“Point Lepreau” means the NB Power Point Lepreau Nuclear Generating Station;

“PPA” means power purchase agreement;

“PPFAC” means purchased power and fuel adjustment clause;

“PRMP” means Price Risk Management Plan;

“PSC” means the New York State Public Service Commission;

“PUB” means the Newfoundland and Labrador Board of Commissioners of Public Utilities;

“ROE” means rate of return on common shareholders’ equity;

“S&P” means Standard & Poor’s Ratings Services;

“SEDAR” means the System for Electronic Document Analysis and Retrieval;

“SJCC” means San Juan Coal Company;

“SJGS” means San Juan Generating Station;

“Spectra Energy” means Westcoast Energy Inc. doing business as Spectra Energy Transmission;

“T&D” means transmission and distribution;

“Teck Metals” means Teck Metals Ltd.;

“TEP” means Tucson Electric Power Company;

“TJ” means terajoule(s);

“TransCanada” means TransCanada Pipelines Limited;

“TSX” means the Toronto Stock Exchange;

“UFCW” means the United Food and Commercial Workers;

“UNS Electric” means UNS Electric, Inc.;

“UNS Energy” means collectively, the operations of TEP, UNS Electric and UNS Gas;

“UNS Gas” means UNS Gas, Inc.;

“US GAAP” means accounting principles generally accepted in the United States;

“USW” means the United Steel Workers;

“UUWA” means the United Utility Workers’ Association of Canada;

“Walden” means the Walden Power Partnership;

“Waneta Expansion” means the 335-MW hydroelectric generating facility being constructed adjacent to the existing Waneta Plant on the Pend d’Oreille River in British Columbia;

“Waneta Partnership” means the Waneta Expansion Limited Partnership between CPC/CBT and Fortis;

“WECA” means the Waneta Expansion Capacity Agreement; and

“Whistler” means the Resort Municipality of Whistler.

1.0 CORPORATE STRUCTURE

The 2014 Annual Information Form has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*. Financial information has been prepared in accordance with US GAAP and is presented in Canadian dollars unless otherwise specified.

Except as otherwise stated, the information in the 2014 Annual Information Form is given as of December 31, 2014.

Fortis includes forward-looking information in the 2014 Annual Information Form within the meaning of applicable securities laws in Canada ("forward-looking information"). 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 it 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 2014 Annual Information Form, including the 2014 MD&A incorporated herein by reference, includes, but is not limited to, statements regarding: the Corporation's review of strategic options for its hotel and commercial real estate business; that the principal business of Fortis will remain the ownership and operation of regulated electric and gas utilities; the Corporation's primary focus on Canada and the United States in the acquisition of regulated utilities; the expected capital investment in Canada's electricity sector over the 20-year period through 2030 to maintain system reliability; the expectation that UNS Energy will be able to satisfy the requirements of its customer base and meet future peak demand requirements; the expectation that there will be a significant reduction in the use of coal in certain of UNS Energy's generating facilities by 2020; forecast 2015 to 2019 midyear rate bases for the Corporation's largest regulated utilities; the expected timing of filing of regulatory applications and of receipt of regulatory decisions; the Corporations consolidated forecast gross capital expenditures for 2015 and total capital spending over the five-year period from 2015 through 2019; UNS Energy's forecast capital program for 2015 through 2018; the expectation that UNS Electric will be successful in acquiring solar generating capacity in Mohave County, Arizona; various natural gas investment opportunities that may be available to the Corporation; the nature, timing and expected costs of certain capital projects including, without limitation, the Waneta Expansion, the Tilbury liquefied natural gas facility expansion, the Woodfibre pipeline expansion, the development of a diesel power plant in Grand Cayman, and the Pinal transmission project in Arizona; the expectation that the Corporation's significant capital expenditure program will support continuing growth in earnings and dividends; the assurance that capital projects perceived as required or completed by the Corporation's regulated utilities will be approved or that conditions to such approvals will not be imposed; the expectation that the Corporation's regulated utilities could experience disruptions and increased costs if they are unable to maintain their asset base; the expectation that cash required to complete subsidiary capital expenditure programs will be sourced from a combination of cash from operations, borrowings under credit facilities, equity injections from Fortis and long-term debt offerings; the expectation that the Corporation's subsidiaries will be able to source the cash required to fund their 2015 capital expenditure programs, operating and interest costs, and dividend payments; the expected consolidated long-term debt maturities and repayments in 2015 and on average annually over the next five years; the expectation that the Corporation and its subsidiaries will continue to have reasonable access to capital in the near to long term; the expectation that the combination of available credit facilities and relatively low annual debt maturities and repayments will provide the Corporation and its subsidiaries with flexibility in the timing of access to capital markets; the expectation that the Corporation and its subsidiaries will remain compliant with debt covenants during 2015; the intent of Management to hedge future exchange rate fluctuations and monitor its foreign currency exposure; the impact of advances in technology and new energy efficiency standards on the Corporation's results of operations; the impact of new or revised environmental laws and regulations on the Corporation's results of operations; the expectation that any liability from current legal proceedings will not have a material adverse effect on the Corporation's consolidated financial position and results of operations; the belief that the Corporation has a strong, well-positioned case supporting the unconstitutionality of the expropriation of the Corporation's investment in Belize; and the expectation that the adoption of future accounting pronouncements will not have a material impact on the Corporation's 2014 Audited Consolidated Financial Statements.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: a favourable outlook for the potential sale of assets or shares in the hotel and commercial real estate market; the receipt of applicable regulatory approvals and requested rate orders, no material adverse regulatory decisions being received, and the expectation of regulatory stability; FortisAlberta's continued recovery of its cost of service and ability to earn its allowed ROE under performance-based rate-setting, which commenced for a five-year term effective January 1, 2013; no significant variability in interest rates; 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 continued ability to maintain the electricity and gas systems to ensure their continued performance; no severe and prolonged downturn in economic conditions; no significant decline in capital spending; no material capital project and financing cost overrun related to the construction of the non-regulated Waneta Expansion; sufficient liquidity and capital resources; the expectation that the Corporation will receive appropriate compensation from the GOB for fair value of the Corporation's investment in Belize Electricity that was expropriated by the GOB; the expectation that BECOL will not be expropriated by the GOB; the continuation of regulator-approved mechanisms to flow through the cost of natural gas and energy supply costs in customer rates; the ability to hedge exposures to fluctuations in foreign exchange rates, natural gas prices, electricity prices and fuel prices; no significant counterparty defaults; the continued competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the continued availability of natural gas, fuel and electricity supply; continuation and regulatory approval of power supply and capacity purchase contracts; the ability to fund defined benefit pension plans, earn the assumed long-term rates of return on the related assets and recover net pension costs in customer rates; no significant changes in government energy plans and environmental laws that may materially negatively affect the operations and cash flows of the Corporation and its subsidiaries; no material change in public policies and directions by governments that could materially negatively affect the Corporation and its subsidiaries; new or revised environmental laws and regulations will not severely affect the results of operations; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; the ability to report under US GAAP beyond 2018 or the adoption of International Financial Reporting Standards after 2018 that allows for the recognition of regulatory assets and liabilities; the continued tax-deferred treatment of earnings from the Corporation's Caribbean operations; continued maintenance of information technology infrastructure; continued favourable relations with First Nations; favourable labour relations; that the Corporation can reasonably accurately assess the merit of and potential liability attributable to ongoing legal proceedings; 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. Risk factors which could cause results or events to differ from current expectations are detailed under the heading "Business Risk Management" in the MD&A for the year ended December 31, 2014 and in continuous disclosure materials filed from time to time with Canadian securities regulatory authorities. Key risk factors for 2015 include, but are not limited to: uncertainty of the impact a continuation of a low interest rate environment may have on the allowed ROE at the Corporation's regulated utilities; uncertainty regarding the treatment of certain capital expenditures at FortisAlberta under the newly implemented PBR mechanism; risk associated with the amount of compensation to be paid to Fortis for its investment in Belize Electricity that was expropriated by the GOB; and the timeliness of the receipt of the compensation and the ability of the GOB to pay the compensation owing to Fortis.

All forward-looking information in the 2014 Annual Information Form 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.

1.1 Name and Incorporation

Fortis is a holding company that was incorporated as 81800 Canada Ltd. under the *Canada Business Corporations Act* on June 28, 1977 and continued under the *Corporations Act* (Newfoundland and Labrador) on August 28, 1987.

The articles of incorporation of the Corporation were amended to: (i) change its name to Fortis on October 13, 1987; (ii) set out the rights, privileges, restrictions and conditions attached to the Common Shares on October 15, 1987; (iii) designate 2,000,000 First Preference Shares, Series A on September 11, 1990; (iv) replace the class rights, privileges, restrictions and conditions attaching to the First Preference Shares and the Second Preference Shares on July 22, 1991; (v) designate 2,000,000 First Preference Shares, Series B on December 13, 1995; (vi) designate 5,000,000 First Preference Shares, Series C on May 27, 2003; (vii) designate 8,000,000 First Preference Shares, Series D and First Preference Shares, Series E on January 23, 2004; (viii) amend the redemption provisions attaching to the First Preference Shares, Series D on July 15, 2005; (ix) designate 5,000,000 First Preference Shares, Series F on September 22, 2006; (x) designate 9,200,000 First Preference Shares, Series G on May 20, 2008; (xi) designate 10,000,000 First Preference Shares, Series H and 10,000,000 First Preference Shares, Series I on January 20, 2010; (xii) designate 8,000,000 First Preference Shares, Series J on November 8, 2012; (xiii) designate 12,000,000 First Preference Shares, Series K and 12,000,000 First Preference Shares, Series L on July 11, 2013; and (xiv) designate 24,000,000 First Preference Shares, Series M and 24,000,000 First Preference Shares, Series N on September 16,2014.

Fortis redeemed all of its outstanding First Preference Shares, Series A, First Preference Shares, Series B and First Preference Shares, Series C on September 30, 1997, December 2, 2002, and July 10 2013, respectively. On January 29, 2004, Fortis issued 8,000,000 First Preference Units, each unit consisting of one First Preference Share, Series D and one Warrant. During 2004, 7,993,500 First Preference Units were converted into 7,993,500 First Preference Shares, Series E and 6,500 First Preference Shares, Series D remained outstanding. On September 20, 2005, the 6,500 First Preference Shares, Series D were redeemed by the Corporation. On September 28, 2006, Fortis issued 5,000,000 First Preference Shares, Series F. On May 23, 2008, Fortis issued 8,000,000 First Preference Shares, Series G and on June 4, 2008 issued an additional 1,200,000 First Preference Shares, Series G, following the exercise of an over-allotment option in connection with the offering of the 8,000,000 First Preference Shares, Series G. On January 26, 2010, Fortis issued 10,000,000 First Preference Shares, Series H. On November 13, 2012, Fortis issued 8,000,000 First Preference Shares, Series J. On July 18, 2013, Fortis issued 10,000,000 First Preference Shares, Series K. On September 19, 2014, Fortis issued 24,000,000 First Preference Shares, Series M.

The corporate head office of Fortis is located at Fortis Place, Suite 1100, 5 Springdale Street, P.O. Box 8837, St. John's, NL, Canada, A1B 3T2. The registered office of Fortis is located at the Fortis Building, Suite 1201, 139 Water Street, P.O. Box 8837, St. John's, NL, Canada, A1B 3T2.

1.2 Inter-Corporate Relationships

Fortis is a leader in the North American electric and gas utility business, with total assets of more than $26 billion and fiscal 2014 revenue of $5.4 billion. Its regulated utilities account for approximately 93% of total assets and serve more than 3 million customers across Canada and in the United States and the Caribbean. Fortis owns non-regulated hydroelectric generation assets in Canada, Belize and upstate New York. The Corporation's non-utility investment is comprised of hotels and commercial real estate in Canada.

The following table lists the principal subsidiaries of the Corporation, their jurisdictions of incorporation and the percentage of votes attaching to voting securities held directly or indirectly by the Corporation as at February 18, 2015. This table excludes certain subsidiaries, the total assets of which individually constituted less than 10% of the Corporation's consolidated assets as at December 31, 2014, or the total revenue of which individually constituted less than 10% of the Corporation's 2014 consolidated revenue. Additionally, the principal subsidiaries together comprise approximately 86% of the Corporation's consolidated assets as at December 31, 2014 and approximately 82% of the Corporation's 2014 consolidated revenue.

Principal Subsidiaries		
Subsidiary	**Jurisdiction of Incorporation**	**Percentage of votes attaching to voting securities beneficially owned, controlled or directed by the Corporation**
UNS Energy [(1)]	Arizona State, United States	100
Central Hudson [(2)]	New York State, United States	100
FHI	British Columbia, Canada	100
FortisAlberta [(3)]	Alberta, Canada	100
FortisBC Inc. [(4)]	British Columbia, Canada	100
Newfoundland Power	Newfoundland and Labrador, Canada	95[(5)]

(1) *UNS Energy, an Arizona State corporation, owns all of the shares of TEP, UNS Electric and UNS Gas. FortisUS, a Delaware State corporation, owns all of the shares of UNS Energy. FortisUS Holdings, a Canadian corporation, owns all of the shares of FortisUS. Fortis owns all of the shares of FortisUS Holdings.*

(2) *CH Energy Group, a New York State corporation, owns all of the shares of Central Hudson. FortisUS, a Delaware State corporation, owns all of the shares of CH Energy Group. FortisUS Holdings, a Canadian corporation, owns all of the shares of FortisUS. Fortis owns all of the shares of FortisUS Holdings.*

(3) *FortisAlberta Holdings, an Alberta corporation, owns all of the shares of FortisAlberta. FortisWest, a Canadian corporation, owns all of the shares of FortisAlberta Holdings. Fortis owns all of the shares of FortisWest.*

(4) *FortisBC Pacific Holdings, a British Columbia corporation, owns all of the shares of FortisBC Inc. FortisWest, a Canadian corporation, owns all of the shares of FortisBC Pacific Holdings. Fortis owns all of the shares of FortisWest.*

(5) *Fortis owns all of the common shares and certain of the First Preference Shares, Series A, B, D and G of Newfoundland Power which, as at February 18, 2015, represent 95% of its voting securities. The remaining 5% of Newfoundland Power's voting securities consist of First Preference Shares, Series A, B, D and G, which are primarily held by the public.*

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three-Year History

Over the past three years, Fortis has experienced significant growth in its business operations. Total assets have grown 87% from approximately $14.2 billion as at December 31, 2011 to approximately $26.6 billion as at December 31, 2014. The Corporation's shareholders' equity has also grown 86% from approximately $4.9 billion as at December 31, 2011 to approximately $9.1 billion as at December 31, 2014. Net earnings attributable to common equity shareholders have increased from $311 million in 2011 to $317 million in 2014. Earnings in 2014, however, were reduced by non-recurring items, largely associated with the acquisition of UNS Energy.

The growth in business operations reflects the Corporation's profitable growth strategy for its principal regulated electric and gas utility businesses. This strategy includes a combination of growth from acquisitions and organic growth through the Corporation's consolidated capital expenditure program.

Over the past three years, Fortis has significantly increased its regulated utility investments through acquisitions. In August 2014 Fortis acquired UNS Energy for a purchase price of approximately US$4.5 billion, including the assumption of approximately US$2.0 billion of debt on closing. UNS Energy is a vertically integrated utility services holding company, headquartered in Tucson, Arizona, engaged through its primary subsidiaries in the regulated electric generation and energy delivery business, primarily in the State of Arizona, serving approximately 658,000 electricity and gas customers. In June 2013 Fortis acquired CH Energy Group for a purchase price of approximately US$1.5 billion, including the assumption of US$518 million of debt on closing. CH Energy Group is an energy delivery company headquartered in Poughkeepsie, New York. Its main business, Central Hudson, is a regulated T&D utility serving approximately 300,000 electric customers and 77,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley. In March 2013 FortisBC Electric acquired the electric utility assets of the City of Kelowna for approximately $55 million, which allows FortisBC Electric to directly serve some 15,000 customers formerly served by the City. FortisBC Electric had provided the City with electricity under a wholesale tariff and had operated and maintained the City's electric utility assets under contract since 2000.

The Corporation's gross consolidated capital expenditures for 2014 were approximately $1.7 billion, up almost 50% from 2013. Over the past three years, gross consolidated capital expenditures were $4 billion. Organic asset growth at the regulated utilities has been driven by the capital expenditure programs in western Canada. Total assets at FortisAlberta and the FortisBC gas and electric utilities have grown by approximately 29% and 6%, respectively, over the past three years. Organic growth at non-regulated operations has been driven by approximately $679 million in total that has been spent on the Waneta Expansion since construction began in late 2010.

2.2 Outlook

Fortis is a leader in the North American electric and gas utility business, currently serving more than 3 million customers. The Corporation's focus continues to be on low risk, regulated utility businesses and long-term contracted energy infrastructure.

In September 2014 the Corporation announced that it would engage in a review of strategic options for its hotel and commercial real estate business, operating as Fortis Properties. Strategic options may include, but are not limited to, a sale of all or a portion of the assets, a sale of shares of Fortis Properties or an initial public offering. A decision on this review is expected to be made in the second quarter of 2015. Fortis Properties currently comprises approximately 3% of the Corporation's total assets.

Following a decade of significant growth, mainly resulting from acquisitions, Fortis is entering a period of significant growth from its existing operations. The Corporation's consolidated capital program is expected to exceed $2 billion for 2015. Over the five-year period through 2019, it is expected to approach $9 billion.

Over the next five years, total investment in energy infrastructure is expected to increase midyear rate base by approximately 36% from $14 billion in 2014 to approximately $19 billion in 2019. This capital investment should allow rate base to increase at a five-year compound annual growth rate of approximately 6.5% through 2019. Fortis expects that this investment will support continuing growth in earnings and dividends.

Fortis is also pursuing significant natural gas investment opportunities, particularly in British Columbia. Two new regulated projects – a further expansion of the Tilbury LNG facility and the Woodfibre pipeline expansion – could increase the five-year compound annual growth rate through 2019 to approximately 7.5%.

The approximate breakdown of the capital spending expected to be incurred over the five-year period from 2015 to 2019 is as follows: 38% at Canadian Regulated Electric Utilities, driven by FortisAlberta; 35% at Regulated Gas & Electric Utilities in the United States, driven by UNS Energy; 20% at Canadian Regulated Gas Utilities; 5% at Caribbean Regulated Electric Utilities and the remaining 2% at non-regulated operations. Capital expenditures at the regulated utilities are subject to regulatory approval. Over the five-year period, on average annually, the approximate breakdown of the total capital spending to be incurred is as follows: 28% to meet customer growth; 49% to ensure continued and enhanced performance, reliability and safety of generation and T&D assets; and 23% for facilities, equipment, vehicles, information technology and other assets.

Gross consolidated capital expenditures for 2015 are expected to be approximately $2.2 billion, as summarized in the following table. Planned capital expenditures are based on detailed forecasts of energy demand, weather, cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from forecasts.

Forecast Gross Consolidated Capital Expenditures [(1)] **Year Ending December 31, 2015**	
	($ millions)
UNS Energy [(2)]	684
Central Hudson [(2)]	165
FortisBC Energy companies	385
FortisAlberta	417
FortisBC Electric	103
Eastern Canadian Electric Utilities	159
Regulated Electric Utilities – Caribbean [(2)]	125
Non-Regulated - Fortis Generation	78
Non-Regulated - Non-Utility [(3)]	36
Total	**2,152**

(1) *Relates to forecast cash payments to acquire or construct utility capital assets, non-utility capital assets and intangible assets, as would be reflected on the consolidated statement of cash flows. Excludes the non-cash equity component of allowance for funds used during construction.*

(2) *Forecast capital expenditures are based on a forecast exchange rate of US$1.00 = CDN$1.20.*

(3) *Includes forecast capital expenditures of approximately $33 million at FAES, which is reported in the Corporate and Other segment of the Corporation's 2014 Audited Consolidated Financial Statements.*

The most significant capital projects forecast for 2015 include:

- the continuation of the Waneta Expansion, with approximately $76 million expected to be spent in 2015;
- the Tilbury LNG facility expansion by the FortisBC Energy companies, which includes the construction of a second LNG tank and a new liquefier, scheduled to be completed by the end of 2016 at a capital cost of approximately $400 million;
- the purchase by UNS Energy of additional ownership interests in Unit 1 of the Springerville generating station for US$46 million;
- the expected purchase by UNS Energy of expiring lease interests in the Springerville coal handling facilities for US$73 million, net of expected reimbursements from third parties; and
- the Pinal Transmission Project, consisting of the construction by UNS Energy of a transmission line in Pinal County to increase UNS Energy's import capacity from Gila River Unit 3 and the Palo Verde trading hub, for US$85 million.

The FortisBC Energy companies are also pursuing additional LNG investment opportunities, including a further $450 million expansion of Tilbury and a $600 million pipeline expansion for the proposed Woodfibre LNG site in British Columbia, which are not included in the current capital expenditures forecast set out in the table above.

The Corporation’s subsidiaries expect to have reasonable access to long-term capital in 2015 to fund their capital expenditure programs.

Forecast 2015 midyear rate base for the Corporation's regulated utilities is provided in the following table.

Forecast 2015 Midyear Rate Base	
	($ billions)
UNS Energy [(1)]	3.8
Central Hudson [(1)]	1.3
FortisBC Energy companies	3.7
FortisAlberta	2.7
FortisBC Electric	1.3
Eastern Canadian Electric Utilities	1.6
Regulated Electric Utilities – Caribbean [(1)]	0.8
Total	**15.2**

(1) *Based on a forecast exchange rate of US$1.00 = CDN$1.20.*

3.0 DESCRIPTION OF THE BUSINESS

Fortis is principally an international electric and gas utility holding company. Fortis segments its utility operations by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis also holds investments in non-regulated generation and non-utility assets, which are treated as two separate segments. The Corporation's reporting segments allow Management to evaluate the operational performance and assess the overall contribution of each segment to the long-term objectives of Fortis. Each entity within the reporting segments operates with substantial autonomy, assumes profit and loss responsibility and is accountable for its own resource allocation.

The business segments of the Corporation are: (i) Regulated Electric & Gas Utilities – United States; (ii) Regulated Gas Utilities – Canadian; (iii) Regulated Electric Utilities – Canadian; (iv) Regulated Electric Utilities – Caribbean; (v) Non-Regulated – Fortis Generation; (vi) Non-Regulated – Non-Utility; and (vii) Corporate and Other.

The following sections describe the operations included in each of the Corporation's reportable segments.

3.1 Regulated Electric & Gas Utilities - United States

3.1.1 *UNS Energy*

UNS Energy is a vertically integrated utility services holding company, headquartered in Tucson, Arizona, engaged through its primary subsidiaries in the regulated electric generation and energy delivery business, primarily in the State of Arizona, serving approximately 658,000 electricity and gas customers. UNS Energy was acquired by Fortis in August 2014.

UNS Energy is primarily comprised of three wholly owned regulated utilities: TEP, UNS Electric and UNS Gas.

TEP is a vertically integrated regulated electric utility and UNS Energy's largest operating subsidiary. TEP serves approximately 415,000 retail electric customers in a territory comprising approximately 2,991 square kilometres in southeastern Arizona, including the greater Tucson metropolitan area in Pima County, as well as parts of Cochise County. TEP's service area covers a population of approximately 1,000,000 people.

UNS Electric is a vertically integrated regulated electric utility that generates, transmits and distributes electricity to approximately 93,000 retail electric customers in Arizona's Mohave and Santa Cruz counties, which have a combined population of approximately 250,000.

TEP and UNS Electric currently own or lease generation resources with an aggregate capacity of 2,746 MW, including 53 MW of solar capacity. TEP has sufficient generating capacity that, together with existing PPAs and expected generation plant additions, should satisfy the requirements of its customer base and meet expected future peak demand requirements. TEP also sells wholesale electricity to other entities in the western United States.

UNS Gas is a regulated gas distribution company that serves approximately 150,000 retail customers in Arizona's Mohave, Yavapai, Coconino, Navajo and Santa Cruz counties, which have a combined population of approximately 700,000.

Market and Sales

Electricity sales were 5,646 GWh from the date of acquisition. Gas volumes were 5 PJ from the date of acquisition. Revenue from the date of acquisition was US$610 million.

The following table provides the composition of UNS Energy's 2014 revenue, electricity sales, and gas volumes by customer class.

UNS Energy *(1)* **2014 Revenue and Electricity & Gas Sales by Customer Class**			
	Revenue (%)	**GWh Sales (%)**	**PJ Volumes (%)**
Residential	36.2	31.2	53.8
Commercial	22.5	19.1	24.1
Industrial	16.9	23.9	2.1
Other *(2)*	24.4	25.8	20.0
Total	100.0	100.0	100.0

(1) *The information presented is for the year ended December 31, 2014. UNS Energy was acquired by Fortis in August 2014; therefore, only financial results from the date of acquisition, August 15, 2014, are reflected in the Corporation's 2014 Audited Consolidated Financial Statements.*

(2) *Includes electricity sales and gas volumes to other entities for resale and revenue from sources other than from the sale of electricity and gas.*

Power Supply

TEP meets the electricity supply requirements of its retail and wholesale customers with its aggregate owned and leased electrical generating capacity of 2,448 MW and its transmission and distribution system consisting of approximately 15,500 kilometres of line. Collectively, TEP's generating capacity meets all of its energy and peak capacity needs. In 2014, TEP met a peak demand of 2,891 MW. TEP is a member of a regional reserve-sharing organization and has reliability and power sharing relationships with other utilities.

At January 1, 2015, TEP owned or leased 2,448 MW of generating capacity, as set forth in the following table:

Generating Source	Unit No.	Location	Date In Service	Resource Type	Capacity MW	Operating Agent	TEP's %	Share MW
Springerville Station [(1)]	1	Springerville, AZ	1985	Coal	387	TEP	49.5	192
Springerville Station	2	Springerville, AZ	1990	Coal	390	TEP	100.0	390
San Juan Station	1	Farmington, NM	1976	Coal	340	PNM	50.0	170
San Juan Station	2	Farmington, NM	1973	Coal	340	PNM	50.0	170
Navajo Station	1	Page, AZ	1974	Coal	750	SRP	7.5	56
Navajo Station	2	Page, AZ	1975	Coal	750	SRP	7.5	56
Navajo Station	3	Page, AZ	1976	Coal	750	SRP	7.5	56
Four Corners Station	4	Farmington, NM	1969	Coal	785	APS	7.0	55
Four Corners Station	5	Farmington, NM	1970	Coal	785	APS	7.0	55
Gila River Power Station	3	Gila Bend, AZ	2003	Gas	550	Ethos Energy	75.0	413
Luna Generating Station	1	Deming, NM	2006	Gas	555	PNM	33.3	185
Sundt Station	1	Tucson, AZ	1958	Gas/Oil	81	TEP	100.0	81
Sundt Station	2	Tucson, AZ	1960	Gas/Oil	81	TEP	100.0	81
Sundt Station	3	Tucson, AZ	1962	Gas/Oil	104	TEP	100.0	104
Sundt Station [(2)]	4	Tucson, AZ	1967	Coal/Gas	120	TEP	100.0	120
Sundt International Combustion Turbines		Tucson, AZ	1972-1973	Gas/Oil	50	TEP	100.0	50
DeMoss Petrie		Tucson, AZ	1972	Gas/Oil	75	TEP	100.0	75
North Loop		Tucson, AZ	2001	Gas	94	TEP	100.0	94
Springerville Solar Station		Springerville, AZ	2002-2014	Solar	16	TEP	100.0	16
Tucson Solar Projects		Tucson, AZ	2010-2014	Solar	12	TEP	100.0	12
FT. Huachuca Project		Ft. Huachuca, AZ	2014	Solar	17	TEP	100.0	17
Total Capacity [(3)]								**2,448**

(1) *At December 31, 2014, TEP owned 96 MW of capacity at Springerville Unit 1 and continued to lease the remaining 291 MW capacity. In January 2015, TEP purchased 96 MW of capacity bringing the total owned capacity to 192 MW. TEP's lease of the remaining 195 MW expired in January 2015. See Note 15 to the 2014 Audited Consolidated Financial Statements.*

(2) *Sundt Station Unit 4 can be operated on either coal or natural gas. The figures in the above table reflect the nominal generating capacity assuming the unit is fuelled by coal. If the unit burns natural gas, it has a nominal capacity of 156 MW.*

(3) *Excludes 932 MW of additional resources, which consist of certain capacity purchases and interruptible retail load.*

UNS Electric meets the electricity supply requirements of its retail customers through a mix of its own generation and power purchase contracts. UNS Electric owns and operates several gas and diesel-fuelled generating plants, with a collective electrical generating capacity of 298 MW, which would now provide approximately 74% of its 402 MW 2014 peak capacity needs. UNS Electric meets the balance of its requirements through a portfolio of long-term, medium-term and short-term PPAs.

Generating Source	Unit No.	Location	Date In Service	Resource Type	Capacity MW	Operating Agent	UNS' %	Share MW
Black Mountain	1	Kingman, AZ	2011	Gas	45	UNSE	100.0	45
Black Mountain	2	Kingman, AZ	2011	Gas	45	UNSE	100.0	45
Valencia	1	Nogales, AZ	Purchased 2003	Gas/Oil	14	UNSE	100.0	14
Valencia	2	Nogales, AZ	Purchased 2003	Gas/Oil	14	UNSE	100.0	14
Valencia	3	Nogales, AZ	Purchased 2003	Gas/Oil	14	UNSE	100.0	14
Valencia	4	Nogales, AZ	Purchased 2003	Gas/Oil	21	UNSE	100.0	21
Gila River Power Station	3	Gila Bend, AZ	2003	Gas	550	Ethos Energy	25.0	137
La Senita		Kingman, AZ	2011	Solar	1	UNSE	100.0	1
Rio Rico		Rio Rico, AZ	2014	Solar	7	UNSE	100.0	7
Total Capacity								**298**

In December 2014, TEP and UNS Electric together completed the acquisition of Unit 3 of the Gila River generating station, a 550 MW gas-fired combined-cycle unit for US$219 million. Both TEP and UNS Electric rely on a portfolio of long-term, medium-term and short-term PPAs to meet customer load requirements.

Each of TEP and UNS Electric are subject to government-mandated renewable energy requirements. TEP satisfies these requirements through its 45 MW of owned photovoltaic solar generating capacity and PPAs for capacity from solar resources (145 MW), wind resources (90 MW) and a landfill gas generation plant (4 MW). UNS Electric satisfies its respective requirements through its 8 MW of owned photovoltaic solar generating capacity and PPAs for capacity from solar resources (10 MW) and wind resources (11 MW). UNS Electric also expects to spend US$5 million in 2015 on a solar facility in Mohave Country.

Gas Purchases

UNS Gas directly manages its gas supply and transportation contracts. The market price for gas varies based on the period during which gas is purchased, and is affected by weather, supply issues, the economy and other factors. UNS Gas hedges its gas supply prices by entering into fixed-price forward contracts and financial swaps from time to time, up to three years in advance, with a view to hedging at least 60% of expected monthly gas consumption with fixed prices prior to the beginning of each month.

UNS Gas purchases the majority of its gas supply from the San Juan Basin. The gas is delivered on the El Paso Natural Gas, L.L.C. and Transwestern Pipeline Company interstate pipeline systems under firm transportation agreements with combined capacity sufficient to meet the demands of UNS Gas' customers.

Legal Proceedings

UNS Energy Acquisition Proceedings
Following the announcement of the acquisition of UNS Energy on December 11, 2013, four complaints naming Fortis and other defendants were filed in the Superior Court of the State of Arizona in and for the County of Pima and one claim in the United States District Court in and for the District of Arizona, challenging the acquisition. The complaints generally allege that the directors of UNS Energy breached their fiduciary duties in connection with the acquisition and that UNS Energy, Fortis, FortisUS and Color Acquisition Sub Inc. aided and abetted that breach. In March 2014 two of the four complaints filed in the Arizona Court were dismissed by the plaintiffs and counsel for the parties in the two actions remaining in the Arizona Court executed a Memorandum of Understanding recording an agreement-in-principle on the structure of a settlement to be proposed to the Arizona Court for approval following closing of the acquisition. In April 2014 the complaint filed in the United States District Court was dismissed by the plaintiff. In December 2014 the two remaining actions were assigned to a new judge, who is expected to rule on the settlement proposed to the Arizona Court. The outcome of these lawsuits cannot be predicted with any certainty and, accordingly, no amount has been accrued in the 2014 Audited Consolidated Financial Statements.

Springerville Generating Station, Unit 1
As of January 1, 2015, TEP had a 49.5% interest in unit 1 of the Springerville generating station. Under the terms of a facility support agreement, TEP has an obligation to operate the unit for the benefit of the unit's two other owners. TEP and the other owners disagree on several key aspects of the facility support agreement, including the allocation of operating and maintenance expenses, capital improvement costs, and transmission rights. As a result, the other owners may refuse to pay all or a portion of their pro rata share of such costs and expenses.

In November 2014, the Springerville Unit 1 third-party owners filed a complaint against TEP with FERC alleging that TEP had not agreed to wheel power and energy for the third-party owners in the manner specified in the Springerville Unit 1 facility support agreement between TEP and the third-party owners and for the cost specified by the third-party owners. The third-party owners requested an order from FERC requiring such wheeling of the third-party owners' energy from their Springerville Unit 1 interests beginning on January 1, 2015 for the price specified by the third-party owners. In December 2014 TEP filed a response to the FERC action denying the allegations and requesting that FERC dismiss the complaint.

In December 2014 the third-party owners filed a complaint against TEP in the Supreme Court of the

State of New York, New York County, alleging, among other things, that TEP has: refused to comply with the third-party owners' instructions to schedule their entitlement share of power and energy; failed to comply with their instructions to specify the level of fuel and fuel handling services; failed to properly operate, maintain and make capital investments in Springerville Unit 1 during the term of the leases; not agreed to wheel power and energy in the manner required as set forth in the FERC action; and breached fiduciary duties claimed to be owed to the third-party owners. The New York action seeks declaratory judgments, injunctive relief, damages in an amount to be determined at trial, and the third-party owners' fees and expenses.

In December 2014, Wilmington Trust Company, as owner trustees and lessors under the leases of the third-party owners, sent a notice to TEP that alleges that TEP has defaulted under the third-party owners' leases. The notice states that the owner trustees, as lessors, are exercising their rights to keep the undivided interests idle and demanding that TEP pay, on January 1, 2015, liquidated damages totalling approximately US$71 million. In a letter to Wilmington Trust Company dated December 29, 2014, TEP denied the allegations in the notice. In January 2015, Wilmington Trust Company sent a second notice to TEP alleging that TEP had defaulted under the third-party owners' leases by not remediating the defaults alleged in the first notice. The second notice repeated the demand that TEP pay liquidated damages totalling approximately US$71 million. In a letter to Wilmington Trust Company, TEP denied the allegations in the second notice.

TEP cannot predict the outcome of the claims relating to Springerville Unit 1 and, due to the general and non-specific scope and nature of the injunctive relief sought for these claims, TEP cannot determine estimates of the range of loss at this time and, accordingly, no amount has been accrued in the 2014 Audited Consolidated Financial Statements. TEP intends to vigorously defend itself against the claims asserted by the third-party owners.

Environmental Contingencies

San Juan Generating Station

SJCC operates an underground coal mine in an area where certain gas producers have oil and gas leases with the federal government, the State of New Mexico and private parties. These gas producers allege that SJCC's underground coal mine interferes with their operations, reducing the amount of natural gas they can recover. SJCC compensated certain gas producers for any remaining production from wells deemed close enough to the mine to warrant plugging and abandoning them. These settlements, however, do not resolve all potential claims by gas producers in the area.

TEP owns 50% of Units 1 and 2 at SJGS, which represents approximately 20% of the total generation capacity at SJGS, and is responsible for its proportionate share of any settlements. TEP cannot reasonably estimate the impact of any future claims by these gas producers on the cost of coal at SJGS and, accordingly, no amount has been accrued in the 2014 Audited Consolidated Financial Statements.

Mine Reclamation Costs

TEP pays ongoing reclamation costs related to coal mines that supply generating stations in which TEP has an ownership interest but does not operate. TEP is liable for a portion of final reclamation costs upon closure of the mines servicing the San Juan, Four Corners and Navajo generating stations. TEP's share of reclamation costs at all three mines is expected to be US$49 million upon expiration of the coal supply agreements, which expire between 2017 and 2031. The reclamation liability (present value of future liability) was recorded at December 31, 2014 as US$22 million.

Amounts recorded for final reclamation are subject to various assumptions, such as estimations of reclamation costs, the dates when final reclamation will occur, and the credit-adjusted risk-free interest rate to be used to discount future liabilities. As these assumptions change, TEP will prospectively adjust the expense amounts for final reclamation over the remaining coal supply agreements' terms. TEP does not believe that recognition of its final reclamation obligations will be material to TEP in any single year because recognition will occur over the remaining terms of its coal supply agreements. TEP's PPFAC allows it to fully recover reclamation costs from retail customers and, accordingly, these costs are deferred as a regulatory asset.

Human Resources

As at December 31, 2014: (i) TEP employed 1,448 employees, of whom 691 are represented by IBEW under a collective agreement expiring in January 2016; (ii) UNS Electric employed 143 employees, of whom 110 are represented by IBEW under collective agreements expiring in June 2016 and February 2017; and (iii) UNS Gas employed 182 employees, of whom 110 are represented by IBEW under collective agreements expiring June 2015 and February 2017. UniSource Energy Services Inc., another wholly owned subsidiary of UNS Energy, employed 258 employees, of whom 246 are represented by IBEW under collective agreements expiring in May 2016, July 2016 and December 2016.

3.1.2 *Central Hudson*

Central Hudson is a regulated T&D utility serving approximately 300,000 electricity customers and 77,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley. Central Hudson was acquired by Fortis as part of the acquisition of CH Energy Group in June 2013.

Central Hudson serves a territory comprising approximately 6,734 square kilometres in the Hudson Valley. Electric service is available throughout the territory, and natural gas service is provided in and about the cities of Poughkeepsie, Beacon, Newburgh, and Kingston, New York, and in certain outlying and intervening territories.

Central Hudson's electric transmission system consists of approximately 1,000 kilometres of line. Central Hudson's electric distribution system consists of approximately 11,600 kilometres of overhead lines and 2,400 trench kilometres of underground lines, as well as customer service lines and meters. Central Hudson's electricity system met a peak demand of 1,060 MW in 2014.

Central Hudson's natural gas system consists of approximately 300 kilometres of transmission pipelines and 2,000 kilometres of distribution pipelines, as well as customer service lines and meters. In 2014 Central Hudson's natural gas system met a peak day demand of 138 TJ.

Market and Sales

Electricity sales were 5,075 GWh for 2014, compared to 5,159 GWh for the full year in 2013. Gas volumes for 2014 were 23 PJ, comparable with the full year in 2013. Revenue was US$743 million for 2014, compared to US$668 million for the full year in 2013.

The following tables compare the composition of Central Hudson's 2014 and 2013 revenue, electricity sales and gas volumes by customer class.

Central Hudson *[(1)]*
Revenue and Electricity Sales by Customer Class

	Revenue (%)		GWh Sales (%)	
	2014	2013	**2014**	2013
Residential	**60.9**	60.9	**40.3**	40.5
Commercial	**28.0**	28.0	**37.8**	37.4
Industrial	**4.1**	4.6	**20.1**	20.4
Other	**6.2**	5.8	**0.7**	0.7
Sales for Resale	**0.8**	0.7	**1.1**	1.0
Total	**100.0**	100.0	**100.0**	100.0

[(1)] *The 2013 information presented is for the year ended December 31, 2013. Central Hudson was acquired by Fortis on June 27, 2013; therefore, only financial results from the date of acquisition are reflected in the Corporation's 2013 audited consolidated financial statements.*

Central Hudson (1) Revenue and Gas Volumes by Customer Class				
	Revenue (%)		PJ Volumes (%)	
	2014	2013	**2014**	2013
Residential	**53.5**	52.4	**27.1**	24.0
Commercial	**29.0**	27.5	**33.9**	30.2
Industrial	**4.8**	3.3	**17.2**	22.0
Other	**1.1**	4.3	**7.8**	8.5
Sales for Resale	**11.6**	12.5	**14.0**	15.3
Total	**100.0**	100.0	**100.0**	100.0

(1) *The 2013 information presented is for the year ended December 31, 2013. Central Hudson was acquired by Fortis on June 27, 2013; therefore, only financial results from the date of acquisition are reflected in the Corporation's 2013 audited consolidated financial statements.*

Power Supply

Central Hudson owns minimal generating capacity and relies on purchased capacity and energy from third-party providers to meet the demands of its full service customers.

Central Hudson is required to supply electricity to its retail electric customers. Under the terms of a settlement agreement, Central Hudson's retail customers may elect to procure electricity from third-party suppliers or may continue to rely on Central Hudson. In order to satisfy the needs of its retail customers, in late 2011 Central Hudson entered into a 10-year revenue sharing agreement with Constellation Energy Group, Inc., pursuant to which Central Hudson shares in a portion of the power sales revenue attributable to Unit No. 2 of the Nine Mile Point Nuclear Generating Station.

In 2014, Central Hudson entered into two agreements with Entergy Nuclear Power Marketing, LLC to purchase electricity on a unit contingent basis at defined prices from December 2014 through March 2015. For the month of December 31, 2014, energy supplied under these agreements cost approximately US$3 million.

These contracts meet the definition of normal purchase and sale agreements and are therefore excluded from current accounting requirements related to derivatives. In the event the above noted counterparty is unable to fulfill its commitment to deliver under the terms of the agreements, Central Hudson will obtain the supply from the NYISO market, and under Central Hudson's current ratemaking treatment, recover the full cost from customers. As such, there would be no impact on earnings.

Central Hudson relies on PPAs, its own generation capacity and the NYISO market to meet its peak load requirements.

In November 2013, Central Hudson entered into a PPA to purchase 200 MW of installed capacity from the Roseton Generating Facility from May 2014 through April 2017, with approximately US$34 million in purchase commitments remaining as at December 31, 2014.

In June 2014, Central Hudson entered into a PPA to purchase capacity from the Danskammer Generating Facility from October 2014 through August 2018, with approximately US$91 million in purchase commitments remaining as at December 31, 2014.

Costs of electric and natural gas commodity purchases are recovered from customers, without earning a profit on these costs. Rates are reset monthly based on Central Hudson's actual costs to purchase the electricity and natural gas needed to serve its full service customers.

Other Contractual Obligations

CH Energy Group is party to an investment to develop, own and operate electric transmission projects in New York State. In December 2014 an application was filed with FERC for the recovery of the cost of and return on five high-voltage transmission projects totalling US$1.7 billion, of which CH Energy Group's maximum commitment is US$182 million.

Litigation

In May 2012 CH Energy Group and Fortis entered into a proposed settlement agreement with counsel to plaintiff shareholders pertaining to several complaints, which named Fortis and other defendants, which were filed in, or transferred to, the Supreme Court of the State of New York, County of New York, relating to the acquisition of CH Energy Group by Fortis. The complaints generally alleged that the directors of CH Energy Group breached their fiduciary duties in connection with the acquisition and that CH Energy Group, Fortis, FortisUS Inc. and Cascade Acquisition Sub Inc. aided and abetted that breach. The settlement agreement was subject to court approval. In June 2014 the Supreme Court of the State of New York, County of New York issued an order and final judgment approving the settlement agreement thereby concluding the proceedings.

Prior to and after the acquisition of CH Energy Group, various asbestos lawsuits had been brought against Central Hudson. While a total of 3,348 asbestos cases have been raised, 1,170 remained pending as at December 31, 2014. Of the cases no longer pending against Central Hudson, 2,022 have been dismissed or discontinued without payment by the company, and Central Hudson has settled the remaining 156 cases. The company is presently unable to assess the validity of the remaining asbestos lawsuits; however, based on information known to Central Hudson at this time, including the company's experience in the settlement and/or dismissal of asbestos cases, Central Hudson believes that the costs which may be incurred in connection with the remaining lawsuits will not have a material effect on its financial position, results of operations or cash flows and, accordingly, no amount has been accrued in 2014 Audited Consolidated Financial Statements.

Environmental Contingencies

Former MGP Facilities
Central Hudson and its predecessors owned and operated MGPs to serve their customers' heating and lighting needs. These plants manufactured gas from coal and oil beginning in the mid-to-late 1800s with all sites ceasing operations by the 1950s. This process produced certain by-products that may pose risks to human health and the environment.

The DEC, which regulates the timing and extent of remediation of MGP sites in New York State, has notified Central Hudson that it believes the company or its predecessors at one time owned and/or operated MGPs at seven sites in Central Hudson's franchise territory. The DEC has further requested that the company investigate and, if necessary, remediate these sites under a Consent Order, Voluntary Clean-up Agreement or Brownfield Clean-up Agreement. Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated. As at December 31, 2014, an obligation of US$105 million was recognized in respect of MGP remediation and, based upon cost model analysis completed in 2012, it is estimated, with a 90% confidence level, that total costs to remediate these sites over the next 30 years will not exceed US$169 million.

Central Hudson has notified its insurers and intends to seek reimbursement from insurers for remediation, where coverage exists. Further, as authorized by the PSC, Central Hudson is currently permitted to defer, for future recovery from customers, differences between actual costs for MGP site investigation and remediation and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return.

Human Resources

As at December 31, 2014, Central Hudson employed 923 employees, of whom 546 are represented by IBEW under a collective agreement expiring April 30, 2017.

3.2 Regulated Gas Utilities - Canadian

3.2.1 *FortisBC Energy companies*

On December 31, 2014, FEI amalgamated with FEVI, FEWI and one or more non-operating companies, all of which were indirectly controlled by the Corporation. The amalgamated entity continues to operate under the name "FortisBC Energy Inc." and is referred to in this 2014 Annual Information Form as the "FortisBC Energy companies". Information in this 2014 Annual Information

Form presents the results of the amalgamated company.

The FortisBC Energy companies are the largest distributor of natural gas in British Columbia, serving approximately 967,000 residential, commercial and industrial and transportation customers in more than 125 communities. Major areas served by the FortisBC Energy companies include Greater Vancouver, Fraser Valley, Thompson, Okanagan, Kootenay, North Central Interior, Vancouver Island, Sunshine Coast and Whistler regions of British Columbia.

In addition to providing T&D services to customers, the FortisBC Energy companies also obtain natural gas supplies on behalf of most residential, commercial and industrial customers.

FEI owns and operates approximately 47,500 kilometres of natural gas pipelines and met a peak day demand of 1,324 TJ in 2014.

Market and Sales

Annual natural gas sales volumes of the FortisBC Energy companies were 195 PJ in 2014, compared to 200 PJ in 2013. Revenue increased to $1,435 million in 2014 from $1,378 million in 2013.

The following table compares the composition of 2014 and 2013 revenue and natural gas volumes of the FortisBC Energy companies by customer class.

FortisBC Energy companies Revenue and Gas Volumes by Customer Class				
	Revenue (%)		**PJ Volumes (%)**	
	2014	2013	**2014**	2013
Residential	**56.2**	56.1	**36.9**	37.5
Commercial	**30.2**	29.6	**23.1**	23.5
Industrial	**2.7**	3.0	**2.1**	2.5
	89.1	88.7	**62.1**	63.5
Transportation	**6.8**	6.5	**31.8**	30.5
Other [1]	**4.1**	4.8	**6.1**	6.0
Total	**100.0**	100.0	**100.0**	100.0

(1) *Includes amounts under fixed-revenue contracts and revenue from sources other than from the sale of natural gas.*

Gas Purchase Agreements

In order to ensure supply of adequate resources to provide reliable natural gas deliveries to its customers, the FortisBC Energy companies purchase natural gas supply from counterparties, including producers, aggregators and marketers. These counterparties adhere to standards of counterparty creditworthiness and contract execution and/or management policies. The FortisBC Energy companies contract for approximately 138 PJ of baseload and seasonal supply, of which the majority is sourced in northeastern British Columbia and transported on Spectra Energy's Westcoast Pipeline T-South pipeline system. The remainder is sourced in Alberta and transported on TransCanada's pipeline transportation system.

Through the operation of regulatory deferrals, any difference between the forecast cost of natural gas purchases, as reflected in residential and commercial customer rates, and the actual cost of natural gas purchases is recovered from, or refunded to, customers in future rates.

Core market customers rely on the FortisBC Energy companies to procure and deliver gas supply on their behalf, while transportation-only customers are responsible for procuring and delivering their own gas to the FortisBC Energy companies' system, which is then delivered to their operating premises by the FortisBC Energy companies. The FortisBC Energy companies contract for transportation capacity on third-party pipelines, such as those owned by Spectra Energy and TransCanada to transport gas supply from various market hubs to the FortisBC Energy companies' system. These third party pipelines are regulated by the NEB. The FortisBC Energy companies pay both fixed and variable charges for the use of transportation capacity on these pipelines, which are recovered through rates paid by core market customers. The FortisBC Energy companies contract for firm transportation capacity in order to ensure they are able to meet their obligations to supply customers within their broad operating region under all reasonable demand scenarios.

Gas Storage and Peak-Shaving Arrangements

The FortisBC Energy companies incorporate peak shaving and gas storage facilities into their portfolio to:

(i) supplement contracted baseload and seasonal gas supply in the winter months while injecting excess baseload supply to refill storage in the summer months;
(ii) mitigate the risk of supply shortages during cooler weather and a peak day;
(iii) manage the cost of gas during winter months; and
(iv) balance daily supply and demand on the distribution system during periods of peak use that occur over the course of the winter months.

The FortisBC Energy companies hold approximately 35.5 PJs of total storage capacity consisting of two peak shaving LNG facilities and off-system capacity contracted with third parties. The FortisBC Energy companies' owned on-system Tilbury and Mt. Hayes LNG peak shaving facilities provide on-system storage capacity and deliverability associated with storage withdrawals. The FortisBC Energy companies also contract for off-system underground storage capacity and deliverability from third parties at various locations in British Columbia, Alberta and the Pacific Northwest of the United States. On a combined basis, the Tilbury and Mt. Hayes LNG facilities, the contracted storage facilities, and other peaking arrangements have the ability to deliver up to 0.74 PJ per day of supply to the FortisBC Energy companies on the coldest days of the heating season. The heating season typically occurs during the December through February period.

Off-System Sales

The FortisBC Energy companies engage in off-system sales activities that allow for the recovery or mitigation of costs of any unutilized supply and/or pipeline and storage capacity that is available once customers' daily load requirements are met.

Under the GSMIP revenue sharing model, which is approved by the BCUC, the FortisBC Energy companies can earn an incentive payment for mitigation activities. Historically, the FortisBC Energy companies have earned approximately $1 million annually through GSMIP, while the remaining savings are credited back to customers through reduced rates. Subject to the BCUC's approval, the FortisBC Energy companies are eligible for an incentive payment of approximately $1 million in respect of the gas contract year ending October 31, 2014.

The current GSMIP program was approved by the BCUC following a comprehensive review in 2011. In 2013, the BCUC approved an extension of the program until October 31, 2016.

Price Risk Management Plan

In the past, FEI has engaged in price risk management activities to limit the exposure to fluctuations in natural gas prices to ensure, to the extent possible, that natural gas commodity costs remain competitive with other energy sources. These have typically included the use of derivative instruments which were implemented pursuant to a PRMP approved by the BCUC. In July 2010, the BCUC ordered a review of FEI's PRMP hedging strategy in the context of the *Clean Energy Act* (British Columbia) and the expectation of increased domestic natural gas supply. Following a comprehensive review process, in July 2011, the BCUC directed FEI to suspend the majority of its natural gas commodity hedging activities, except for the implementation of winter Sumas/AECO basis swaps. For winter 2013 and 2014, FEI has reduced its Sumas price exposure risk by purchasing supply only at the Station 2 gas market trading hub and in Alberta. All hedges that had been in place from previously approved PRMPs, prior to the suspension of the hedging strategy, expired in 2014.

Unbundling

A Customer Choice program at the FortisBC Energy companies allows eligible commercial and residential customers a choice to buy their natural gas commodity supply from the

FortisBC Energy companies or directly from third-party marketers. The FortisBC Energy companies continue to provide the delivery service of the natural gas to all its customers.

The program has been in place since November 2004 for commercial customers and November 2007 for residential customers. For the year ended 2014, approximately 7% of eligible commercial customers and 5% of eligible residential customers participated in the program by purchasing their commodity supply from alternate providers.

Legal Proceedings

Coldwater Indian Band
In April 2013 FHI and Fortis were named as defendants in an action in the Supreme Court of British Columbia by the Coldwater Indian Band. The claim is in regard to interests in a pipeline right of way on reserve lands. The pipeline on the right of way was transferred by FHI (then Terasen Inc.) to Kinder Morgan Inc. in April 2007. The Coldwater Indian Band seeks orders cancelling the right of way and claims damages for wrongful interference with the Coldwater Indian Band's use and enjoyment of reserve lands. The outcome cannot be reasonably determined and estimated at this time and, accordingly, no amount has been accrued in the 2014 Audited Consolidated Financial Statements.

City of Surrey
FEI was the plaintiff in an action before the Supreme Court of British Columbia against the City of Surrey in which FEI sought the Court's determination on the manner in which costs related to the relocation of a natural gas transmission pipeline would be shared between itself and the City of Surrey. The relocation was required due to the development and expansion of the City of Surrey's transportation infrastructure. FEI claimed that the parties had an agreement that dealt with the allocation of costs. In turn, the City of Surrey advanced counterclaims including an allegation that FEI breached the agreement and that the City of Surrey suffered damage as a result. In December 2013, the Court issued a decision which ordered FEI and the City of Surrey to share equally the cost of the pipeline relocation. The Court also decided that the City of Surrey was successful in its counterclaim that FEI breached the agreement. In December 2014, FEI and the City of Surrey reached a settlement, resolving all pending claims and relief sought.

Human Resources

As at December 31, 2014, the FortisBC Energy companies employed 1,660 employees. Approximately 70% of the employees are represented by IBEW and COPE under collective agreements. The IBEW collective agreement came into effect in mid-2012 and expires on March 31, 2015. A new agreement with IBEW has been ratified, coming into effect April 1, 2015 and expiring March 31, 2019. The COPE collective agreements expire March 31, 2015 and March 31, 2017, respectively.

3.3 Regulated Electric Utilities - Canadian

3.3.1 *FortisAlberta*

FortisAlberta is a regulated electricity distribution utility operating in Alberta. Its business is the ownership and operation of regulated electricity distribution facilities that distribute electricity, generated by other market participants, from high-voltage transmission substations to end-use customers. FortisAlberta is not involved in the generation, transmission or direct sale of electricity. FortisAlberta operates the electricity distribution system in a substantial portion of southern and central Alberta, totalling approximately 120,000 kilometres of distribution lines. Many of the company's customers are located in rural and suburban areas around and between the cities of Edmonton and Calgary. FortisAlberta's distribution network serves approximately 530,000 customers, comprising residential, commercial, farm, oil and gas and industrial consumers of electricity, and met a peak demand of 2,648 MW in 2014.

Market and Sales
FortisAlberta's annual energy deliveries increased to 17,372 GWh in 2014 from 16,934 GWh in 2013. Revenue was $518 million in 2014 compared to $475 million in 2013.

As a significant portion of FortisAlberta's distribution revenue is derived from fixed or largely fixed billing determinants, changes in quantities of energy delivered are not entirely correlated with changes in revenue. Revenue is a function of numerous variables, many of which are independent of actual energy deliveries.

The following table compares the composition of FortisAlberta's 2014 and 2013 revenue and energy deliveries by customer class.

FortisAlberta
Revenue and Energy Deliveries by Customer Class

	Revenue (%)		**GWh Deliveries [1] (%)**	
	2014	2013	**2014**	2013
Residential	**30.5**	30.8	**17.1**	17.0
Large commercial, industrial and oil field	**21.5**	21.6	**61.3**	61.3
Farms	**11.8**	12.2	**7.5**	7.6
Small commercial	**10.8**	11.0	**8.0**	7.9
Small oil field	**8.1**	8.6	**5.7**	5.8
Other [2]	**17.3**	15.8	**0.4**	0.4
Total	**100.0**	100.0	**100.0**	100.0

[1] *GWh percentages presented exclude FortisAlberta's GWh deliveries to "transmission-connected" customers. These deliveries were 7,076 GWh in 2014 and 6,919 GWh in 2013, based on interim settlement that is expected to be finalized in May 2015, and consisted primarily of energy deliveries to large-scale industrial customers directly connected to the transmission grid.*

[2] *Includes revenue from sources other than the delivery of energy, including that related to street-lighting services, rate riders, deferrals and adjustments.*

Franchise Agreements

FortisAlberta serves customers residing within various municipalities throughout its service areas through franchise agreements with the respective municipalities. From time to time, municipal governments in Alberta give consideration to creating their own electric distribution utilities by purchasing the assets of FortisAlberta located within their municipal boundaries. Upon the termination, or in the absence of a franchise agreement, a municipality has the right, subject to AUC approval, to purchase FortisAlberta's assets within its municipal boundaries pursuant to the *Municipal Government Act* (Alberta) with the price to be as agreed between FortisAlberta and the municipality, failing which it is to be determined by the AUC. Additionally, under the *Hydro and Electric Energy Act* (Alberta), if a municipality that owns an electric distribution system expands its boundaries, it can acquire FortisAlberta's assets in the annexed area. In such circumstances, *the Hydro and Electric Energy Act* provides that the AUC may determine that the municipality should pay compensation to FortisAlberta for any facilities transferred on the basis of replacement cost less depreciation. Given the historical population and economic growth of Alberta and its municipalities, FortisAlberta is affected by transactions of this type from time to time.

FortisAlberta holds franchise agreements with 140 municipalities within its service area. In 2012 FortisAlberta received approval of a new franchise agreement template from the AUC. The new template was filed with the AUC following negotiations with the Alberta Urban Municipalities Association and consultation with municipalities. The new franchise agreement template includes a 10-year term with an option that will permit the agreement to automatically renew for a further five years. To date, FortisAlberta converted 95 of the municipalities within its service area to the new franchise agreement, and intends to convert 90% of the remaining municipalities by the end of 2015.

Human Resources

As at December 31, 2014, FortisAlberta had 1,144 full-time equivalent employees. Approximately 76% of the employees of the company are members of the UUWA. In December 2013 FortisAlberta reached an agreement on a new four-year collective agreement with UUWA that expires on December 31, 2017.

3.3.2 *FortisBC Electric*

FortisBC Electric is an integrated, regulated electric utility that owns hydroelectric generating plants, high voltage transmission lines, and a large network of distribution assets, all of which are located in the southern interior of British Columbia. FortisBC Electric serves a diverse mix of approximately 166,000 customers, of whom approximately 131,000 are served directly by FortisBC Electric in Kelowna, Oliver, Osoyoos, Trail, Castlegar, Creston and Rossland, while the remainder are served through the wholesale supply of power to municipal distributors in the communities of Summerland, Penticton, Grand Forks and Nelson, as well as to BC Hydro. In 2014, FortisBC Electric met a peak demand of 684 MW. Residential customers represent the largest customer class of the company. FortisBC Electric's T&D assets include approximately 7,200 kilometres of T&D lines and 65 substations.

FortisBC Electric also includes the operating, maintenance and management services relating to the 493-MW Waneta hydroelectric generating facility owned by Teck Metals and BC Hydro, the 149-MW Brilliant hydroelectric plant owned by CPC and CBT, the 185-MW Arrow Lakes hydroelectric plant owned by CPC and CBT through Arrow Lakes Power Corporation, and the 120-MW Brilliant hydroelectric expansion plant owned by CPC and CBT through Brilliant Expansion Power Corporation and the Waneta Partnership.

Market and Sales

FortisBC Electric has a diverse customer base composed primarily of residential, commercial, industrial and municipal wholesale, and other industrial customers. Annual electricity sales were 3,179 GWh in 2014, compared to 3,211 GWh in 2013. Revenue increased to $334 million in 2014 from $317 million in 2013.

The following table compares the composition of FortisBC Electric's 2014 and 2013 revenue and electricity sales by customer class.

FortisBC Electric Revenue and Electricity Sales by Customer Class				
	Revenue (%)		**GWh Sales (%)**	
	2014	2013	**2014**	2013
Residential	**48.4**	50.1	**41.2**	45.3
Commercial	**24.7**	23.2	**28.9**	23.7
Wholesale	**13.0**	15.5	**18.1**	21.6
Industrial	**9.0**	8.5	**11.8**	9.4
Other [(1)]	**4.9**	2.7	**-**	-
Total	**100.0**	100.0	**100.0**	100.0

(1) *Includes revenue from sources other than from the sale of electricity, including revenue of FortisBC Pacific Holdings associated with non-regulated operating, maintenance and management services.*

Generation and Power Supply

FortisBC Electric meets the electricity supply requirements of its customers through a mix of its own generation and power purchase contracts. The company owns four regulated hydroelectric generating plants on the Kootenay River with an aggregate capacity of 225 MW, which provide approximately 45% of the company's energy needs and 30% of its peak capacity needs. FortisBC Electric meets the balance of its requirements through a portfolio of long-term and short-term PPAs.

FortisBC Electric's four hydroelectric generating facilities are governed by the CPA. The CPA is a multi-party agreement that enables the five separate owners of eight major hydroelectric generating plants, with a combined capacity of approximately 1,600 MW and located in relatively close proximity to each other, to coordinate the operation and dispatch of their generating plants.

The following table lists the plants and their respective capacity and owner.

Plant	Capacity (MW)	Owners
Canal Plant	580	BC Hydro
Waneta Dam	493	Teck Metals and BC Hydro
Kootenay River System	225	FortisBC Electric
Brilliant Dam and Expansion	269	BPC and BEPC
Total	**1,567**	

BPC, BEPC, Teck Metals and FortisBC Electric are collectively defined in the CPA as the Entitlement Parties. The CPA enables BC Hydro and the Entitlement Parties to generate more power from their respective generating plants than they could if they operated independently through coordinated use of water flows, subject to the 1961 Columbia River Treaty between Canada and the United States, and coordinated operation of storage reservoirs and generating plants. Under the CPA, BC Hydro takes into its system all power actually generated by the plants listed in the table above. In exchange for permitting BC Hydro to determine the output of these facilities, each of the Entitlement Parties is contractually entitled to a fixed annual entitlement of capacity and energy from BC Hydro, which is based on 50-year historical water flows. The Entitlement Parties receive their defined entitlements irrespective of actual water flows to the Entitlement Parties' generating plants. BC Hydro enjoys the benefits of the additional power generated through coordinated operation and optimal use of water flows. The Entitlement Parties benefit by knowing years in advance the amount of power that they will receive from their generating plants and therefore do not face hydrology variability in generation supply planning. However, FortisBC Electric retains rights to its original water licenses and flows in perpetuity. Should the CPA be terminated, the output of FortisBC Electric's Kootenay River system plants would, with the water and storage authorized under its existing licences and on a long-term average, be approximately the same power output as FortisBC Electric receives under the CPA. The CPA does not affect FortisBC Electric's ownership of its physical generation assets. The CPA continues in force until terminated by any of the parties by giving no less than five years' notice at any time on or after December 31, 2030.

The majority of FortisBC Electric's remaining electricity supply is acquired through the following power purchase contracts:

i. a 149-MW long-term PPA with BPC terminating in 2056 (Brilliant PPA);
ii. a 200-MW PPA with BC Hydro terminating in 2033 (BC Hydro PPA);
iii. a capacity and energy purchase agreement with CPC, for a total of 78,500 MWh from 2013 through 2017 (Brilliant Expansion Capacity and Energy Purchase Agreement);
iv. a number of small power purchase contracts with independent power producers;
v. spot market and contracted capacity purchases; and
vi. a 40-year agreement to purchase capacity from the Waneta Expansion upon completion of construction, which is expected in the spring of 2015 (WECA).

The majority of the above purchase contracts have been accepted by the BCUC and forecast and incurred costs thereunder flow through to customers through FortisBC Electric's electricity rates. Although FortisBC Electric can currently meet the majority of its customer supply requirements from its own generation and the PPAs described above, a portion of the customer load during the summer and winter peak demand periods may need to be supplied from the market in the form of short-term power purchases. Costs related to such purchases are recovered through customer electricity rates, provided they are prudently incurred.

Brilliant PPA
Under the Brilliant PPA, FortisBC Electric has agreed to purchase from BPC, on a long-term basis: (i) the entitlement allocated to the Brilliant hydroelectric plant; and (ii) after the expiration of the CPA, the actual electrical output generated by the Brilliant hydroelectric plant. While the total entitlement is 985,000 MWh, FortisBC Electric does not purchase the approximate 60,000 MWh of regulated flow upgrade entitlement under the Brilliant PPA. However, FortisBC Electric has entered into another agreement with CPC for this energy over a five-year period, as discussed below. The Brilliant PPA uses a take-or-pay contract structure, which requires that FortisBC Electric pay for the Brilliant hydroelectric plant's entitlement, irrespective of whether FortisBC Electric actually takes it. FortisBC Electric does not foresee any circumstances under which FortisBC Electric would be required to pay for power that it does not require. During the first 30 years of the Brilliant PPA term,

FortisBC Electric pays to BPC an amount that covers the operation and maintenance costs of the Brilliant hydroelectric plant and provides a return on capital, including original purchase costs, sustaining capital costs and any life-extension investments. During the second 30 years of the Brilliant PPA term, commencing in 2026, an adjustment using a market-price mechanism based on the depreciated value of the Brilliant hydroelectric plant and then-prevailing operating costs will be made to the amounts payable by FortisBC Electric. The Brilliant PPA provided FortisBC Electric with approximately 26% of its energy requirements in 2014.

BC Hydro PPA
FortisBC Electric is a party to the BC Hydro PPA, which provides FortisBC Electric with additional electricity for purposes of supplying its load requirements, up to a maximum demand of 200 MW. Energy bought pursuant to the BC Hydro PPA provided approximately 17% of FortisBC Electric's energy requirements in 2014. The current BC Hydro PPA, which replaced a previous PPA with BC Hydro, was approved by the BCUC in May 2014. The current PPA expires in September 2033.

Brilliant Expansion Capacity and Energy Purchase Agreement
In November 2012, FortisBC Electric entered into an agreement to purchase CPC's unused capacity and energy entitlements from 2013 to 2017. The entitlements are from the Brilliant hydroelectric plant and the Brilliant hydroelectric expansion plant, including the 60,000 MWh from the Brilliant hydroelectric plant that is not included in the Brilliant PPA. The agreement is for a total of 78,500 MWh and provided approximately 2% of FortisBC Electric's energy requirements in 2014.

Small Power Purchase Contracts
FortisBC Electric has a number of small power purchase contracts with independent power producers, which collectively provided less than 1% of FortisBC Electric's energy supply requirements in 2014. The majority of these contracts have been accepted by the BCUC.

Spot Market and Contracted Capacity Purchases
During 2014, FortisBC Electric entered into various arrangements to purchase capacity and energy from the market to meet its peak energy requirements and optimize its overall power supply portfolio. Certain of these purchases were at prevailing market prices, which were sourced from the United States and British Columbia and are typically linked to the Mid-Columbia trading hub in the U.S. Pacific Northwest. During 2010 FortisBC Electric entered into an agreement to purchase fixed price, winter capacity purchases through to February 2016 to assist in mitigating the risks of market volatility and availability. Spot market and contracted purchases provided approximately 9% of the FortisBC Electric's energy supply requirements in 2014.

WECA
The Corporation entered into the WECA to purchase capacity from the Waneta Expansion, a 335 MW hydroelectric generating facility currently under construction adjacent to the existing Waneta Plant on the Pend d'Oreille River in BC. The Waneta Expansion is owned, being developed and will be operated by a limited partnership, the limited partners of which are FortisBC Electric's ultimate parent company, Fortis, which owns a 51% interest, and a wholly-owned subsidiary of each of CPC and CBT. The WECA, which was approved by the BCUC on May 25, 2012, allows FortisBC Electric to purchase capacity over 40 years and is expected to be effective for a 40-year term upon completion of the Waneta Expansion in spring 2015.

Legal Proceedings

The Government of British Columbia has alleged breaches of the Forest Practices Code and negligence relating to a forest fire near Vaseux Lake and has filed and served a writ and statement of claim against FortisBC Electric dated August 2, 2005. During September 2014, a settlement was reached on the matter and a full release and a consent dismissal of the action has been executed and filed. As FortisBC Electric was insured against this claim, the settlement did not have an impact on the Corporation's 2014 consolidated net earnings.

The Government of British Columbia filed a claim in the B.C. Supreme Court in June 2012 claiming on its behalf, and on behalf of approximately 17 homeowners, damages suffered as a result of a landslide caused by a dam failure in Oliver, British Columbia in 2010. The Government of British Columbia alleges in its claim that the dam failure was caused by the defendants', which include FortisBC Electric, use of a road on top of the dam. The Government of British Columbia estimates its damages and the damages of the homeowners, on whose behalf it is claiming, to be approximately $15 million. While FortisBC Electric has not been served, the company has retained counsel and has notified its insurers.

The outcome cannot be reasonably determined and estimated at this time and, accordingly, no amount has been accrued in the 2014 Audited Consolidated Financial Statements.

Human Resources

As at December 31, 2014, FortisBC Electric had 500 full-time equivalent employees. Approximately 70% of the employees are represented by IBEW and COPE. The IBEW collective agreement expires January 31, 2018. FortisBC Electric's two COPE collective agreements expire December 31, 2018 and March 31, 2017.

3.3.3 *Eastern Canadian Electric Utilities*

Eastern Canadian Electric Utilities are comprised of the operations of Newfoundland Power, Maritime Electric and FortisOntario.

Newfoundland Power is an integrated electric utility and the principal distributor of electricity on the island portion of Newfoundland and Labrador, serving approximately 259,000 customers in approximately 600 communities. Newfoundland Power met a peak demand of 1,398 MW in 2014. Newfoundland Power owns and operates approximately 11,900 kilometres of T&D lines.

The Corporation, through FortisWest, holds all of the common shares of Maritime Electric, an integrated electric utility that directly supplies approximately 78,000 customers, constituting approximately 90% of electricity consumers on PEI. Maritime Electric purchases most of the energy it distributes to its customers from NB Power, a New Brunswick Crown corporation, through various energy purchase agreements. Maritime Electric owns and operates generating plants with a combined capacity of 150 MW on PEI and met a peak demand of 256 MW in 2014. Maritime Electric owns and operates approximately 5,700 kilometres of T&D lines.

FortisOntario provides integrated electric utility service to approximately 65,000 customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario's operations are comprised of Canadian Niagara Power, Cornwall Electric and Algoma Power. FortisOntario also owns a 10% interest in certain regional electric distribution companies serving approximately 39,000 customers. FortisOntario met a combined peak demand of 264 MW in 2014. FortisOntario owns and operates approximately 3,500 kilometres of T&D lines.

Market and Sales

Annual electricity sales attributable to the Eastern Canadian Electric Utilities were 8,376 GWh in 2014 compared to 8,168 GWh in 2013. Revenue was $1,008 million in 2014 compared to $975 million in 2013.

The following table compares the composition of Eastern Canadian Electric Utilities' 2014 and 2013 revenue and electricity sales by customer class.

Eastern Canadian Electric Utilities
Revenue and Electricity Sales by Customer Class

	Revenue (%)		GWh Sales (%)	
	2014	2013	**2014**	2013
Residential	**56.1**	55.2	**56.4**	56.4
Commercial and Industrial	**41.1**	40.7	**43.5**	43.4
Other [1]	**2.8**	4.1	**0.1**	0.2
Total	**100.0**	100.0	**100.0**	100.0

[1] *Includes revenue from sources other than from the sale of electricity.*

Power Supply

Newfoundland Power

Approximately 93% of Newfoundland Power's energy requirements are purchased from Newfoundland Hydro. The principal terms of the supply arrangements with Newfoundland Hydro are regulated by the PUB on a basis similar to that upon which Newfoundland Power's service to its customers is regulated.

The purchased power rate structure is the basis upon which Newfoundland Hydro charges Newfoundland Power for purchased power and includes charges for both demand and energy purchased. The demand charge is based on applying a rate to the peak-billing demand for the most recent winter season. The energy charge is a two-block charge with a higher second-block charge set to reflect Newfoundland Hydro's marginal cost of generating electricity.

Newfoundland Hydro has a general rate application before the PUB which will establish a new wholesale rate for Newfoundland Power. The outcome of this application, and future changes in supply costs, including costs associated with Nalcor Energy's Muskrat Falls hydroelectric generation development and associated transmission assets, may affect electricity prices in a manner that affects Newfoundland Power's sales.

Newfoundland Power experienced losses of electricity supply from Newfoundland Hydro in January 2013 and January 2014, which prevented Newfoundland Power from meeting all of its customers' requirements. The PUB is conducting an inquiry and hearing into these interruptions. The PUB's consultant filed final reports on the adequacy and reliability of the Island Interconnected system until interconnection with Muskrat Falls on December 18, 2014. These reports did not indicate any material reliability deficiency in Newfoundland Power's system but did identify some weaknesses in Newfoundland Hydro's system. The PUB is currently considering its consultant's reports and has indicated that consideration of longer term issues associated with adequacy and reliability on the Island Interconnected system after interconnection with Muskrat Falls will be addressed in a subsequent phase of its inquiry and hearing process. These aspects of the investigation are expected to continue into 2015.

As a result of the loss of supply and resulting power outages in 2014, the Government of Newfoundland and Labrador has engaged consultants to complete an independent review of the current electricity system in Newfoundland and Labrador. The focus of the review is to examine the operation, management and regulation of provincial electricity systems including the system on the island of Newfoundland. This review is ongoing.

Newfoundland Power operates 28 small generating facilities, which generate approximately 7% of the electricity sold by the company. Newfoundland Power's hydroelectric generating plants have a total capacity of 97 MW. The diesel plants and gas turbines have a total capacity of approximately 5 MW and 37 MW, respectively.

Maritime Electric

Maritime Electric purchased 76% of the electricity required to meet its customers' needs from NB Power in 2014. The balance was met through the purchase of wind energy produced on PEI by stations owned by the PEI Energy Corporation and from company-owned on-Island generation. Maritime Electric's on-Island generation facilities are used primarily for peaking, submarine-cable loading issues and emergency purposes.

Maritime Electric has two take-or-pay contracts for the purchase of either energy or capacity: (i) a fixed pricing contract with NB Power expiring February 29, 2016; and (ii) a transmission capacity contract allowing Maritime Electric to reserve 30 MW of capacity on an international power line into the United States expiring November 2032.

Maritime Electric has entitlement to approximately 4.55% of the output from Point Lepreau for the life of the unit and is required to pay its share of the capital and operating costs of the unit. Point Lepreau recently underwent a refurbishment from 2008 to 2012 to extend the facility's life.

The *Renewable Energy Act* (PEI) requires Maritime Electric to supply 15% of its annual energy sales from renewable energy sources. In 2014 approximately 25% of Maritime Electric's annual energy sales requirement was supplied by renewable energy.

FortisOntario

The power requirements of FortisOntario's service areas are provided from various sources. Canadian Niagara Power purchases its power requirements for Fort Erie and Port Colborne from IESO. Canadian Niagara Power purchases approximately 81% of energy requirements for Gananoque through monthly energy purchases from Hydro One and the remaining 19% is purchased, through the Hydroelectric Contract Initiative, from the five hydroelectric generating plants of the Fortis Generation East Partnership. Algoma Power purchases 100% of its energy from IESO.

Under the Standard Supply Code of the OEB, Canadian Niagara Power and Algoma Power are obliged to provide Standard Service Supply to all its customers who do not choose to contract with an electricity retailer. This energy is provided to customers at either regulated or market prices.

Cornwall Electric purchases substantially all of its power requirements from Hydro-Québec Energy Marketing under two fixed-term contracts. The first contract provides approximately 205 GWh of energy per year and up to 45 MW of capacity at any one time. The second contract provides 100 MW of capacity and energy and provides a minimum of 300 GWh of energy per year. Both contracts expire in December 2019.

Human Resources

Newfoundland Power

As at December 31, 2014, Newfoundland Power had 665 full-time equivalent employees, of which approximately 50% were members of bargaining units represented by IBEW. Newfoundland Power has two collective agreements governing its union employees represented by IBEW. One bargaining unit is composed predominately of clerical employees and the other predominately of skilled trade workers. Both collective agreements expired on September 30, 2014. Newfoundland Power and IBEW reached a tentative agreement in December 2014, subject to ratification by the members.

Maritime Electric

As at December 31, 2014, Maritime Electric had 177 full-time equivalent employees, of whom approximately 70% were represented by IBEW under a collective agreement expiring December 31, 2018.

FortisOntario

As at December 31, 2014, FortisOntario had 196 full-time equivalent employees, of whom approximately 59% were represented by CUPE, in Cornwall; IBEW in the Niagara region and Gananoque; and Power Workers Union, a CUPE affiliate, in the Algoma region. The expiry dates of the collective agreements are April 30, 2016; February 29, 2016 and July 31, 2016; and December 31, 2016, respectively.

3.4 Regulated Electric Utilities - Caribbean

The Regulated Electric Utilities – Caribbean segment includes Caribbean Utilities and Fortis Turks and Caicos.

Caribbean Utilities is an integrated electric utility and the sole provider of electricity on Grand Cayman, Cayman Islands, serving approximately 28,000 customers. The company met a peak demand of 100 MW in 2014. Caribbean Utilities owns and operates more than 700 kilometres of T&D lines, including 24 kilometres of submarine cable. Fortis holds an approximate 60% (December 31, 2013 - 60%) controlling ownership interest in the utility. Caribbean Utilities is a public company traded on the TSX (TSX:CUP.U).

Fortis Turks and Caicos is comprised of two integrated electric utilities serving approximately 13,000 customers on certain islands in Turks and Caicos. The utilities met a combined peak demand of approximately 37 MW in 2014. Fortis Turks and Caicos owns and operates approximately 600 kilometres of T&D lines.

Market and Sales

Annual electricity sales were 771 GWh in 2014, compared to 749 GWh in 2013. Revenue was $321 million in 2014, compared to $290 million in 2013.

The following table compares the composition of Regulated Electric Utilities - Caribbean's revenue and electricity sales by customer class for 2014 and 2013.

Regulated Electric Utilities - Caribbean Revenue and Electricity Sales by Customer Class				
	Revenue (%)		GWh Sales (%)	
	2014	2013	**2014**	2013
Residential	**44.0**	44.7	**42.6**	42.6
Commercial and Industrial	**54.9**	53.9	**57.4**	57.4
Other (1)	**1.1**	1.4	**-**	-
Total	**100.0**	100.0	**100.0**	100.0

(1) *Includes revenue from sources other than from the sale of electricity.*

Power Supply

Caribbean Utilities relies upon in-house diesel-powered generation to produce electricity for Grand Cayman. Grand Cayman has neither hydroelectric potential nor inherent thermal resources and the company must rely upon diesel fuel imported to Grand Cayman primarily from refineries in the Caribbean and the Gulf of Mexico. Caribbean Utilities has an installed generating capacity of approximately 132 MW.

In 2012 Caribbean Utilities entered into primary and secondary fuel supply contracts with two different suppliers and is committed to purchasing approximately 60% and 40%, respectively, of Caribbean Utilities' diesel fuel requirements under each of the contracts. Each contract was renewed for an additional 18-month term in September 2014. Caribbean Utilities has the option to renew each contract for a further 18-month term. It also has a five-year contract for the supply of lubricating oil with Automotive Art Limited. These contracts enable Caribbean Utilities to purchase fuel and lubricating oil from the suppliers on what it believes to be competitive terms and pricing. Both the fuel and lubricating oil contracts include disaster recovery and business continuity plans in the event of foreseeable disruptions to supplies to reduce the impact on Caribbean Utilities' operations.

In October 2014 the ERA announced that Caribbean Utilities was the successful bidder for new generation capacity. Caribbean Utilities will develop and operate a new 39.7 MW diesel power plant, including two 18.5 MW diesel generating units and a 2.7 MW waste heat recovery steam turbine. The project cost is estimated at US$85 million and the plant is expected to be commissioned no later than June 2016. Subsequently, in November 2014 the ERA issued a new non-exclusive Electricity Generation License to Caribbean Utilities for a term of 25 years, expiring in November 2039.

Fortis Turks and Caicos relies upon in-house diesel-powered generation, with an installed generating capacity of 76 MW, to produce electricity for its customers.

Fortis Turks and Caicos has a renewable contract with a major supplier for all of its diesel fuel requirements associated with the generation of electricity. The approximate fuel requirements under this contract are 12 million imperial gallons per annum.

Human Resources

As at December 31, 2014, Regulated Electric Utilities - Caribbean employed 364 full-time equivalent employees. The 206 employees at Caribbean Utilities and 158 employees at Fortis Turks and Caicos are non-unionized.

3.5 Non-Regulated - Fortis Generation

The following table summarizes the Corporation's non-regulated generation assets by location.

Non-Regulated - Fortis Generation Assets			
Location	**Plants**	**Fuel**	**Capacity (MW)**
Belize	3	hydro	51
British Columbia [(1)]	1	hydro	16
Upstate New York	4	hydro	23
Ontario	7	hydro, thermal	13
Total	**15**		**103**

[(1)] *Once completed, the Waneta Expansion will provide an additional 335 MW of hydroelectric generating capacity in British Columbia.*

Non-regulated generation operations in Belize consist of the 25-MW Mollejon, 7-MW Chalillo and 19-MW Vaca hydroelectric generating facilities. All of the output of these facilities is sold to Belize Electricity under 50-year PPAs expiring in 2055 and 2060. The hydroelectric generation operations in Belize are conducted through the Corporation's indirectly wholly owned subsidiary BECOL under a franchise agreement with the GOB. In October 2011 the GOB purportedly amended the Constitution of Belize to require majority government ownership of three public utility providers, including Belize Electricity, but excluding BECOL. Fortis, through its subsidiaries, is challenging the legality of these amendments, as it relates to Belize Electricity. The GOB has also indicated it has no intention to expropriate BECOL. Fortis continues to control and consolidate the financial statements of BECOL.

The non-regulated generation operations of FortisBC Inc. include the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. All of the output of Walden is sold to BC Hydro under a long-term contract that cannot be terminated prior to 2024. Non-regulated generation operations in British Columbia also include the Corporation's 51% controlling ownership interest in the Waneta Partnership, with CPC/CBT holding the remaining 49% interest. Fortis will operate and maintain the non-regulated investment when the facility comes into service, which is expected in spring 2015.

The Waneta Partnership commenced construction of the $900 million, 335-MW Waneta Expansion in late 2010, which is adjacent to the Waneta Dam and powerhouse facilities on the Pend d'Oreille River, south of Trail, British Columbia. The project is currently on schedule and within budget. Approximately $679 million in total has been spent on the Waneta Expansion since construction began, with $100 million spent in 2014. Key construction activities in 2014 included the substantial completion of civil construction of two power tunnels and transitions, excavation of the trailrace channel, as well as the powerhouse mechanical and electrical auxiliary systems. Removal of the trailrace and intake plugs continued through the end of 2014 and is forecast to be substantially complete in 2015. Assembly continued with the turbine and generator components with the first unit successfully completing the mechanical run test in December. In 2015 approximately $76 million is expected to be spent. Key project activities scheduled for 2015 include the completion of testing and commissioning, marketable power tests followed by substantial completion in the spring of 2015. For additional information refer to Section 3.3.2 of this 2014 Annual Information Form.

Through FortisUS Energy, an indirectly wholly owned subsidiary, the Corporation owns and operates four hydroelectric generating facilities in upstate New York with a combined capacity of approximately 23 MW operating under licences from FERC. All four hydroelectric generating facilities sell energy at market rates through purchase agreements with Niagara Mohawk Power Corporation.

Non-regulated generation operations of FortisOntario are comprised of the operation of a 5-MW gas-powered cogeneration plant in Cornwall. All thermal energy output of this plant is sold to external third parties, while the electricity output is sold to Cornwall Electric. Fortis Generation East Partnership owns and operates six small hydroelectric generating facilities in eastern Ontario with a combined capacity of 8 MW. The electricity produced from these facilities is sold to the Ontario Power Authority, via the Hydroelectric Contract Initiative, under fixed-price contracts.

Market and Sales

Annual energy sales from non-regulated generation assets were 407 GWh in 2014 compared to 386 GWh in 2013. Revenue was $38 million in 2014 compared to $35 million in 2013.

The following table compares the composition of Fortis Generation East Partnership's 2014 and 2013 revenue and energy sales by location.

Non-Regulated - Fortis Generation Revenue and Energy Sales by Location				
	Revenue (%)		**GWh Sales (%)**	
	2014	2013	**2014**	2013
Belize	**71.0**	72.5	**60.3**	64.2
Ontario	**13.2**	15.6	**13.2**	13.1
British Columbia	**5.5**	5.4	**8.3**	7.9
Upstate New York	**10.3**	6.5	**18.2**	14.8
Total	**100.0**	100.0	**100.0**	100.0

Human Resources

As at December 31, 2014, Fortis Generation East Partnership employed 40 full-time equivalent employees, none of whom participate in a collective agreement.

3.6 Non-Regulated – Non-Utility

In 2014, non-utility investments were comprised of Fortis Properties and Griffith. Griffith was acquired as part of the acquisition of CH Energy Group in June 2013 and sold in March 2014.

Fortis Properties owns and operates 23 hotels, comprised of more than 4,400 rooms, in eight Canadian provinces, and owns and operates approximately 2.8 million square feet of commercial office and retail space, primarily in Atlantic Canada. During the fourth quarter of 2014, Fortis Properties substantially completed construction of a 12-storey office building in downtown St. John's, Newfoundland and Labrador. The building features 143,500 of leasable square feet of Class A office space.

In September 2014, the Corporation announced that it would engage in a review of strategic options for its hotel and real estate business. Strategic options may include, but are not limited to, a sale of all or a portion of the assets, a sale of shares of Fortis Properties or an initial public offering.

Revenue was $249 million in 2014 compared to $248 million in 2013. In 2014 Fortis Properties derived approximately 28% of its revenue from real estate operations and 72% of its revenue from hotel operations, consistent with the prior year. Fortis Properties derived approximately 42% of its 2014 operating income from real estate operations and 58% from hotel operations.

The following table sets out the office and retail properties owned by Fortis Properties.

Fortis Properties Office and Retail Properties			
Property	**Location**	**Type of Property**	**Gross Lease Area** *(000s square feet)*
Fortis Place	St. John's, NL	Office	144
Fort William Building	St. John's, NL	Office	188
Cabot Place I	St. John's, NL	Office	137
TD Place	St. John's, NL	Office	99
Fortis Building	St. John's, NL	Office	83
Multiple Office	St. John's, NL	Office and Retail	58[(1)]
Millbrook Mall	Corner Brook, NL	Retail	114
Fraser Mall	Gander, NL	Retail	98
Marystown Mall	Marystown, NL	Retail	92
Fortis Tower	Corner Brook, NL	Office	68
Maritime Centre	Halifax, NS	Office and Retail	564
Brunswick Square	Saint John, NB	Office and Retail	522
Kings Place	Fredericton, NB	Office and Retail	293
Blue Cross Centre	Moncton, NB	Office and Retail	326
Delta Regina	Regina, SK	Office	52
Total			**2,838**

[(1)] *Excludes Martin Royal building, which building is not available for leasing.*

Revenue per available room at the Hospitality Division of Fortis Properties was \$80.61 for 2014 compared to \$81.48 for 2013. The change was the result of a 2.5% decrease in occupancy, partially offset by a 1.5% increase in average daily room rate. The average occupancy decreased to 59.9% for 2014 from 61.4% for 2013, while the average daily room rate for 2014 was \$134.64, up from \$132.70 achieved in 2013.

The hotels owned and managed by Fortis Properties are summarized as follows.

Fortis Properties Hotels			
Hotels	**Location**	**Number of Guest Rooms**	**Function Space** *(000s square feet)*
Delta St. John's Hotel & Conference Centre	St. John's, NL	403	21
Holiday Inn St. John's Government Center	St. John's, NL	252	12
Sheraton Hotel Newfoundland	St. John's, NL	301	16
Mount Peyton Hotel	Grand Falls-Windsor, NL	149	5
Greenwood Inn & Suites Corner Brook	Corner Brook, NL	102	5
Four Points by Sheraton Halifax	Halifax, NS	177	20
Holiday Inn Sydney-Waterfront	Sydney, NS	152	6
Delta Brunswick	Saint John, NB	254	18
Holiday Inn Kitchener-Waterloo & Conference Centre	Kitchener-Waterloo, ON	184	13
Holiday Inn Peterborough-Waterfront	Peterborough, ON	153	7
Holiday Inn Sarnia Hotel & Conference Centre	Point Edward, ON	216	11
Holiday Inn Cambridge	Cambridge, ON	143	6
Holiday Inn & Suites Windsor	Windsor, ON	214	23
Ramada Plaza Calgary Airport Hotel & Conference Centre	Calgary, AB	210	8
Station Park All Suite Hotel	London, ON	126	2
Holiday Inn Conference Centre Edmonton South	Edmonton, AB	224	7
Best Western Plus Winnipeg Airport	Winnipeg, MB	213	8
Hilton Suites Winnipeg Airport	Winnipeg, MB	159	9
Holiday Inn Lethbridge	Lethbridge, AB	119	4
Holiday Inn Express & Suites Medicine Hat	Medicine Hat, AB	93	2
Best Western Plus Sun Country	Medicine Hat, AB	122	1
Holiday Inn Express Kelowna & Conference Centre	Kelowna, BC	190	4
Delta Regina	Regina, SK	274	45
Total		**4,430**	**253**

Human Resources

As at December 31, 2014, Fortis Properties employed approximately 2,300 full-time equivalent employees, approximately 47% of whom are represented by unions listed in the following table.

Fortis Properties Unions			
Property	**Union**	**Expiry of Agreement**	**Number of Unionized Employees**
Holiday Inn St. John's Government Center	Unifor	August 31, 2015	49
Delta St. John's Hotel & Conference Centre	UFCW	December 31, 2016	225
Greenwood Inn & Suites Corner Brook	Unifor	March 11, 2016	44
East Side Mario's St. John's	Unifor	July 31, 2016	99
Holiday Inn Sydney-Waterfront	Unifor	September 30, 2017	76
Delta Brunswick & Brunswick Square	USW	June 30, 2016	117
Delta Regina	Unifor	May 31, 2017	157
St. John's Real Estate	IBEW	April 17, 2016	8
Sheraton Hotel Newfoundland	Unifor	March 31, 2015	181
Holiday Inn & Suites Windsor	UFCW	April 30, 2016	46
Mount Peyton Hotel	UFCW	December 1, 2014 (1)	53
Best Western Plus Winnipeg Airport (Maintenance)	Workers' United	June 30, 2017	3
Best Western Plus Winnipeg Airport (Housekeeping)	Workers' United	May 31, 2017	23
Total			**1,081**

(1) *Discussions on bargaining are ongoing to reach a new agreement.*

4.0 REGULATION

The Corporation's utilities primarily operate under a cost of service regulation and, in certain circumstances, performance based rate setting mechanisms, and are regulated by the regulatory body in their respective operating jurisdiction. With regulated utilities in nine different jurisdictions, Fortis has significant regulatory expertise.

For information with respect to the nature of regulation and material regulatory decisions and applications associated with each of the Corporation's regulated electric and gas utilities, refer to the "Regulatory Highlights" section of the Corporation's MD&A and to Note 2 of the Corporation's 2014 Audited Consolidated Financial Statements.

5.0 ENVIRONMENTAL MATTERS

The Corporation and its subsidiaries are subject to various federal, provincial, state and municipal laws, regulations and guidelines relating to the protection of the environment including, but not limited to, wildlife, water and land protection, emissions and the proper storage, transportation, recycling and disposal of hazardous and non-hazardous substances. In addition, federal, provincial and state governments have environmental assessment legislation, which is designed to foster better land-use planning and environmental protection through the identification and mitigation of potential environmental impacts of projects or undertakings prior to and after their commencement.

Several key Canadian federal environmental laws and regulations affecting the operations of the Corporation's Canadian subsidiaries include, but are not limited to, the: (i) *Canadian Environmental Assessment Act, 2012;* (ii) *Canadian Environmental Protection Act, 1999*; (iii) *Transportation of Dangerous Goods Act and Regulations*; (iv) *Hazardous Products Act*; (v) *Canada Wildlife Act*; (vi) *Navigation Protection Act*; (vii) *Canada National Parks Act*; (viii) *Fisheries Act;* (ix) *Canada Water*

Act; (x) *National Fire Code of Canada;* (xi) *Pest Control Products Act and Regulations;* (xii) *PCB Regulations;* (xiii) *Species at Risk Act;* (xiv) *Ozone Depleting Substances Regulations;* (xv) *Indian Act* and the duty to consult and accommodate*;* (xvi) *International River Improvements Act;* and (xvii) *Migratory Birds Convention Act, 1994.*

Several key U.S. federal environmental laws and regulations affecting the operations of UNS Energy and Central Hudson include, but are not limited to, the: (i) *Clean Water Act*; (ii) *Safe Drinking Water Act*; (iii) *Clean Air Act*; (iv) *Endangered Species Act*; (v) *Resource Conservation & Recovery Act*; (vi) *Toxic Substances Control Act*; (vii) *Comprehensive Environmental Response, Compensation, and Liability Act*; (viii) *National Environmental Policy Act*; (ix) *Emergency Planning & Community Right to Know Act*; and (x) *Pollution Prevention Act of 1990*.

Environmental risks affecting the Corporation's utility operations include, but are not limited to: (i) hazards associated with the transportation, storage and handling of large volumes of fuel for fuel-powered electricity generating plants, including leaching of the fuel and other operational by-products into the soil, groundwater, nearby watershed areas and open waters; (ii) risk of spills or leaks of petroleum-based products, including PCB-contaminated oil, which are used in the cooling and lubrication of transformers, capacitors and other electrical equipment; (iii) risk related to natural gas discharges; (iv) risk of spills or releases into the environment arising from the improper transportation, storage, handling and disposal of other hazardous substances; (v) GHG and other fuel gas emissions, including natural gas and propane leaks and spills and emissions from the combustion of fuel required to generate electricity; (vi) risk of fire; (vii) risk of disruption to vegetation; (viii) risk of contamination of soil and water near chemically treated poles; (ix) risk of disruption to fish, animals and their habitat as a result of the creation of artificial water flows and levels associated with hydroelectric water storage and utilization; and (x) risk of responsibility for remediation of contaminated properties, whether or not such contamination resulted from the Corporation's utility operations.

There are many provincial, state, and municipal laws, regulations and guidelines that address similar environmental risks as the federal laws, regulations and guidelines, but at a provincial, state or local level. The constant evolution of environmental legislation results in ongoing risks to the Corporation, as its subsidiaries must adjust their business operations to comply.

In addition to changing air emission standards, the management of GHG emissions is a specific environmental concern of the Corporation's Regulated Utilities in Canada and the United States, primarily due to the uncertainties relating to new and emerging federal, provincial and state GHG laws, regulations and guidelines in Canada and the United States. Governmental policy direction is unfolding; however, it remains to be determined whether a GHG air emissions cap or limit may be imposed and to what extent it will impact the Corporation's utilities. Canada has committed to reduce GHG emissions to 17% below 2005 levels by 2020, and the United States has committed to reduce GHG emissions to 30% below 2005 levels by 2030. Both countries are in the process of imposing sectoral requirements, yet it is not certain how the Corporation's subsidiaries will be impacted.

In British Columbia, the *Carbon Tax Act, Clean Energy Act, Greenhouse Gas Reduction (Cap and Trade) Act* and *Greenhouse Gas Reduction Targets Act* and anticipated cap-and-trade regulations specifically affect, or may potentially affect, the operations of the FortisBC Energy companies and FortisBC Electric. To help mitigate uncertainty, the FortisBC Energy companies participate in sector and industry groups in order to monitor the development of emerging regulation and policy.

The Government of British Columbia's Energy Plan and GHG reduction targets present risks and opportunities to the FortisBC Energy companies and, to a lesser degree, FortisBC Electric. These government initiatives continue to place pressure on natural gas consumption and its contribution to GHG emissions. The energy and GHG emissions policies in British Columbia have created opportunities for the FortisBC Energy companies through incentives to expand their deployment of renewable energy, such as biogas, the establishment of a natural gas transportation program, and the expansion of its Energy Efficiency and Conservation Program. Additionally, the *Carbon Tax Act* improves the competitive position of natural gas relative to other fossil fuels, as the tax is based on the amount of carbon dioxide equivalent emitted per unit of energy. Natural gas, therefore, has a lower tax rate than oil or coal products.

British Columbia continues to be a participant in the Western Climate Initiative, which expects to implement a cap-and-trade program to reduce GHG emissions. The FortisBC Energy companies are expected to be covered under the program. If implemented, the cap-and-trade program is expected to have a declining cap on emissions that all applicable facilities must meet, either by reducing emissions internally or by purchasing allowances from other facilities for release of GHG emissions over the capped amounts.

In 2011 the FortisBC Energy companies began reporting their GHG emissions pursuant to the reporting regulation under the *Greenhouse Gas Reduction (Cap and Trade) Act.* In addition, the FortisBC Energy companies continue to report their GHG emissions under Environment Canada's GHG Program. The FortisBC Energy companies have developed capabilities that will support the management of compliance requirements in an upcoming GHG emissions' trading environment, as government policy in that area evolves. The FortisBC Energy companies will also continue to monitor and assess emerging regulations, in particular, the offset and allowance regulations.

The impact of GHG emissions is lower at the Corporation's Canadian regulated electric utilities because their primary business is the distribution of electricity. With respect to FortisAlberta, its operations involve only the distribution of electricity. Additionally, all in-house generating capacity at FortisBC Electric, about 70% at Newfoundland Power, and most of the Corporation's non-regulated generating capacity is hydroelectric, a clean energy source. The 335-MW Waneta Expansion will be a clean renewable hydroelectric energy source when it comes into service in spring 2015. Only a small portion of in-house generation at Canadian regulated electric utilities uses diesel fuel. The Corporation's Canadian regulated electric utilities are indirectly impacted, however, by GHG emissions through the purchase of power generated by suppliers using combustible fuel. Such power suppliers are responsible for compliance with carbon dioxide emissions standards and the cost of compliance with such standards is generally flowed through to end-use consumers.

The *Renewable Energy Act* (PEI) and the recent PEI Energy Accord directly impact the long-term energy supply planning process for PEI. The Act required Maritime Electric to source 15% of its annual energy sales from renewable sources by 2010, which the company met in both 2013 and 2014. Under the PEI Energy Accord, Maritime Electric and the Government of PEI are committed to work collaboratively to increase electricity produced on PEI and sold to Maritime Electric from renewable energy sources, principally wind.

UNS Energy and Central Hudson are subject to regulation by United States federal, state and local authorities related to the environmental effects of their operations.

Central Hudson directly or indirectly owns minimal generating capacity and relies on purchased capacity and energy from third-party providers. Central Hudson is, however, exposed to environmental contingencies associated with MGP's that it and its predecessors owned and operated to serve their customers' heating and lighting needs from the mid-to-late 1800s to the 1950s. The DEC regulates the timing and extent of remediation of MGP sites in New York State. As at December 31, 2014, Central Hudson has recognized approximately US$105 million in associated MGP environmental remediation liabilities. As approved by the PSC, the company is currently permitted to recover MGP site investigation and remediation costs in customer rates. For additional information, refer to the "3.1.2 Central Hudson" section of this 2014 Annual Information Form.

UNS Energy owns significant generating assets. In 2012 the EPA issued final rules for the control of mercury emissions and other hazardous air pollutants from power plants. Based on these rules, TEP's Navajo and Springerville plants may require mercury control equipment by April 2016.

The EPA's Regional Haze Rules impose emission controls on facilities emitting air pollutants that reduce visibility in national parks and wilderness areas. Complying with the EPA's findings, and with other future environmental rules, may make it economically impractical to continue operating all or a portion of TEP's coal-fired generating facilities or for individual joint owners to continue to participate in the units they own at these power plants.

In 2014 the EPA issued proposed carbon emission regulations for existing power plants called the Clean Power Plan. The Clean Power Plan aims to reduce United States carbon emissions to 30% below 2005 levels by 2030. The proposed plan sets carbon emission rates for each state. Using 2012 as a baseline year, Arizona's carbon emission rate for 2030 represents a 52% reduction. The EPA is expected to issue a final rule by summer 2015. In 2014 the EPA also issued a supplemental proposal regarding carbon emissions regulation impacting the Navajo Nation and the Four Corners and Navajo generating stations. The regulation would impose carbon reductions on the Navajo Reservation; however, the reduction requirement is less onerous than what is anticipated from the unit retirements associated with Regional Haze requirements, as discussed above.

TEP will continue working with federal and state regulatory authorities, other neighboring utilities and stakeholders to seek relief from the proposed EPA standard by reducing the disproportionately high level of carbon emissions reduction for Arizona, and to seek relief from the interim and final proposed compliance requirements. In 2014, UNS Energy submitted comments on the proposal on behalf of TEP and its other utility subsidiaries. The proposed rule has been challenged in court and is subject to further legal challenge.

The EPA has been developing regulations for Coal Combustion Residuals placed in landfills and surface impoundments (i.e. ponds). In 2014 the EPA issued a final rule requiring all coal ash and other coal combustion residuals to be treated as a solid waste. UNS Energy does not anticipate significant impacts to current operations at its existing facilities from this final rule.

TEP has in place an Environmental Compliance Adjustor, as approved by the ACC, which allows for the recovery of certain capital carrying costs to comply with government-mandated environmental regulations between rate cases.

While there are environmental laws, regulations and guidelines affecting the Corporation’s operations in Grand Cayman and Turks and Caicos Islands, they are less extensive than the laws, regulations and guidelines in Canada and the United States. The United Kingdom’s ratification of the United Nations Framework Convention on Climate Change and its Kyoto Protocol were extended to the Cayman Islands in 2007. This framework aims to reduce GHG emissions produced by certain industries. Specific details on the regulations implementing the protocol have yet to be released by the local government of the Cayman Islands and, accordingly, Caribbean Utilities is currently unable to assess the financial impact of compliance with the framework of the protocol.

All of the energy requirements of Caribbean Utilities and Fortis Turks and Caicos are sourced from in-house diesel-powered generation. The more recently installed generators at Caribbean Utilities and Fortis Turks and Caicos have also been designed to provide an increased output per gallon consumed than the older generators, which generate electricity in a more efficient and environmentally friendly manner. Further, exhaust stacks have been designed and installed so as to maximize sound attenuation and optimize exhaust plume dispersion, thereby improving local air quality in accordance with what the utilities believe to be the best industry practice. The use of diesel oil versus heavy fuel oil also results in significantly lower levels of exhaust emissions. The utilities also purchase and store diesel fuel and/or lubricating oil in bulk, thereby decreasing the environmental risks associated with fuel and/or oil handling. Investments have been made in containment areas for the bulk storage of diesel fuel which have been designed to prevent the fuel from coming into contact with soil or groundwater. Caribbean Utilities also uses an underground fuel pipeline for the delivery of fuel from suppliers’ distribution terminals on the coast of Grand Cayman to the day-tank holding facilities at the company’s generating plant. The pipeline eliminates the need for road transport of fuel along coastline roads.

The key focus of the utilities is to provide reliable cost-effective service with full regard for the safety of employees and the public while operating in an environmentally responsible manner. A focus on safety and the environment is, therefore, an integral and continuing component of the Corporation’s operating activities.

Each of the Corporation’s utilities has an EMS, with the exception of UNS Energy, which relies on a comprehensive set of environmental protocols. Environmental policies form the cornerstone of the EMS and UNS Energy’s environmental protocols, and outline the following commitments by each utility and its employees with respect to conducting business in a safe and environmentally responsible manner: (i) meet and comply with all applicable laws, legislation, policies, regulations and accepted standards of environmental protection; (ii) manage activities consistent with industry practice and in support of the environmental policies of all levels of government; (iii) identify and manage risks to prevent or reduce adverse consequences from operations, including preventing pollution and conserving natural resources; (iv) regularly conduct environmental monitoring and audits of the EMS and environmental protocols, and strive for continual improvement in environmental performance; (v) regularly set and review environmental objectives, targets and programs; (vi) communicate openly with stakeholders including making available the utility’s environmental policy and knowledge of environmental issues to customers, employees, contractors and the general public; (vii) support and participate in community based projects that focus on the environment; (viii) provide training for employees and those working on behalf of the utility to enable them to fulfill their duties in an environmentally responsible manner; and (ix) work with industry associations, government and other stakeholders to establish standards for the environment appropriate to the utility's business.

Through an EMS and environmental protocols, documented procedures are in place to control activities that can affect the environment. Common elements of the utilities' EMS and environmental protocols include: (i) regular inspections of fuel and oil-filled equipment in order to identify and correct for potential spills, and spill response systems to ensure that all spills are addressed, and the associated cleanup is conducted in a prompt and environmentally responsible manner; (ii) GHG emissions management; (iii) procedures for handling, transporting, storing and disposing of hazardous substances, including chemically treated poles, asbestos, lead and mercury, where applicable; (iv) programs to mitigate fire-related incidents; (v) programs for the management and/or elimination of PCBs, where applicable; (vi) vegetation management programs; (vii) training and communicating of environmental policies to employees to ensure work is conducted in an environmentally responsible manner; (viii) review of work practices that affect the environment; (ix) waste management programs; (x) environmental emergency response procedures; (xi) environmental site assessments; and (xii) environmental incident reporting procedures. Additionally, Newfoundland Power's EMS addresses water control and dam structure, as well as hydroelectric generating facility operations and the impact of such on fish and the surrounding habitat. FortisBC Electric's EMS addresses the environmental impacts associated with water flows, including on fisheries and critical habitats.

The FortisBC Energy companies, Central Hudson, FortisAlberta, FortisBC Electric, Newfoundland Power, Maritime Electric and FortisOntario have developed their respective EMSs consistent with the guidelines of ISO 14001, an internationally recognized standard for EMS. Caribbean Utilities operates an EMS associated with its generation operations, which is ISO 14001 certified, and uses an EMS for its T&D operations, which is consistent with ISO 14001 guidelines. Fortis Turks and Caicos' EMS is also expected to be ISO 14001 certified. As part of their respective EMS or protocols, the utilities are continuously establishing and implementing programs and procedures to identify potential environmental impacts, mitigate those impacts and monitor performance. External and/or internal audits of the EMS and protocols are performed on a periodic basis. Based on audits last completed, the EMS continue to be effective, properly implemented and maintained, and materially consistent with ISO 14001 guidelines.

Each of the Corporation's Canadian Regulated Electric Utilities that is a member of the CEA is an active participant in the CEA's Sustainable Electricity Program, which was launched in 2009. Participants in the program commit to continuous improvement of their environmental management and performance including reporting annually on environmental and other performance indicators.

In addition to the EMS, various energy efficiency programs and initiatives, which help in reducing GHG emissions, are undertaken by the utilities or offered to customers.

Environmental risks associated with the Corporation's non-regulated generation operations are addressed in a similar manner as the Corporation's regulated electric utilities that operate in the same jurisdiction as the non-regulated generation operations.

The key environmental risks affecting the Corporation's hospitality and real estate operations include, but are not limited to: (i) asbestos and urea-formaldehyde contamination in buildings; (ii) release of ozone-depleting substances from air conditioning and refrigeration equipment; (iii) fuel tank leaks; (iv) mold remediation; and (v) remediation of contaminated properties, whether or not such contamination was actually caused by the property owner. Fortis Properties is committed to meeting the requirements of environmental standards related to its hospitality and real estate operations. In assessing properties being acquired, all must meet environmental standards, including, but not limited to, the appropriate federal, provincial and municipal standards for asbestos, fuel storage, urea-formaldehyde and chlorofluorocarbon-based refrigerants in air conditioning and refrigeration equipment. Properties are also monitored on an ongoing basis to ensure continued environmental compliance.

The Corporation has asset-retirement obligations as disclosed in the notes to its 2014 Audited Consolidated Financial Statements. As at December 31, 2014, a liability of $37 million in asset retirement obligations at UNS Energy, Central Hudson and FortisBC Electric has been recognized. With the exception of those asset retirement obligations recognized at UNS Energy, Central Hudson and FortisBC Electric, liabilities with respect to asset-retirement obligations have not been recorded in the Corporation's 2014 Audited Consolidated Financial Statements, as they could not be reasonably estimated or were determined to be immaterial (including asset-retirement obligations associated with asbestos and chemically treated poles) to the Corporation's consolidated results of operations, cash flows or financial position. The utilities have ongoing programs to identify and replace transformers which are at risk of spillage of oil, and PCBs continue to be removed from service and safely disposed of in compliance with applicable laws and regulations.

Costs associated with environmental protection initiatives (including the development, implementation and maintenance of EMSs and protocols), compliance with environmental laws, regulations and guidelines, and environmental damage did not have a material impact on the Corporation's consolidated results of operations, cash flows or financial position during 2014 and, based on current laws, facts and circumstances, are not expected to have a material effect in 2015. Many of the above costs, however, are embedded in the utilities' operating, maintenance and capital programs and are, therefore, not readily identifiable. At the Corporation's regulated utilities, prudently incurred operating and capital costs associated with environmental protection initiatives, compliance with environmental laws, regulations and guidelines, and environmental damage are eligible for recovery in customer rates. Fortis believes that the Corporation and its subsidiaries are materially compliant with the environmental laws and regulations applicable to them in the various jurisdictions in which they operate.

Oversight of environmental matters is performed at the subsidiary level with regular reporting of environmental matters to the respective subsidiary's Board of Directors.

For further information on the Corporation's environmental risk factors, refer to the "Business Risk Management - Environmental Risks" section of the Corporation's MD&A.

6.0 RISK FACTORS

For information with respect to the Corporation's business risks, refer to the "Business Risk Management" section of the Corporation's MD&A.

7.0 GENERAL DESCRIPTION OF SHARE CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of the following:

(a) an unlimited number of Common Shares without nominal or par value;
(b) an unlimited number of First Preference Shares without nominal or par value; and
(c) an unlimited number of Second Preference Shares without nominal or par value.

As at February 18, 2015, the following Common Shares and First Preference Shares were issued and outstanding.

Share Capital	Issued and Outstanding	Votes per Share [1]
Common Shares	276,349,427	One
First Preference Shares, Series E	7,993,500	None
First Preference Shares, Series F	5,000,000	None
First Preference Shares, Series G	9,200,000	None
First Preference Shares, Series H	10,000,000	None
First Preference Shares, Series J	8,000,000	None
First Preference Shares, Series K	10,000,000	None
First Preference Shares, Series M	24,000,000	None

(1) The First Preference Shares do not have voting rights unless and until Fortis fails to pay eight quarterly dividends, whether or not consecutive, and whether or not such dividends have been declared.

Convertible Debentures

To finance a portion of the acquisition of UNS Energy, in January 2014, Fortis completed the sale the Convertible Debentures. The Convertible Debentures were sold on an installment basis at a price of $1,000 per Convertible Debenture, of which $333 was paid on closing in January 2014 and the remaining $667 was paid on October 27, 2014, being the Final Installment Date. Prior to the Final

Installment Date, the Convertible Debentures were represented by Installment Receipts, which were traded on the TSX under the symbol “FTS.IR”. Since the Final Installment Date occurred prior to the first anniversary of the closing of the offering, holders of Convertible Debentures who paid the final installment in October 2014 received, in addition to the payment of accrued and unpaid interest, a make-whole payment, representing interest that would have accrued from the day following the Final Installment Date to and including January 9, 2015. Approximately $72 million ($51 million after tax) in interest expense associated with the Convertible Debentures, including the make whole payment, was recognized in 2014.

At the option of the holders, each Convertible Debenture was convertible into Common Shares of Fortis at any time after the Final Installment Date but prior to maturity or redemption by the Corporation at a conversion price of $30.72 per Common Shares, being a conversion rate of 32.5521 Common Shares per $1,000 principal amount of Convertible Debentures. On October 28, 2014, approximately 58.2 million Common Shares of Fortis were issued, representing conversion into Common Shares of more than 99% of the Convertible Debentures. As at December 31, 2014, a total of approximately 58.5 million Common Shares of Fortis were issued on the conversion of Convertible Debentures for proceeds of $1.747 billion, net of after-tax expenses. The net proceeds were used to finance a portion of the acquisition of UNS Energy.

Dividend Policy

The following table summarizes the cash dividends declared per share for each of the Corporation’s class of shares for the past three years.

	Dividends Declared *(per share)*		
Share Capital	**2014**	**2013**	**2012**
Common Shares	**$1.30**	$1.25	$1.21
First Preference Shares, Series C [(1)]	**-**	$0.4862	$1.3625
First Preference Shares, Series E	**$1.2250**	$1.2250	$1.2250
First Preference Shares, Series F	**$1.2250**	$1.2250	$1.2250
First Preference Shares, Series G [(2)]	**$0.9708**	$1.1416	$1.3125
First Preference Shares, Series H	**$1.0625**	$1.0625	$1.0625
First Preference Shares, Series J [(3)]	**$1.1875**	$1.1875	$0.3514
First Preference Shares, Series K [(4)]	**$1.0000**	$0.6233	-
First Preference Shares, Series M [(5)]	**$0.4613**	-	-

(1) *In July 2013 the Corporation redeemed all of the issued and outstanding First Preference Shares, Series C at a redemption price of $25.1456 per share, being equal to $25.00 plus the amount of accrued and unpaid dividends per share.*

(2) *The annual fixed dividend per share for the First Preference Shares, Series G was reset from $1.3125 to $0.9708 for the five-year period from and including September 1, 2013 to but excluding September 1, 2018.*

(3) *The First Preference Shares, Series J were issued in November 2012 at $25.00 per share and are entitled to receive cumulative dividends in the amount of $1.1875 per share annum.*

(4) *The Fixed Rate Reset First Preference Shares, Series K were issued in July 2013 at $25.00 per share and are entitled to receive cumulative dividends in the amount of $1.0000 per share per annum for the first six years.*

(5) *The Fixed Rate Reset First Preference Shares, Series M were issued in September 2014 at $25.00 per share and are entitled to receive cumulative dividends in the amount of $1.0250 per share per annum for the first five years.*

For purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation, all dividends paid on Common and Preferred Shares after December 31, 2005 by Fortis to Canadian residents are designated as “eligible dividends”. Unless stated otherwise, all dividends paid by Fortis hereafter are designated as “eligible dividends” for the purposes of such rules.

On December 17, 2014, the Board declared an increase in the quarterly Common Share dividend to $0.34 per share from $0.32 per share, with the first payment to be made on March 1, 2015, to holders of record as of February 17, 2015. Also on December 17, 2014, the Board declared a first quarter 2015 dividend on the First Preference Shares, Series E, F, G, H, J, K and M in accordance with the applicable annual prescribed rate to be paid on March 1, 2015 to holders of record as of February 17, 2015.

Common Shares

Dividends on Common Shares are declared at the discretion of the Board. Holders of Common Shares are entitled to dividends on a pro rata basis if, as, and when declared by the Board. Subject to the rights of the holders of the First Preference Shares and Second Preference Shares and any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the Board may declare dividends on the Common Shares to the exclusion of any other class of shares of the Corporation.

On the liquidation, dissolution or winding-up of Fortis, holders of Common Shares are entitled to participate rateably in any distribution of assets of Fortis, subject to the rights of holders of First Preference Shares and Second Preference Shares and any other class of shares of the Corporation entitled to receive the assets of the Corporation on such a distribution in priority to or rateably with the holders of the Common Shares.

Holders of the Common Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of Fortis, other than separate meetings of holders of any other class or series of shares, and are entitled to one vote in respect of each Common Share held at such meetings.

First Preference Shares, Series E

Holders of the 7,993,500 First Preference Shares, Series E are entitled to receive fixed cumulative preferential cash dividends at a rate of $1.2250 per share per annum. The Corporation may, at its option, redeem all, or from time to time any part of, the outstanding First Preference Shares, Series E by the payment in cash of a sum per redeemed share equal to $25.50 if redeemed during the 12 months commencing June 1, 2014; $25.25 if redeemed during the 12 months commencing June 1, 2015; and $25.00 if redeemed on or after June 1, 2016 plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption. The Corporation may, at its option, convert all, or from time to time any part of the outstanding First Preference Shares, Series E into fully paid and freely tradeable Common Shares of the Corporation. The number of Common Shares into which each Preference Share may be so converted will be determined by dividing the then-applicable redemption price per First Preference Share, Series E, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of $1.00 and 95% of the then-current market price of the Common Shares at such time. On or after September 1, 2016, each First Preference Share, Series E will be convertible at the option of the holder on the first business day of September, December, March and June of each year, into fully paid and freely tradeable Common Shares determined by dividing $25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of $1.00 and 95% of the then-current market price of the Common Shares. If a holder of First Preference Shares, Series E elects to convert any of such shares into Common Shares, the Corporation can redeem such First Preference Shares, Series E for cash or arrange for the sale of those shares to other purchasers.

First Preference Shares, Series F

Holders of the 5,000,000 First Preference Shares, Series F are entitled to receive fixed cumulative preferential cash dividends at a rate of $1.2250 per share per annum. The Corporation may, at its option, redeem for cash the First Preference Shares, Series F, in whole at any time or in part from time to time, at $25.25 per share if redeemed on or after December 1, 2014 but before December 1, 2015, and at $25.00 per share if redeemed on or after December 1, 2015 plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

First Preference Shares, Series G

Holders of the 9,200,000 First Preference Shares, Series G were entitled to receive fixed cumulative preferential cash dividends at a rate of $1.3125 per share per annum for each year up to and including August 31, 2013. The annual fixed dividend rate per share for the First Preference Shares, Series G was reset to $0.9708 per share per annum for the five-year period from and including September 1, 2013 to but excluding September 1, 2018. For each five-year period after that date, the holders of First Preference Shares, Series G are entitled to receive reset fixed cumulative preferential cash dividends. The reset annual dividends per share will be determined by multiplying

$25.00 per share by the annual fixed dividend rate, which is the sum of the five-year Government of Canada bond yield on the applicable reset date plus 2.13%. On September 1, 2018, and on September 1 every five years thereafter, the Corporation has the option to redeem for cash the outstanding First Preference Shares, Series G, in whole at any time, or in part from time to time, at a price of $25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption.

First Preference Shares, Series H
Holders of the 10,000,000 First Preference Shares, Series H are entitled to receive fixed cumulative preferential cash dividends at a rate of $1.0625 per share per annum for each year up to but excluding June 1, 2015. For each five-year period after that date, the holders of First Preference Shares, Series H are entitled to receive reset fixed cumulative preferential cash dividends. The reset annual dividends per share will be determined by multiplying $25.00 per share by the annual fixed dividend rate, which is the sum of the five-year Government of Canada bond yield on the applicable reset date plus 1.45%.

On each Series H Conversion Date, being June 1, 2015, and June 1 every five years thereafter, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series H, at a price of $25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On each Series H Conversion Date, the holders of First Preference Shares, Series H, have the option to convert any or all of their First Preference Shares, Series H into an equal number of cumulative redeemable floating rate First Preference Shares, Series I.

Holders of the First Preference Shares, Series I will be entitled to receive floating rate cumulative preferential cash dividends in the amount per share determined by multiplying the applicable floating quarterly dividend rate by $25.00. The floating quarterly dividend rate will be equal to the sum of the average yield expressed as a percentage per annum on three-month Government of Canada treasury bills plus 1.45%.

On each First Preference Shares, Series I Conversion Date, being June 1, 2020, and June 1 every five years thereafter, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series I at a price of $25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On any date after June 1, 2015, that is not a First Preference Shares, Series I Conversion Date, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series I at a price of $25.50 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On each First Preference Shares, Series I Conversion Date, the holders of First Preference Shares, Series I have the option to convert any or all of their First Preference Shares, Series I into an equal number of First Preference Shares, Series H.

On any First Preference Shares, Series H Conversion Date, if the Corporation determines that there would be less than 1,000,000 First Preference Shares, Series H outstanding, such remaining First Preference Shares, Series H will automatically be converted into an equal number of First Preference Shares, Series I. On any First Preference Shares, Series I Conversion Date, if the Corporation determines that there would be less than 1,000,000 First Preference Shares, Series I outstanding, such remaining First Preference Shares, Series I will automatically be converted into an equal number of First Preference Shares, Series H. However, if such automatic conversions would result in less than 1,000,000 First Preference Shares, Series I or less than 1,000,000 First Preference Shares, Series H outstanding then no automatic conversion would take place.

First Preference Shares, Series J
Holders of the 8,000,000 First Preference Shares, Series J are entitled to receive fixed cumulative preferential cash dividends at a rate of $1.1875 per share per annum. On or after December 1, 2017, the Corporation may, at its option, redeem for cash the First Preference Shares, Series J, in whole at any time or in part from time to time, at $26.00 per share if redeemed before December 1, 2018; at $25.75 per share if redeemed on or after December 1, 2018 but before December 1, 2019; at $25.50 per share if redeemed on or after December 1, 2019 but before December 1, 2020; at $25.25 per share if redeemed on or after December 1, 2020 but before December 1, 2021; and at $25.00 per share if redeemed on or after December 1, 2021 plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

First Preference Shares, Series K
Holders of the 10,000,000 First Preference Shares, Series K are entitled to receive fixed cumulative preferential cash dividends at a rate of $1.0000 per share per annum for each year up to but excluding March 1, 2019. For each five-year period after that date, the holders of First Preference Shares, Series K are entitled to receive reset fixed cumulative preferential cash dividends. The reset annual dividends per share will be determined by multiplying $25.00 per share by the annual fixed dividend rate, which is the sum of the five-year Government of Canada bond yield on the applicable reset date plus 2.05%.

On each Series K Conversion Date, being March 1, 2019, and March 1 every five years thereafter, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series K, at a price of $25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On each Series K Conversion Date, the holders of First Preference Shares, Series K have the option to convert any or all of their First Preference Shares, Series K into an equal number of cumulative redeemable floating rate First Preference Shares, Series L.

Holders of the First Preference Shares, Series L will be entitled to receive floating rate cumulative preferential cash dividends in the amount per share determined by multiplying the applicable floating quarterly dividend rate by $25.00. The floating quarterly dividend rate will be equal to the sum of the average yield expressed as a percentage per annum on three-month Government of Canada treasury bills plus 2.05%.

On each First Preference Shares, Series L Conversion Date, being March 1, 2024, and March 1 every five years thereafter, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series L at a price of $25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On any date after March 1, 2019, that is not a First Preference Shares, Series L Conversion Date, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series L at a price of $25.50 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On each First Preference Shares, Series L Conversion Date, the holders of First Preference Shares, Series L have the option to convert any or all of their First Preference Shares, Series L into an equal number of First Preference Shares, Series K.

On any First Preference Shares, Series K Conversion Date, if the Corporation determines that there would be less than 1,000,000 First Preference Shares, Series K outstanding, such remaining First Preference Shares, Series K will automatically be converted into an equal number of First Preference Shares, Series L. On any First Preference Shares, Series L Conversion Date, if the Corporation determines that there would be less than 1,000,000 First Preference Shares, Series L outstanding, such remaining First Preference Shares, Series L will automatically be converted into an equal number of First Preference Shares, Series K. However, if such automatic conversions would result in less than 1,000,000 First Preference Shares, Series L or less than 1,000,000 First Preference Shares, Series K outstanding then no automatic conversion would take place.

First Preference Shares, Series M
Holders of the 24,000,000 First Preference Shares, Series M are entitled to receive fixed cumulative preferential cash dividends at a rate of $1.0250 per share per annum for each year up to but excluding December 1, 2019. For each five-year period after that date, the holders of First Preference Shares, Series M are entitled to receive reset fixed cumulative preferential cash dividends. The reset annual dividends per share will be determined by multiplying $25.00 per share by the annual fixed dividend rate, which is the sum of the five-year Government of Canada bond yield on the applicable reset date plus 2.48%.

On each Series M Conversion Date, being December 1, 2019, and December 1 every five years thereafter, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series M, at a price of $25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On each Series M Conversion Date, the holders of First Preference Shares, Series M have the option to convert any or all of their First Preference Shares, Series M into an equal number of cumulative redeemable floating rate First Preference Shares, Series N.

Holders of the First Preference Shares, Series N will be entitled to receive floating rate cumulative preferential cash dividends in the amount per share determined by multiplying the applicable floating quarterly dividend rate by $25.00. The floating quarterly dividend rate will be equal to the sum of the average yield expressed as a percentage per annum on three-month Government of Canada treasury bills plus 2.48%.

On each First Preference Shares, Series N Conversion Date, being December 1, 2024, and December 1 every five years thereafter, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series N at a price of $25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On any date after December 1, 2019, that is not a First Preference Shares, Series N Conversion Date, the Corporation has the option to redeem for cash all or any part of the outstanding First Preference Shares, Series N at a price of $25.50 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On each First Preference Shares, Series N Conversion Date, the holders of First Preference Shares, Series N have the option to convert any or all of their First Preference Shares, Series N into an equal number of First Preference Shares, Series M.

On any First Preference Shares, Series M Conversion Date, if the Corporation determines that there would be less than 1,000,000 First Preference Shares, Series M outstanding, such remaining First Preference Shares, Series M will automatically be converted into an equal number of First Preference Shares, Series N. On any First Preference Shares, Series N Conversion Date, if the Corporation determines that there would be less than 1,000,000 First Preference Shares, Series N outstanding, such remaining First Preference Shares, Series N will automatically be converted into an equal number of First Preference Shares, Series M. However, if such automatic conversions would result in less than 1,000,000 First Preference Shares, Series N or less than 1,000,000 First Preference Shares, Series M outstanding then no automatic conversion would take place.

Debt Covenant Restrictions on Dividend Distributions
The Trust Indenture pertaining to the Corporation's $200 million Senior Unsecured Debentures contains a covenant which provides that Fortis shall not declare or pay any dividends (other than stock dividends or cumulative preferred dividends on preferred shares not issued as stock dividends) or make any other distribution on its shares or redeem any of its shares or prepay subordinated debt if, immediately thereafter, its consolidated funded obligations would be in excess of 75% of its total consolidated capitalization.

The Corporation has (i) a $1 billion unsecured committed revolving corporate credit facility, maturing in July 2018, that is available for interim financing of acquisitions and for general corporate purposes, and (ii) a $300 million unsecured non-revolving, non-amortizing term credit facility, the proceeds of which were used to finance a portion of the acquisition of UNS Energy. As of December 31, 2014, $273 million remained outstanding on the $300 million facility, which matures in August 2016. Each credit facility contains a covenant which provides that Fortis shall not declare or pay any dividends or make any other restricted payments if, immediately thereafter, consolidated debt to consolidated capitalization ratio would exceed 65% at any time.

As at December 31, 2014 and 2013, the Corporation was in compliance with its debt covenant restrictions pertaining to dividend distributions, as described above.

8.0 CREDIT RATINGS

Securities issued by Fortis and its utilities, that are currently rated, are rated by one or more credit rating agencies, namely, DBRS, S&P and/or Moody's. The ratings assigned to securities issued by Fortis and its utilities are reviewed by the agencies on an ongoing basis. Credit ratings and stability ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are not recommendations to buy sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the rating organization. The following table summarizes the Corporation's debt credit ratings as at February 18, 2015.

Fortis Credit Ratings

Company	DBRS	S&P	Moody's
Fortis	A (low), Stable (unsecured debt)	A-, Stable (unsecured debt)	N/A
Caribbean Utilities	A (low), Stable (senior unsecured debt)	A-, Stable (senior unsecured debt)	N/A
Central Hudson [(1)]	N/A	A, Stable (unsecured debt)	A2, Stable (unsecured debt)
FEI [(2)]	A, Stable (secured & unsecured debt)	N/A	A1/A3, Stable (secured/unsecured debt)
FHI [(2)]	BBB (high), Stable (unsecured debt)	N/A	N/A
FortisAlberta	A (low), Positive (senior unsecured debt)	A-, Stable (senior unsecured debt)	N/A
FortisBC Electric	A (low), Stable (secured & unsecured debt)	N/A	Baa1, Stable (unsecured debt)
Fortis Turks and Caicos	N/A	BBB, Stable (senior unsecured debt)	N/A
Maritime Electric	N/A	A, Stable (senior secured debt)	N/A
Newfoundland Power	A, Stable (first mortgage bonds)	N/A	A2, Stable (first mortgage bonds)
TEP [(3)]	N/A	BBB+, Stable (unsecured debt)	Baa1, Positive (senior unsecured debt)
UNS Energy	N/A	N/A	Baa2, Positive (senior secured debt)

[(1)] *Central Hudson's senior unsecured debt is also rated by Fitch at 'A, Negative'.*

[(2)] *In January 2015, DBRS affirmed the long-term ratings of the FortisBC Energy companies after the completion of the FortisBC Amalgamation on December 31, 2014.*

[(3)] *TEP's senior unsecured debt is also rated by Fitch at 'BBB+'.*

DBRS rates debt instruments by rating categories ranging from AAA to D, which represents the range from highest to lowest quality of such securities. DBRS states that: (i) 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; (ii) its ratings do not take factors such as pricing or market risk into consideration and are expected to be used by purchasers as one part of their investment decision; and (iii) every 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 nine 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 rated in the BBB category are considered to have long-term debt of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. The assignment of a (high) or (low) modifier within each rating category indicates relative standing within such category.

S&P long-term debt ratings are on a ratings scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities. S&P uses '+' or '-' designations to indicate the relative standing of securities within a particular rating category. S&P states that its credit ratings are current opinions of the financial security characteristics with respect to the ability to pay under contracts in accordance with their terms. This opinion is not specific to any particular contract, nor does it address the suitability of a particular contract for a specific purpose or purchaser. An issuer rated A is regarded as having financial security characteristics to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those in higher-rated categories.

Moody's 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. In addition, Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa to Caa to indicate relative standing within such classification. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the security ranks in the lower end of its generic rating category. Moody's states that its long-term debt ratings are opinions of relative risk of fixed-income obligations with an original maturity of one year or more and that such ratings reflect both the likelihood of default and any financial loss suffered in the event of default. According to Moody's, a rating of Baa is the fourth highest of nine major categories and such a debt rating is assigned to debt instruments considered to be of medium-grade quality. Debt instruments rated Baa are subject to moderate credit risk and may possess certain speculative characteristics. Debt instruments rated A are considered upper-medium grade and are subject to low credit risk.

Fitch's long-term debt rating are on a rating scale that ranges from AAA to C, which represents the range from highest to lowest qualify of such securities. Fitch uses '+' or '-' designations to indicate the relative standing of securities within a particular rating category. Such modifiers are not added to the AAA rating or to ratings below B. Fitch states that its credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Fitch's credit ratings do not directly address any risk other than credit risk. A rating of 'A' denotes expectation of low default risk, with strong capacity for payment of financial commitments. A rating of 'BBB+' denotes current expectations of low default risk, with adequate capacity for the payment of financial commitments.

The Corporation pays each of DBRS, S&P and Moody's an annual monitoring fee and a one-time fee in connection with each rated issuance. Other than for certain advisory services provided by S&P during the 2013 fiscal year, Fortis did not pay for or receive any other services from DBRS, S&P or Moody's during the 2013 and 2014 fiscal years.

9.0 MARKET FOR SECURITIES

The Common Shares; First Preference Shares, Series E; First Preference Shares, Series F; First Preference Shares, Series G; First Preference Shares, Series H; First Preference Shares, Series J; First Preference Shares, Series K and First Preference Shares, Series M of Fortis are listed on the TSX under the symbols FTS, FTS.PR.E, FTS.PR.F, FTS.PR.G, FTS.PR.H, FTS.PR.J, FTS.PR.K and FTS.PR.M, respectively. The Installment Receipts of Fortis were traded on the TSX under the symbol FTS.IR from January 9, 2014 to October 27, 2014, upon the receipt of the final installment of the Convertible Debentures.

The following table sets forth the reported high and low trading prices and trading volumes for the Common Shares; First Preference Shares, Series E; First Preference Shares, Series F; First Preference Shares, Series G; First Preference Shares, Series H; First Preference Shares, Series J; First Preference Shares, Series K; First Preference Shares, Series M and Installment Receipts on a monthly basis for the year ended December 31, 2014.

Fortis 2014 Trading Prices and Volumes						
	Common Shares			First Preference Shares, Series E		
Month	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	30.65	29.78	15,427,305	26.14	25.82	55,264
February	31.09	30.20	9,620,655	26.11	25.80	33,747
March	31.56	30.51	12,777,178	26.24	25.81	18,225
April	32.28	31.35	9,813,038	26.20	25.91	247,732
May	32.86	31.26	12,283,732	26.24	25.82	28,942
June	32.58	31.58	11,025,968	26.09	25.80	11,120
July	33.88	32.14	12,902,845	26.27	26.05	33,096
August	33.83	32.98	11,646,542	26.33	25.80	50,911
September	34.81	33.41	12,093,602	26.11	25.91	75,532
October	37.00	33.84	17,348,129	26.12	25.94	12,440
November	40.83	36.70	27,838,727	26.14	25.77	71,290
December	40.67	37.74	21,788,442	25.99	25.72	23,305

Fortis 2014 Trading Prices and Volumes						
	First Preference Shares, Series F			First Preference Shares, Series G		
Month	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	23.33	22.22	91,267	24.53	23.97	232,756
February	23.71	22.67	262,017	24.49	24.00	88,365
March	24.10	23.01	70,380	24.75	24.25	167,012
April	24.60	23.81	81,295	25.20	24.54	276,627
May	24.65	23.75	86,608	25.30	24.08	284,273
June	24.37	23.67	138,461	24.93	24.26	183,455
July	24.83	24.27	147,770	25.15	24.66	145,260
August	24.88	24.50	28,940	25.36	24.80	205,490
September	24.79	23.70	64,463	25.13	23.57	175,676
October	24.77	23.69	63,422	25.22	24.40	76,906
November	25.01	24.35	85,441	25.50	24.80	61,259
December	25.01	23.94	61,007	25.39	24.75	76,280
	First Preference Shares, Series H			First Preference Shares, Series J		
Month	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	22.00	21.00	112,390	22.90	21.70	198,292
February	21.84	20.90	1,039,870	22.76	22.23	340,425
March	21.89	21.34	162,043	23.47	22.43	261,486
April	22.00	21.59	346,498	24.25	23.20	136,011
May	22.40	21.05	305,651	24.40	23.60	260,905
June	21.64	21.00	331,098	24.10	23.42	95,978
July	21.90	21.21	86,946	24.67	23.85	120,687
August	21.61	20.75	95,093	24.59	24.03	137,744
September	21.25	20.21	154,015	24.34	23.26	211,529
October	21.23	19.95	288,510	24.80	23.41	129,354
November	20.81	20.21	540,634	24.92	24.31	90,292
December	20.50	18.00	537,551	24.99	23.76	105,001
	First Preference Shares, Series K			First Preference Shares, Series M [(1)]		
Month	**High ($)**	**Low ($)**	**Volume**	**High ($)**	**Low ($)**	**Volume**
January	24.90	24.27	293,987	-	-	-
February	24.84	24.42	108,014	-	-	-
March	24.87	24.50	258,033	-	-	-
April	25.25	24.80	271,649	-	-	-
May	25.42	24.79	215,657	-	-	-
June	25.29	24.80	176,452	-	-	-
July	25.54	24.85	160,474	-	-	-
August	25.30	24.75	141,563	-	-	-
September	25.21	24.56	215,962	25.40	25.00	2,343,967
October	25.61	24.44	79,512	25.61	25.10	724,545
November	25.69	24.76	84,108	25.85	25.35	812,404
December	25.51	24.31	96,823	25.73	25.15	643,591
	Installment Receipts [(2)]					
Month	**High ($)**	**Low ($)**	**Volume**			
January	32.96	29.25	1,301,719			
February	32.75	30.50	792,223			
March	33.95	31.80	1,613,996			
April	37.22	33.70	1,350,380			
May	39.29	35.85	1,237,972			
June	38.51	35.43	927,018			
July	43.00	37.50	2,091,274			
August	43.36	39.94	1,150,613			
September	46.22	42.16	442,368			
October	48.35	42.00	851,150			

(1) *The First Preference Shares, Series M were issued in September 2014.*
(2) *The Installment Receipts were traded on TSX from January 9, 2014 to October 27, 2014.*

10.0 DIRECTORS AND OFFICERS

The Board has governance guidelines which cover various items, including director tenure. The governance guidelines provide that Directors of the Corporation are to be elected for a term of one year and, except in appropriate circumstances determined by the Board, be eligible for re-election until the annual meeting of shareholders next following the date on which they achieve age 70 or the 12th anniversary of their initial election to the Board. The following chart sets out the name and municipality of residence of each of the Directors of Fortis as of January 1, 2015, and indicates their principal occupations within five preceding years.

Fortis Directors	
Name	**Principal Occupations Within Five Preceding Years**
TRACEY C. BALL *(1)* Edmonton, Alberta	Ms. Ball, 57, retired in September 2014 as Executive Vice President and Chief Financial Officer of Canadian Western Bank Group. Prior to joining a predecessor bank to Canadian Western Bank in 1987, she worked in public accounting and consulting. Ms. Ball has served on several private and public sector boards, including the Province of Alberta Audit Committee and the Financial Executives Institute of Canada. She currently serves on the City of Edmonton LRT Governance Board. Ms. Ball graduated from Simon Fraser University with a Bachelor of Arts (Commerce). She is a member of the Chartered Professionals Accountants of Canada, the Institute of Chartered Accountants of Alberta, and the Association of Chartered Professional Accountants of British Columbia. Ms. Ball holds an ICD.D designation from the Institute of Corporate Directors. Ms. Ball was appointed to the Audit Committee upon her election to the Board in May 2014. She serves as a director of FortisAlberta and is Chair of that company's Audit Committee.
PETER E. CASE *(1) (2)* Kingston, Ontario	Mr. Case, 60, a Corporate Director, retired in February 2003 as Executive Director, Institutional Equity Research at CIBC World Markets. During his 17-year career as senior investment analyst with CIBC World Markets and BMO Nesbitt Burns and its predecessors, Mr. Case's coverage of Canadian and selected U.S. pipeline and energy utilities was consistently rated among the top rankings. Mr. Case was awarded a Bachelor of Arts and an MBA from Queen's University and a Master of Divinity from Wycliffe College, University of Toronto. He was first elected to the Board in May 2005 and has been Chair of the Audit Committee of the Board since March 2011. Mr. Case was a Director of FortisOntario from 2003 through 2010 and served as Chair of the FortisOntario Board from 2009 through 2010. He does not serve as a director of any other reporting issuer.
FRANK J. CROTHERS *(2)* Nassau, Bahamas	Mr. Crothers, 70, is Chairman and Chief Executive Officer of Island Corporate Holdings Limited, Nassau, Bahamas, a private Bahamas-based investment company with diverse interests throughout the Caribbean, North America, Australia and South Africa. For more than 35 years, he has served on many public and private sector boards. For over a decade he was on the Board of Harvard University Graduate School of Education and also served a three-year term as Chairman of CARILEC, the Caribbean Association of Electrical Utilities. Mr. Crothers is the past President of FortisTCI, which was acquired by the Corporation in August 2006. He serves on the Board of Caribbean Utilities. Mr. Crothers was first elected to the Fortis Board in May 2007. He was previously a director of Belize Electricity from 2007 to 2010. Mr. Crothers is also a director of reporting issuers AML Limited and Templeton Mutual Funds.

Fortis Directors *(continued)*	
Name	**Principal Occupations Within Five Preceding Years**
IDA J. GOODREAU (3) Bowen Island, British Columbia	Ms. Goodreau, 63, is an Adjunct Professor at Sauder School of Business, University of British Columbia. She is a past President and Chief Executive Officer of LifeLabs. Prior to joining LifeLabs in March 2009, she served as President and Chief Executive Officer of Vancouver Coastal Health Authority from 2002. Ms. Goodreau has held senior leadership roles in several Canadian and international pulp and paper and natural gas companies. She was awarded an MBA and a Bachelor of Commerce, Honours, degree from the University of Windsor and a Bachelor of Arts (English and Economics) from the University of Western Ontario. She has served on numerous private and public sector boards and has been a director of FHI and FortisBC Inc. since 2007 and 2010, respectively. Ms. Goodreau serves as Chair of the Governance Committee of the FortisBC Energy companies and FHI. She was first elected to the Board in May 2009. Ms. Goodreau does not serve as a director of any other reporting issuer.
DOUGLAS J. HAUGHEY (1) (3) Calgary, Alberta	Mr. Haughey, 58, from August 2012 through May 2013, was Chief Executive Officer of The Churchill Corporation, a commercial construction and industrial services company focused on the western Canadian market. From 2010 through its successful sale to Pembina Pipeline in April 2012, he served as President and Chief Executive Officer of Provident Energy Ltd., an owner/operator of natural gas liquids midstream facilities. From 1999 through 2008, he held several executive roles with Spectra Energy and predecessor companies. Mr. Haughey had overall responsibility for its western Canadian natural gas midstream business, was President and Chief Executive Officer of Spectra Energy Income Fund and also led Spectra's strategic development and mergers and acquisitions teams based in Houston, Texas. He graduated from the University of Regina with a Bachelor of Administration and from the University of Calgary with an MBA. Mr. Haughey also holds an ICD.D designation from the Institute of Corporate Directors. He was first elected to the Board in May 2009. Mr. Haughey became a director of FortisAlberta in 2010, and serves as Chair of that Board. Mr. Haughey is also a director of Keyera Corporation.
HARRY McWATTERS (2) Summerland, British Columbia	Mr. McWatters, 69, is President of Vintage Consulting Group Inc., Harry McWatters Inc., and TIME Estate Winery, all of which are engaged in various aspects of the British Columbia wine industry. He is the founder and past President of Sumac Ridge Estate Wine Group. Mr. McWatters was first elected to the Board in May 2007. He was a Director of FHI and FortisBC Inc., where he served as Chair from 2006 through 2010. Mr. McWatters does not serve as a director of any other reporting issuer.
RONALD D. MUNKLEY (2) (3) Mississauga, Ontario	Mr. Munkley, 68, a Corporate Director, retired in April 2009 as Vice Chairman and Head of the Power and Utility Business of CIBC World Markets. While there he acted as lead advisor on over 175 capital markets and strategic and advisory assignments for North American utility clients. Prior to that he was COO at Enbridge Inc. and Chairman of Enbridge Consumer Gas. Previously he was President and CEO of Consumer Gas where he led the company through deregulation and restructuring in the 1990s. He graduated from Queen's University with a Bachelor of Science (Engineering), Honours. Mr. Munkley is a professional engineer and has completed the Executive and Senior Executive Programs of the University of Western Ontario and the Partners, Directors and Senior Officers Certificate of the Canadian Securities Institute. He was first elected to the Board in May 2009. Mr. Munkley also serves as a director of Bird Construction Inc.

Fortis Directors *(continued)*	
Name	**Principal Occupations Within Five Preceding Years**
DAVID G. NORRIS *(1) (2) (3)* St. John's, Newfoundland and Labrador	Mr. Norris, 67, a Corporate Director, was a financial and management consultant from 2001 until his retirement in December 2013. Prior to that he was Executive Vice President, Finance and Business Development of Fishery Products International Limited. Previously, he held Deputy Minister positions with the Department of Finance and Treasury Board of the Government of Newfoundland and Labrador. Mr. Norris graduated with a Bachelor of Commerce, Honours, from Memorial University of Newfoundland and an MBA from McMaster University. He was first elected to the Board in May 2005 and was appointed Chair of the Board in December 2010. Mr. Norris served as Chair of the Audit Committee of the Board from May 2006 through March 2011. He was a director of Newfoundland Power from 2003 through 2010 and served as Chair of that Board from 2006 through 2010. Mr. Norris served as a director of Fortis Properties from 2006 through 2010. He does not serve as a director of any other reporting issuer.
MICHAEL A. PAVEY *(1) (3)* Calgary, Alberta	Mr. Pavey, 67, a Corporate Director, retired as Executive Vice President and Chief Financial Officer of Major Drilling Group International Inc. in September 2006. Prior to joining Major Drilling Group International Inc. in 1999, he held senior executive positions, including Senior Vice President and Chief Financial Officer of TransAlta Corporation. Mr. Pavey graduated from University of Waterloo with a Bachelor of Applied Science (Mechanical Engineering) and from McGill University with an MBA. He served as a Director of Maritime Electric from 2001 through 2007 and was Chair of that company's Audit and Environment Committee from 2003 through 2007. Mr. Pavey was first elected to the Board in May 2004 and was appointed Chair of the Human Resources Committee in May 2013. He does not serve as a director of any other reporting issuer.
BARRY V. PERRY Mount Pearl, Newfoundland and Labrador	Mr. Perry, 50, is President and Chief Executive Officer of the Corporation. Prior to his current position at Fortis, he served as President from June 30, 2014 to December 31, 2014 and prior to that served as Vice President, Finance and Chief Financial Officer of the Corporation. Mr. Perry joined the Fortis organization in 2000 as Vice President, Finance and Chief Financial Officer of Newfoundland Power. He earned a Bachelor of Commerce from Memorial University of Newfoundland and is a member of the Association of Chartered Professional Accountants of Newfoundland and Labrador. Mr. Perry serves on the Boards of Fortis utilities in British Columbia, Alberta, Arizona and New York, as well as the Board of Fortis Properties.

(1) *Serves on the Audit Committee.*
(2) *Serves on the Governance and Nominating Committee.*
(3) *Serves on the Human Resources Committee.*

The following table sets out the name and municipality of residence of each of the officers of Fortis as of January 1, 2015, and indicates the office held.

Fortis Officers	
Name and Municipality of Residence	**Office Held**
Barry V. Perry Mount Pearl, Newfoundland and Labrador	President and Chief Executive Officer [(1)]
Karl W. Smith St. John's, Newfoundland and Labrador	Executive Vice President, Chief Financial Officer [(2)]
John C. Walker Kelowna, British Columbia	Executive Vice President, Western Canadian Operations [(3)]
Earl A. Ludlow Paradise, Newfoundland and Labrador	Executive Vice President, Eastern Canadian and Caribbean Operations [(4)]
David C. Bennett St. John's, Newfoundland and Labrador	Vice President, Chief Legal Officer and Corporate Secretary [(5)]
James D. Spinney Mount Pearl, Newfoundland and Labrador	Treasurer [(6)]
Jamie D. Roberts Mount Pearl, Newfoundland and Labrador	Controller [(7)]
Donna G. Hynes St. John's, Newfoundland and Labrador	Assistant Secretary [(8)]

(1) *Mr. Perry was appointed President and Chief Executive Officer, effective January 1, 2015, upon the retirement of Mr. H. Stanley Marshall. Mr. Perry became President of Fortis, effective June 30, 2014. Prior to that time, Mr. Perry was Vice President, Finance and Chief Financial Officer of Fortis since 2004.*

(2) *Mr. Smith was appointed Executive Vice President, Chief Financial Officer, effective June 30, 2014. Prior to that time, Mr. Smith was President and Chief Executive Officer of FortisAlberta since 2007.*

(3) *Mr. Walker was appointed Executive Vice President, Western Canadian Operations, effective August 1, 2014. Prior to that, Mr. Walker was President and Chief Executive Officer of FortisBC Electric since 2005 and, in 2010, he was also appointed President and Chief Executive Officer of the FortisBC Energy companies.*

(4) *Mr. Ludlow was appointed Executive Vice President, Eastern Canadian and Caribbean Operations, effective August 1, 2014. Prior to that time, Mr. Ludlow was President and Chief Executive Officer at Newfoundland Power since 2007.*

(5) *Mr. Bennett was appointed Vice President, Chief Legal Officer and Corporate Secretary, effective September 19, 2014. Prior to that time, Mr. Bennett was Vice President, Operations Support, General Counsel and Corporate Secretary at FortisBC Inc. since 2013.*

(6) *Mr. Spinney was appointed Treasurer, effective March 20, 2013. Prior to that time, Mr. Spinney was Manager, Treasury at Fortis since October 2002.*

(7) *Mr. Roberts was appointed Controller, effective March 20, 2013. Prior to that time, Mr. Roberts was Vice President, Finance and Chief Financial Officer of Fortis Properties since July 2008.*

(8) *Ms. Hynes was appointed Assistant Secretary, effective December 8, 1999. She joined Fortis as Manager, Investor and Public Relations in October 1999 and, prior to that time, was employed by Newfoundland Power.*

As at December 31, 2014, the directors and officers of Fortis, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 663,405 Common Shares, representing 0.2% of the issued and outstanding Common Shares of Fortis. The Common Shares are the only voting securities of the Corporation.

11.0 AUDIT COMMITTEE

11.1 Education and Experience

The education and experience of each Audit Committee Member that is relevant to such Member's responsibilities as a Member of the Audit Committee are set out below. As at December 31, 2014, the Audit Committee was composed of the following persons.

Fortis Audit Committee	
Name	**Relevant Education and Experience**
PETER E. CASE *(Chair)* Kingston, Ontario	Mr. Case retired in February 2003 as Executive Director, Institutional Equity Research at CIBC World Markets. He was awarded a Bachelor of Arts and an MBA from Queen's University and a Master of Divinity from Wycliffe College, University of Toronto.
TRACEY C. BALL Edmonton, Alberta	Ms. Ball retired in September 2014 as Executive Vice President and Chief Financial Officer of Canadian Western Bank Group. Ms. Ball has served on several private and public sector boards, including the Province of Alberta Audit Committee and the Financial Executives Institute of Canada. She currently serves on the City of Edmonton LRT Governance Board. She graduated from Simon Fraser University with a Bachelor of Arts (Commerce). She is a member of the Canadian Chartered Professional Accountants of Canada, the Institute of Chartered Accountants of Alberta, and the Association of Chartered Professional Accountants of British Columbia. She holds an ICD.D designation from the Institute of Corporate Directors.
DOUGLAS J. HAUGHEY Calgary, Alberta	Mr. Haughey, from August 2012 through May 2013, was Chief Executive Officer of The Churchill Corporation. Prior to that, he served as President and Chief Executive Officer of Provident Energy Ltd. and held several executive roles with Spectra Energy and predecessor companies. He graduated from the University of Regina with a Bachelor of Administration and from the University of Calgary with an MBA. Mr. Haughey also holds an ICD.D designation from the Institute of Corporate Directors.
DAVID G. NORRIS St. John's, Newfoundland and Labrador	Mr. Norris was a financial and management consultant from 2001 until his retirement in December 2013. Prior to that he was Executive Vice President, Finance and Business Development of Fishery Products International Limited. He graduated with a Bachelor of Commerce, Honours, from Memorial University of Newfoundland and an MBA from McMaster University.
MICHAEL A. PAVEY Calgary, Alberta	Mr. Pavey retired as Executive Vice President and Chief Financial Officer of Major Drilling Group International Inc. in September 2006. Prior to joining Major Drilling Group International Inc. in 1999, he held senior executive positions, including Senior Vice President and Chief Financial Officer of TransAlta Corporation. Mr. Pavey graduated from University of Waterloo with a Bachelor of Applied Science (Mechanical Engineering) and from McGill University with an MBA.

The Board has determined that each of the Audit Committee Members is independent and financially literate. Independent means free from any direct or indirect material relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of a Member's independent judgment as more particularly described in Multilateral Instrument 52-110 - *Audit Committees*. Financially literate means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breath and complexity of the issues that can reasonably be expected to be raised by the Corporation's 2014 Audited Consolidated Financial Statements.

11.2 Audit Committee Mandate

The text of the Corporation's Audit Committee Mandate is detailed below.

A. Objective

The Committee shall provide assistance to the Board by overseeing the external audit of the Corporation's annual financial statements and the accounting and financial reporting and disclosure processes and policies of the Corporation.

B. Definitions

In this mandate:

"**AIF**" means the Annual Information Form filed by the Corporation;

"**Committee**" means the Audit Committee appointed by the Board pursuant to this mandate;

"**Board**" means the board of directors of the Corporation;

"**Corporation**" means Fortis Inc.;

"**Director**" means a member of the Board;

"**Financially Literate**" means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breath and complexity of the issues that can reasonably be expected to be present in the Corporation's financial statements;

"**External Auditor**" means the firm of chartered professional accountants, registered with the Canadian Public Accountability Board or its successor, and appointed by the shareholders of the Corporation to act as external auditor of the Corporation;

"**Independent**" means free from any direct or indirect material relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of a Member's independent judgment as more particularly described in National Instrument 52-110;

"**Internal Auditor**" means the person employed or engaged by the Corporation to perform the internal audit function of the Corporation;

"**Management**" means the senior officers of the Corporation;

"**MD&A**" means the Corporation's management discussion and analysis prepared in accordance with National Instrument 51-102F1 in respect of the Corporation's annual and interim financial statements; and

"**Member**" means a Director appointed to the Committee.

C. Composition and Meetings

1. The Committee shall be appointed annually by the Board and shall be comprised of three (3) or more Directors, each of whom is Independent and Financially Literate and none of whom is a member of Management or an employee of the Corporation or of any affiliate of the Corporation.

2. The Board shall appoint a Chair of the Committee on the recommendation of the Corporation's Governance and Nominating Committee, or such other committee as the Board may authorize.

3. The Committee shall meet at least four (4) times each year and shall meet at such other times during the year as it deems appropriate. Meetings of the Committee shall be held at the call (i) of the Chair of the Committee, or (ii) of any two (2) Members, or (iii) of the External Auditor.

4. The President and Chief Executive Officer, the Executive Vice President, Chief Financial Officer, the External Auditor and the Internal Auditor, shall receive notice of, and (unless otherwise determined by the Chair of the Committee) shall attend all meetings of the Committee.

5. A quorum at any meeting of the Committee shall be three (3) Members.

6. The Chair of the Committee shall act as chair of all meetings of the Committee at which the Chair is present. In the absence of the Chair from any meeting of the Committee, the Members present at the meeting shall appoint one of their Members to act as Chair of the meeting.

7. Unless otherwise determined by the Chair of the Committee, the Secretary of the Corporation shall act as secretary of all meetings of the Committee.

D. Oversight of the External Audit and the Accounting and Financial Reporting and Disclosure Processes and Policies

The primary purpose of the Committee is oversight of the Corporation's external audit and the accounting and financial reporting and disclosure processes and policies on behalf of the Board. Management of the Corporation is responsible for the selection, implementation and maintenance of appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. Management is responsible for the preparation and integrity of the financial statements of the Corporation.

1. Oversight of the External Audit

   The oversight of the external audit pertains to the audit of the Corporation's annual financial statements.

   1.1. The Committee is responsible for the evaluation and recommendation of the External Auditor to be proposed by the Board for appointment by the shareholders.

   1.2. In advance of each audit, the Committee shall review the External Auditor's audit plan including the general approach, scope and areas subject to risk of material misstatement.

   1.3. The Committee is responsible for approving the terms of engagement and fees of the External Auditor, including any non-audit services provided by the External Auditor.

   1.4. The Committee shall review and discuss the Corporation's annual audited financial statements, together with the External Auditor's report thereon, and MD&A with Management and the External Auditor to gain reasonable assurance as to the accuracy, consistency and completeness thereof. The Committee shall meet privately with the External Auditor. The Committee shall oversee the work of the External Auditor and resolve any disagreements between Management and the External Auditor.

   1.5. The Committee shall use reasonable efforts, including discussion with the External Auditor, to satisfy itself as to the External Auditor's independence as defined in Canadian Auditing Standard – 260.

2. Oversight of the Accounting and Financial Reporting and Disclosure Processes

   2.1. The Committee shall recommend the annual audited financial statements together with the MD&A for approval by the Board.

   2.2. The Committee shall review the interim unaudited financial statements with the External Auditor and Management, together with the External Auditor's review engagement report thereon.

2.3. The Committee shall review and approve publication of the interim unaudited financial statements together with notes thereto, the interim MD&A and earnings media release on behalf of the Board.

2.4. The Committee shall review and recommend approval by the Board of the Corporation's AIF, Management Information Circular, any prospectus and other financial information or disclosure documents to be issued by the Corporation prior to their public release.

2.5. The Committee shall use reasonable efforts to satisfy itself as to the integrity of the Corporation's financial information systems, internal control over financial reporting and the competence of the Corporation's accounting personnel and senior financial management responsible for accounting and financial reporting.

2.6. The Committee shall use reasonable efforts to satisfy itself as to the appropriateness of the Corporation's material financing and tax structures.

2.7. The Committee shall be responsible for the oversight of the Internal Auditor.

2.8. The Committee shall monitor and report on the development of the Enterprise Risk Management Program.

3. Oversight of the Audit Committee Mandate and Policies

On a periodic basis, the Committee shall review and report to the Board on the Audit Committee Mandate as well as on the following policies:

3.1. Policy on Reporting Allegations of Suspected Improper Conduct and Wrongdoing;

3.2. Derivative Instruments and Hedging Policy;

3.3. Pre-Approval of Audit and Non-Audit Services Policy;

3.4. Hiring from Independent Auditing Firms Policy;

3.5. Policy on the Role of the Internal Audit Function;

3.6. Disclosure Policy; and

3.7. any other policies that may be established, from time to time, relating to accounting and financial reporting and disclosure processes; oversight of the external audit of the Corporation's financial statements; and oversight of the internal audit function.

4. Retaining and Compensating Advisors

The Committee shall have the sole authority to engage independent counsel and any other advisors as the Committee may deem appropriate in its sole discretion and to set the compensation for any advisors employed by the Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

E. Reporting

The Chair of the Committee, or another designated Member, shall report to the Board at each regular meeting on those matters which were dealt with by the Committee since the last regular meeting of the Board.

F. Other

1. The Committee shall perform such other functions as may, from time to time, be assigned to the Committee by the Board.

11.3 Pre-Approval Policies and Procedures

The Audit Committee has established a policy which requires pre-approval of all audit and non-audit services provided to the Corporation and its subsidiaries by the Corporation's External Auditor. The Pre-Approval of Audit and Non-Audit Services Policy describes the services which may be contracted from the External Auditor and the limitations and authorization procedures related thereto. This policy defines services such as bookkeeping, valuations, internal audit and management functions which may not be contracted from the External Auditor and establishes an annual limit for permissible non-audit services not greater than the total fee for audit services. Audit Committee pre-approval is required for all audit and non-audit services.

11.4 External Auditor Service Fees

Fees incurred by the Corporation for work performed by Ernst & Young LLP, the Corporation's External Auditors, during each of the last two fiscal years for audit, audit-related, tax, and non-audit services were as follows.

Fortis
External Auditor Service Fees
($ thousands)

Ernst & Young LLP	**2014**	2013
Audit Fees	**4,601**	3,190
Audit-Related Fees	**748**	673
Tax Fees	**119**	221
Non-Audit Fees	**48**	-
Total	**5,516**	4,084

Audit fees were higher in 2014 mainly due to work performed by Ernst & Young LLP related to the acquisition and financing of UNS Energy, which was acquired on August 15, 2014, and the annual audit and the quarterly review of UNS Energy. Non-audit services related to work performed at UNS Energy during 2014. The non-audit fees were pre-approved by UNS Energy's Audit Committee and do not impair the independence of Ernst & Young LLP.

12.0 TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and First Preference Shares of Fortis is Computershare Trust Company of Canada in Halifax, Montréal and Toronto.

Computershare Trust Company of Canada
8th Floor, 100 University Avenue
Toronto, ON M5J 2Y1
T: 514.982.7555 or 1.866.586.7638
F: 416.263.9394 or 1.888.453.0330
W: www.investorcentre.com/fortisinc

13.0 AUDITORS

The auditors of the Corporation are Ernst & Young LLP, Chartered Professional Accountants, Fortis Place, Suite 800, 5 Springdale Street, St. John's, NL, A1E 0E4. The consolidated financial statements of the Corporation for the fiscal year ended December 31, 2014 have been audited by Ernst & Young LLP. Ernst & Young LLP report that they are independent of the Corporation in accordance with the Rules of Professional Conduct of the Association of Chartered Professional Accountants of Newfoundland and Labrador.

14.0 ADDITIONAL INFORMATION

Reference is made to the MD&A and 2014 Audited Consolidated Financial Statements, which are incorporated herein by reference. Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Further additional information, including officers' and directors' remuneration and indebtedness, principal holders of the securities of Fortis, options to purchase securities and interests of insiders in material transactions, where applicable, will be contained in the management information circular of Fortis to be dated on or about March 20, 2015 for the May 7, 2015 annual meeting of shareholders.

Requests for additional copies of the above-mentioned documents, as well as the 2014 Annual Information Form, should be directed to the Corporate Secretary, Fortis, P.O. Box 8837, St. John's, NL, A1B 3T2 (telephone: 709.737.2800). In addition, such documentation and additional information relating to the Corporation is contained on the Corporation's website at www.fortisinc.com.