9 May 2013 Annual Meeting

FORTIS INC.

Notice to Shareholders
and
Management Information Circular

21 March 2013

FORTIS INC.

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of FORTIS INC. ("Fortis") will be held in Salon A, Holiday Inn St. John's, 180 Portugal Cove Road, St. John's, Newfoundland and Labrador on Thursday, 9 May 2013, at the hour of 10:30 a.m. (Newfoundland Daylight Time) for the following purposes:

1. to receive the Consolidated Financial Statements of Fortis for its financial year ended 31 December 2012, together with the Report of the Auditors thereon;

2. to elect directors;

3. to appoint auditors and to authorize the directors to fix the auditors' remuneration;

4. to consider and, if supported, pass an advisory resolution on the approach to executive compensation of Fortis; and

5. to transact such other business as may properly be brought before the meeting or any adjournment(s) or postponement(s) thereof.

DATED at St. John's, Newfoundland and Labrador, 21 March 2013.

By Order of the Board

Ronald W. McCabe
Vice President, General Counsel
and Corporate Secretary

NOTES

1. Shareholders who are unable to be present in person at the meeting are requested to sign and return the accompanying form of proxy in the envelope provided for that purpose.

2. Only holders of Common Shares of record at the close of business on 21 March 2013 will be entitled to vote at the meeting, except to the extent that a holder of record has transferred any of such shares after that date and the transferee of such shares establishes proper ownership and requests not later than 10 days before the meeting that the transferee's name be included in the list of shareholders eligible to vote at the meeting, in which case such shareholder shall be entitled to vote such Common Shares at the meeting.

3. A shareholder desiring to appoint another representative (who need not be a shareholder of Fortis) may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of Fortis or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, ON, M5J 2Y1 or by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 7 May 2013, or with the Chair of the meeting on the day of the meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof.

MANAGEMENT INFORMATION CIRCULAR

PROXY SOLICITATION

This Management Information Circular ("Circular") is furnished in connection with the solicitation of proxies by the Management of FORTIS INC. ("Fortis" or "Corporation") for use at the Annual Meeting ("Meeting") of the holders ("Shareholders") of the common shares ("Common Shares") of Fortis to be held in Salon A, Holiday Inn St. John's, 180 Portugal Cove Road, St. John's, Newfoundland and Labrador on Thursday, 9 May 2013, at the hour of 10:30 a.m. (Newfoundland Daylight Time), and at any adjournment(s) or postponement(s) thereof, for the purposes set out in the foregoing notice of meeting.

This solicitation is made by the Management of Fortis. It is expected that the solicitation will primarily be by mail but proxies may also be solicited personally, by telephone, e-mail, Internet or facsimile by directors, officers and employees of Fortis, or by such agents as Fortis may appoint. Fortis has retained Kingsdale Shareholder Services Inc. in connection with the solicitation of proxies at a cost of $39,500 and reimbursement of disbursements related to the solicitation. The cost of solicitation will be borne by Fortis.

The directors have set 21 March 2013 as the record date for the Meeting. Unless otherwise stated, information in this Circular is given as of 21 March 2013.

REVOCABILITY OF PROXIES

Proxies given by Shareholders for use at the Meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer thereof duly authorized. Where shares are held in joint or common ownership of any kind, the signature of each owner is required on the form of revocation. **A form of revocation must be deposited either at the registered office of Fortis or the principal office of the transfer agent at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 7 May 2013 at one of the following addresses:**

<u>**Corporation**</u>	<u>**Transfer Agent**</u>
Fortis Inc. ***The Fortis Building, Suite 1201*** ***139 Water Street*** ***St. John's, NL*** ***A1B 3T2***	***Computershare Trust Company of Canada*** ***100 University Avenue, 9th Floor*** ***Toronto, ON*** ***M5J 2Y1***

If not deliverable to one of the physical locations noted above, a form of revocation may be deposited by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 7 May 2013, or with the Chair of the Meeting on the day of the Meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof.

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of Fortis and have consented to act as proxy for the shareholders who so appoint them. **A shareholder desiring to appoint another representative (who need not be a Shareholder of Fortis) may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of Fortis or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, ON M5J 2Y1 or by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 7 May 2013, or with the Chair of the Meeting on the day of the Meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion without notice.**

The form of proxy affords the Shareholder an opportunity to specify that the shares registered in the Shareholder's name will be voted, or withheld from voting, in respect of the election of directors; the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors; and approving an advisory resolution on the approach to executive compensation of Fortis.

On any ballot that may be called for, the shares represented by proxies in favour of Management nominees will be voted or withheld from voting in accordance with the specifications made by each Shareholder.

If a proxy does not specify how a proxy nominee is to vote in respect of the matters set forth in the proxy, the shares represented by proxies in favour of Management nominees will be voted *FOR* the election of the directors listed hereafter, the appointment of auditors named herein and the authorization of the directors to fix the remuneration of the auditors; and approving an advisory resolution on the approach to executive compensation of Fortis.

The form of proxy confers discretionary authority on the proxy nominee with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. At the time of printing this Circular, Management does not know of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any such amendment, variation or matter should properly come before the Meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

NON-REGISTERED (BENEFICIAL) SHAREHOLDERS AND NOTICE-AND-ACCESS

In accordance with National Instrument 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101"), Fortis is sending proxy-related materials in connection with the Meeting directly to non-objecting beneficial owners of Common Shares and indirectly, through intermediaries, to objecting beneficial owners of Common Shares ("OBOs"). Fortis will also pay the fees and costs of intermediaries for their services in delivering proxy-related materials to OBOs in accordance with NI 54-101.

Fortis is not sending proxy-related materials in connection with the Meeting to registered or non-registered Shareholders using notice-and-access delivery procedures defined under NI 54-101 and National Instrument 51-102, *Continuous Disclosure Obligations*.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of Fortis consists of an unlimited number of Common Shares, an unlimited number of First Preference Shares and an unlimited number of Second Preference Shares, in each case, issuable in series, without nominal or par value. As of 21 March 2013, the following Common Shares and Preference Shares were issued and outstanding:

	Issued and Outstanding	**Votes per Share**
Common Shares	192,475,945	1
First Preference Shares, Series C	5,000,000	0
First Preference Shares, Series E	7,993,500	0
First Preference Shares, Series F	5,000,000	0
First Preference Shares, Series G	9,200,000	0
First Preference Shares, Series H	10,000,000	0
First Preference Shares, Series J	8,000,000	0

Only holders of Common Shares of record at the close of business on 21 March 2013 will be entitled to vote at the Meeting, except to the extent that a holder of record has transferred shares after that date and the transferee of such shares establishes proper ownership and requests not later than 10 days before the Meeting that the transferee's name be included in the list of shareholders entitled to vote at the Meeting.

To the knowledge of the directors and officers of Fortis, no Shareholder beneficially owns, controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares.

MATTERS FOR CONSIDERATION OF SHAREHOLDERS

FINANCIAL STATEMENTS

The Consolidated Financial Statements of Fortis for the year ended 31 December 2012 are on pages 82 through 145 of the 2012 Fortis Inc. Annual Report which is being mailed to all of the registered Shareholders and those beneficial Shareholders who have requested to receive the Annual Report. These documents are also available on the Fortis website at *www.fortisinc.com* and on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at *www.sedar.com*.

ELECTION OF DIRECTORS

The Articles of Fortis provide for a minimum of 3 and a maximum of 15 directors. All directors of Fortis are elected annually to serve until the next Annual Meeting of Shareholders or until their successors shall have been duly elected or appointed. The Board currently consists of 11 members. Mr. Rideout will not be standing for re-election since he has achieved the maximum of 12 years service allowed under the Director Tenure Policy of the Corporation. The Shareholders of Fortis will be asked to elect 10 directors for the ensuing year. The term of office of each current director of Fortis will expire immediately prior to the election of directors at the Meeting. Each person whose name follows is proposed to be elected as a director of Fortis to serve until the earlier of the next Annual Meeting of Shareholders or until his or her successor is elected or appointed.

Details pertaining to each of the nominees can be found on pages 8 through 13 of this Circular. All of the nominees listed below were duly elected as directors at the last Annual Meeting of Shareholders held on 4 May 2012. The 10 nominees proposed for election as directors are as follows:

Peter E. Case	*H. Stanley Marshall*	*David G. Norris*
Frank J. Crothers	*John S. McCallum*	*Michael A. Pavey*
Ida J. Goodreau	*Harry McWatters*	
Douglas J. Haughey	*Ronald D. Munkley*	

If any of the proposed nominees should for any reason be unable to serve as a director of Fortis, the persons named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion unless the Shareholder has specified in the proxy that the shares are to be withheld from voting in the election of directors.

If any nominee for director receives, from the Common Shares voted at the Meeting in person or by proxy, a greater number of votes "withheld" than "for" his or her election, such director must promptly tender his or her resignation to the Chair, such resignation to take effect on acceptance by the Board. The Governance and Nominating Committee will expeditiously consider the director's offer to resign and recommend to the Board whether to accept it. Within 90 days of the Meeting, the Board will make a final decision and announce it by way of media release. Any director who tenders his or her resignation will not participate in the deliberations of the Governance and Nominating Committee or the Board. This does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

Management and the Board recommend that Shareholders vote <u>FOR</u> these nominees. The persons named in the enclosed Proxy intend to vote <u>FOR</u> the election of each of these nominees unless the Shareholder specifies that authority to do so is withheld.

APPOINTMENT OF AUDITORS AND AUTHORIZATION OF THE DIRECTORS TO FIX THE AUDITORS' REMUNERATION

The Board, on the recommendation of its Audit Committee, proposes to nominate Ernst & Young LLP as the auditors of Fortis to hold office until the close of the next Annual Meeting of Shareholders.

The directors negotiate with the auditors on an arm's length basis in determining the fees to be paid to the auditors. Such fees are based upon the complexity of the matters dealt with and the time expended by the auditors in providing services to Fortis. Management believes that the fees negotiated in the past with the auditors of Fortis have been reasonable in all circumstances and would be comparable to fees charged by other auditors providing similar services.

Fees incurred by Fortis for work performed by its auditors, Ernst & Young LLP, during each of the last two financial years for audit, audit-related, tax and non-audit services were as follows:

Fortis Inc. External Auditor Service Fees ($000's)		
Ernst & Young LLP	**2012**	2011
Audit Fees	**2,484**	2,518
Audit-Related Fees	**806**	1,146
Tax Fees	**139**	153
Non-Audit Services	**138**	145
Total	**3,567**	3,962

Audit-related fees were higher in 2011 mainly due to work performed by Ernst & Young LLP in preparation for the Corporation's conversion to accounting principles generally accepted in the United States ("US GAAP"), effective 1 January 2012, including audits and reviews performed on the Corporation's 2011 and 2010 comparative annual and quarterly consolidated financial statements, respectively, which were prepared in accordance with both Canadian GAAP and US GAAP.

Management and the Board recommend that Shareholders vote <u>FOR</u> the appointment of Ernst & Young LLP as the auditors of Fortis for 2013 and <u>FOR</u> the authorization of the Board to fix the remuneration of the auditors for 2013. The persons named in the enclosed Proxy intend to vote <u>FOR</u> the appointment and <u>FOR</u> the authorization of the Board to fix the remuneration of the auditors unless the Shareholder specifies that authority to do so is withheld.

ADVISORY VOTE ON APPROACH TO EXECUTIVE COMPENSATION

Compensation Objectives

As part of the Corporation's commitment to strong corporate governance practices, the Board elected to put a non-binding advisory vote approving the Corporation's approach to executive compensation ("Say on Pay") to the Meeting. The Board believes that the Corporation's executive compensation policies and practices must closely align the interests of executives and Shareholders and be consistent with corporate governance best practices in Canada. The Say on Pay resolution gives Shareholders an opportunity to indicate whether they support the disclosed objectives of the Corporation's executive compensation policies and practices, discussed in more detail in the *Compensation Discussion and Analysis* section of this Circular.

Resolution

"**RESOLVED THAT:**

On an advisory basis and not to diminish the role and responsibilities of the board of directors of the Corporation, the shareholders of the Corporation accept the approach to executive compensation as described in the *Compensation Discussion and Analysis* section of the Management Information Circular of the Corporation dated 21 March 2013."

The Board recommends that Shareholders vote <u>FOR</u> the non-binding advisory vote on the approach to executive compensation of Fortis and, unless otherwise instructed, the persons named in the enclosed Proxy intend to vote <u>FOR</u> the non-binding advisory vote on the approach to executive compensation of Fortis.

Non-Binding Nature of Resolution

Shareholders have the opportunity to vote <u>FOR</u> or <u>AGAINST</u> the non-binding advisory vote on Say on Pay. As this is an advisory vote, the results of such vote will not be binding on the Board. However, the Board will take the results of the vote into account, as appropriate, when considering future compensation polices, practices and decisions and in determining whether there is a need to increase its engagement with Shareholders on compensation and related matters.

OTHER MATTERS

Management knows of no matters to come before the Meeting other than the business referred to in the Notice of Meeting. However, if any other matters should be properly brought before the Meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

Shareholders entitled to vote at the next annual meeting to be held in 2014 and who wish to submit proposals in respect of any matter to be raised at such meeting must ensure that Fortis receives their proposals not later than 10 February 2014.

BOARD OF DIRECTORS

NOMINEES FOR ELECTION AS DIRECTORS

Ten persons are being nominated for election as directors at the Meeting. Each of the nominees was elected to his or her present term of office at the Annual Meeting of Shareholders held on 4 May 2012. Details of each nominee's service on the boards of other reporting issuers are provided on page 19 of this Circular.

PETER E. CASE

Corporate Director
Kingston, Ontario

Age: 58
Director since: May 2005

Independent

Areas of Expertise:
- Finance
- Capital Markets
- Utilities

Mr. Case 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.

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.

Mr. Case was appointed Chair of the Audit Committee in March 2011. Mr. Case served on the Board of FortisOntario Inc. from 2003 through 2010 and as Chair of that Board from 2009 through 2010.

Board / Committee Membership	Attendance		Securities Held [1]	
Board of Directors	10 of 10	100%	Common Shares	18,500
Chairs Audit	7 of 7	100%	DSUs	11,447
			Total	29,947
Options Held *(Director option grants discontinued in 2006)*				
NIL				

FRANK J. CROTHERS

Chairman and Chief Executive Officer
Island Corporate Holdings Limited
Nassau, Bahamas

Age: 68
Director since: May 2007

Independent

Areas of Expertise:

- Finance
- International Business
- Utilities

Mr. Crothers is Chairman and Chief Executive Officer of Island Corporate Holdings Limited, a private Bahamas-based investment company with diverse interests throughout the Caribbean, North America, Australia and South Africa. For more than 35 years, Mr. Crothers 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 Limited (formerly P.P.C. Limited), which was acquired by Fortis on 28 August 2006.

Mr. Crothers serves as non-executive Vice Chair of the Board of Caribbean Utilities Company, Ltd. He served on the Board of Belize Electricity Limited from 2007 through 2010.

Board / Committee Membership	Attendance		Securities Held [1]	
Board of Directors	10 of 10	100%	Common Shares	10,000
Governance and Nominating	2 of 2	100%	DSUs	12,681
			Total	22,681
Options Held *(Director option grants discontinued in 2006)*				
NIL - Mr. Crothers was elected to the Board following the cessation of option grants to directors.				

IDA J. GOODREAU

Professor and Corporate Director
Vancouver, British Columbia

Age: 61
Director since: May 2009

Independent

Areas of Expertise:

- Human Resources
- Public Issuer Executive
- Western Canadian markets

Ms. Goodreau is an Adjunct Professor at Sauder School of Business, University of British Columbia. She is the past President and Chief Executive Officer of LifeLabs. Prior to joining LifeLabs in March 2009, she had been President and Chief Executive Officer of Vancouver Coastal Health Authority since 2002. She has held senior leadership roles in several Canadian and international pulp and paper and natural gas companies.

Ms. Goodreau was awarded an MBA and a Bachelor of Commerce, Honors, degree from the University of Windsor and a Bachelor of Arts (English and Economics) from the University of Western Ontario.

Ms. Goodreau is a director of FortisBC Holdings Inc. (formerly Terasen Inc.) and FortisBC Inc.

Board / Committee Membership	Attendance		Securities Held [1]	
Board of Directors	10 of 10	100%	Common Shares	-
Human Resources	5 of 5	100%	DSUs	13,098
			Total	13,098
Options Held *(Director option grants discontinued in 2006)*				
NIL - Ms. Goodreau was elected to the Board following the cessation of option grants to directors.				

DOUGLAS J. HAUGHEY

Chief Executive Officer
The Churchill Corporation
Calgary, Alberta

Age: 56
Director since: May 2009

Independent

Areas of Expertise:

- Finance
- Public Issuer Executive
- Utilities
- Western Canadian markets

Mr. Haughey is Chief Executive Officer of The Churchill Corporation, a construction and industrial services company focused on the western Canadian market. He served as President & CEO of Provident Energy Ltd., an owner/operator of natural gas liquids midstream services and marketing from 2010 through its successful sale to Pembina Pipeline in April 2012. Mr. Haughey served as President & CEO of WindShift Capital Corp., which focused on energy infrastructure investment opportunities in North America, from 2008 through March 2010. From 1999 through 2008, Mr. Haughey held several executive roles with Spectra Energy and predecessor companies. He had overall responsibility for its western Canadian natural gas midstream business, was President & CEO of Spectra Energy Income Fund and also led Spectra's strategic development and mergers and acquisitions teams based in Houston, Texas.

Mr. Haughey graduated from the University of Regina with a Bachelor of Administration and from the University of Calgary with an MBA. He also holds an ICD.D designation from the Institute of Corporate Directors

Mr. Haughey is a director of FortisAlberta Inc.

Board / Committee Membership	Attendance		Securities Held (1)	
Board of Directors	10 of 10	100%	Common Shares	10,000
Audit	7 of 7	100%	DSUs	6,661
			Total	16,661
Options Held *(Director option grants discontinued in 2006)*				
NIL - Mr. Haughey was elected to the Board following the cessation of option grants to directors.				

H. STANLEY MARSHALL

President and Chief Executive Officer
Fortis Inc.
Paradise, Newfoundland and Labrador

Age: 62
Director since: October 1995

Not Independent

Mr. Marshall is President and Chief Executive Officer of Fortis. He joined Newfoundland Power Inc. in 1979 and was appointed President and Chief Executive Officer of Fortis in 1996.

Mr. Marshall graduated from the University of Waterloo with a Bachelor of Applied Science (Chemical Engineering) and from Dalhousie University with a Bachelor of Laws. He is a member of the Law Society of Newfoundland and Labrador and a Registered Professional Engineer in the Province of Newfoundland and Labrador.

Mr. Marshall is a director of Fortis utility subsidiaries in British Columbia, Ontario and the Caribbean as well as Fortis Properties Corporation.

Board / Committee * Membership	Attendance		Securities Held (1)**	
Board of Directors	10 of 10	100%	Common Shares	365,632
Audit	7 of 7	100%		
Governance & Nominating	2 of 2	100%		
Human Resources	5 of 5	100%		

* *Mr. Marshall attends committee meetings in his capacity as President and Chief Executive Officer ("CEO") as required and is not a member of the committees.*

** *Options are granted to Mr. Marshall in his capacity as CEO of Fortis and are detailed on pages 45 and 46 of this Circular.*

JOHN S. McCALLUM

Professor of Finance
University of Manitoba
Winnipeg, Manitoba

Age: 69
Director since: July 2001

Independent

Areas of Expertise:
- Economics
- Finance
- Public Policy
- Utilities

Mr. McCallum has been a Professor of Finance at the University of Manitoba since July 1973. He served as Chairman of Manitoba Hydro from 1991 to 2000 and as Policy Advisor to the Federal Minister of Finance from 1984 to 1991.

Mr. McCallum graduated from the University of Montreal with a Bachelor of Arts (Economics) and a Bachelor of Science (Mathematics). He was awarded an MBA from Queen's University and a PhD in Finance from University of Toronto.

Mr. McCallum was appointed Chair of the Governance and Nominating Committee of Fortis in May 2005. Mr. McCallum served as a director of FortisBC Inc. from 2004 through 2010 and FortisAlberta Inc. from 2005 through 2010.

Board / Committee Membership		Attendance		Securities Held [1]	
Board of Directors		9 of 10	90%	Common Shares	4,000
Chairs Governance & Nominating		3 of 3	100%	DSUs	39,691
Audit		7 of 7	100%	Total	43,691
Options Held *(Director option grants discontinued in 2006)*					
Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options [2]
11 May 2005	11 May 2015	4,000	$ 18.113	4,000	$ 61,948
1 Mar 2005	1 Mar 2015	12,000	$ 18.405	12,000	$182,340
	Total	16,000		16,000	$244,288

HARRY McWATTERS

President
Vintage Consulting Group Inc.
Summerland, British Columbia

Age: 67
Director since: May 2007

Independent

Areas of Expertise:
- Public Issuer Executive
- Public Policy
- Western Canadian markets

Mr. McWatters is President of Vintage Consulting Group Inc., Harry McWatters Inc., Okanagan Wine Academy and Black Sage Vineyard Ltd., 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 is a director of FortisBC Holdings Inc. (formerly Terasen Inc.) and FortisBC Inc. He served as Chair of FortisBC Inc. from 2006 through 2010.

Board / Committee Membership	Attendance		Securities Held [1]	
Board of Directors	10 of 10	100%	Common Shares	1,100
Governance & Nominating	2 of 2	100%	DSUs	18,088
			Total	19,188
Options Held *(Director option grants discontinued in 2006)*				
NIL - Mr. McWatters was elected to the Board following the cessation of option grants to directors.				

RONALD D. MUNKLEY

Corporate Director
Mississauga, Ontario

Age: 66
Director since: May 2009

Independent

Areas of Expertise:
- Capital Markets
- Public Issuer Executive
- Human Resources
- Utilities

Mr. Munkley retired in April 2009 as Vice Chairman and Head of the Power and Utility Business of CIBC World Markets. He had acted as advisor on most Canadian utility transactions since joining CIBC World Markets in 1998. Prior to that, Mr. Munkley was employed at Enbridge Consumers Gas for 27 years, culminating as Chairman, President and Chief Executive Officer. He led Consumers Gas through deregulation and restructuring in the 1990s.

Mr. Munkley graduated from Queen's University with a Bachelor of Science, Honors, (Engineering). He 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.

Board / Committee Membership	Attendance		Securities Held [1]	
Board of Directors	9 of 10	90%	Common Shares	12,000
Governance & Nominating	2 of 2	100%	DSUs	6,661
Human Resources	5 of 5	100%	Total	18,661
Options Held *(Director option grants discontinued in 2006)*				
NIL - Mr. Munkley was elected to the Board following the cessation of option grants to directors.				

DAVID G. NORRIS

Corporate Director
St. John's, Newfoundland and Labrador

Age: 65
Director since: May 2005

Independent

Areas of Expertise:
- Finance
- Human Resources
- Public Policy
- Public Issuer Executive

Mr. Norris has been a financial and management consultant since 2001, prior to which he was Executive Vice President, Finance and Business Development, Fishery Products International Limited. Previously, he held Deputy Minister positions with the Department of Finance and Treasury Board, Government of Newfoundland and Labrador.

Mr. Norris graduated with a Bachelor of Commerce, Honors, from Memorial University of Newfoundland and an MBA from McMaster University.

Mr. Norris was appointed Chair of the Board of Fortis in December 2010. He served as Chair of the Audit Committee from May 2006 through March 2011. He was a director of Newfoundland Power Inc. from 2003 through 2010 and served as Chair of that Board from 2006 through 2010. Mr. Norris was a director of Fortis Properties Corporation from 2006 through 2010.

Board / Committee Membership		Attendance		Securities Held [1]	
Chairs Board of Directors		10 of 10	100%	Common Shares	7,253
Audit		7 of 7	100%	DSUs	30,862
Human Resources		5 of 5	100%	Total	38,115
Governance and Nominating		2 of 2	100%		
Options Held *(Director option grants discontinued in 2006)*					
Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options [2]
11 May 2005	11 May 2015	12,000	$ 18.113	12,000	$185,844

MICHAEL A. PAVEY

Corporate Director
Moncton, New Brunswick

Age: 65
Director since: May 2004

Independent

Areas of Expertise:

- Finance
- Human Resources
- Public Issuer Executive
- Utilities

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 with TransAlta Corporation.

Mr. Pavey graduated from University of Waterloo with a Bachelor of Applied Science (Mechanical Engineering) and from McGill University with an MBA.

Mr. Pavey was a director of Maritime Electric Company, Limited from 2001 through 2007 and was Chair of that company's Audit and Environment Committee from 2003 through 2007.

Board / Committee Membership	Attendance		Securities Held (1)	
Board of Directors	10 of 10	100%	Common Shares	2,350
Audit	7 of 7	100%	DSUs	20,387
Human Resources	5 of 5	100%	Total	22,737

Options Held *(Director option grants discontinued in 2006)*

Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options (2)
1 Mar 2005	01 Mar 2015	12,000	$ 18.405	12,000	$182,340
12 May 2004	12 May 2014	12,000	$ 15.228	10,000	$183,720
	Total	24,000		22,000	$366,060

(1) *Represents Common Shares and/or Deferred Share Units ("DSUs"), detailed on page 17 of this Circular and further described as follows under Director Compensation, beneficially owned, controlled or directed, directly or indirectly. This information has been furnished by the respective nominee.*

(2) *Calculated using the closing price of Common Shares as at 21 March 2013 of $33.60. The value of unexercised options is the difference between the exercise price and the closing price applied to the total unexercised options.*

DIRECTOR COMPENSATION

During 2012, annual compensation for directors, other than Mr. Marshall, consisted of cash and deferred equity-based compensation as follows: an annual cash retainer, meeting attendance fees and an equity-based grant of Deferred Share Units ("DSUs"). Each of these components is described in more detail below. Fortis does not provide option-based compensation, non-equity based incentive plans or pension program to its directors.

The following table describes the director compensation structure in place during 2012 as compared to the previous two years:

	2012	2011	2010
Annual Non-Executive Board Chair Retainer (cash or optional DSUs)	$ 170,000	$ 170,000	$ 160,000
Annual Director Retainer (cash or optional DSUs)	$ 45,000	$ 45,000	$ 45,000
Annual Audit Committee Chair Retainer (cash or optional DSUs)	$ 20,000	$ 20,000	$ 15,000
Annual Human Resources and Governance and Nominating Committee Chair Retainers (cash or optional DSUs)	$ 15,000	$ 15,000	$ 15,000
Annual Share-Based Compensation (mandatory DSUs)	$ 60,000	$ 60,000	$ 30,000
Board and Committee Meeting Attendance Fee (cash)	$ 1,500	$ 1,500	$ 1,500

The following table summarizes director compensation for 2012:

Individual Director Compensation - 2012

	Fees Earned [(1)] $	Share-Based Awards (DSUs) [(2)] $	All Other Compensation [(3)] $	Total $
Peter E. Case	90,500	60,000	12,487	162,987
Frank J. Crothers	63,000	60,000	83,879	206,879
Ida J. Goodreau	22,500	105,000	71,974	199,474
Douglas J. Haughey	70,500	60,000	41,923	172,423
H. Stanley Marshall [(4)]	-	-	-	-
John S. McCallum	27,000	120,000	44,756	191,756
Harry McWatters	63,000	60,000	75,206	198,206
Ronald D. Munkley	69,000	60,000	6,923	135,923
David G. Norris	206,000	60,000	34,839	300,839
Michael A. Pavey	78,000	60,000	22,879	160,879
Roy P. Rideout	85,500	60,000	28,775	174,275
Total	775,000	705,000	423,641	1,903,641

(1) *These amounts include all fees paid in cash for services as a director of Fortis, including annual director and committee chair retainers and meeting fees.*

(2) *These amounts represent the annual share-based compensation in the form of DSUs granted to a director of Fortis. These include both the mandatory equity component of the annual retainer of $60,000 and any optional component of the annual director retainer or committee chair retainer paid in DSUs rather than in cash at the election of the director. The amounts represent the cash equivalent at the time of issue. The cumulative DSU holdings of participants also increased through the notional reinvestment of dividends.*

(3) *These amounts include the value of notional reinvestment of dividends earned on outstanding DSUs on dividend payment dates, as well as all fees paid or payable by a subsidiary of Fortis to a director in his or her capacity as a director of the payor subsidiary. In the case of Mr. Crothers, director fees of $70,000 were paid by Caribbean Utilities Company, Ltd. in US dollars and converted into Canadian dollars at a rate of 0.9994%.*

(4) *Mr. Marshall, as CEO, does not receive compensation as a director of Fortis. Director fees paid to Mr. Marshall from subsidiaries of Fortis are reported in footnote 5 of the Summary Compensation Table.*

Outstanding Option-Based and Share-Based Awards Table
(as at 31 December 2012)

		Option-Based Awards				*Share-Based Awards*		
Name	**Year Option Granted**	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options [(1)] ($)**	**Number of shares or units that have not vested (#)**	**Market or payout value of share-based awards that have not vested [(2)] ($)**	**Market or payout value of vested share-based awards not paid out or distributed ($)**
Peter E. Case	-	-	-	-	-	10,644	364,238	-
Frank J. Crothers	-	-	-	-	-	11,866	406,055	-
Ida J. Goodreau	-	-	-	-	-	11,911	407,594	-
Douglas J. Haughey	-	-	-	-	-	5,901	201,932	-
H. Stanley Marshall [(3)]	-	-	-	-	-	-	-	-
John S. McCallum	2005	4,000	18.113	11 May 2015	64,428	38,151	1,305,527	-
	2005	12,000	18.405	1 Mar 2015	189,780	-	-	-
Harry McWatters	-	-	-	-	-	17,224	589,405	-
Ronald D. Munkley	-	-	-	-	-	5,901	201,932	-
David G. Norris	2005	12,000	18.113	11 May 2015	193,284	29,697	1,016,231	-
Michael A. Pavey	2005	12,000	18.405	1 Mar 2015	189,780	19,502	667,358	-
	2004	10,000	15.228	12 May 2014	189,920	-	-	-
Roy P. Rideout	2005	16,000	18.405	1 Mar 2015	253,040	24,529	839,382	-
	2004	16,000	15.280	10 Mar 2014	303,040	-	-	-
Total		**82,000**			**1,383,272**		**5,999,654**	-

(1) *Calculated as the difference between the option exercise price and the closing price of the Common Share on the TSX as at 31 December 2012 of $34.22.*

(2) *Calculated by multiplying the number of share-based awards that have not vested by the closing price of the Common Shares on the TSX as at 31 December 2012 of $34.22.*

(3) *Mr. Marshall, as CEO, does not receive compensation as a director of Fortis. Director fees paid to Mr. Marshall from subsidiaries of Fortis are reported in footnote 5 of the Summary Compensation Table.*

Pursuant to its mandate to review and make recommendations to the Board in respect of the compensation of directors, the Governance and Nominating Committee engaged Mercer (Canada) Limited to survey director compensation at comparable Canadian companies so as to assist the Committee in the formulation of its recommendations. Following this review, the Board accepted the Committee recommendations and adopted the following director compensation structure as of 1 January 2013:

	Cash or Optional DSU	**Mandatory DSU**	**Total**
Annual Non-Executive Board Chair Retainer	$ 170,000	$ 120,000	$ 290,000
Annual Director Retainer	$ 50,000	$ 95,000	$ 145,000
Annual Audit Committee Chair Retainer	$ 20,000	$ -	$ 20,000
Annual Human Resources and Governance and Nominating Committee Chair Retainers	$ 15,000	$ -	$ 15,000
Board and Committee Meeting Attendance Fee (except Non-Executive Chair of the Board)	$ 1,500	$ -	$ 1,500

Commencing in 2013, the Board determined to discontinue meeting fees paid to the Non-Executive Chair of the Board and to amend the Directors Deferred Share Unit Plan ("DSU Plan") as more particularly described in the *Directors Deferred Share Unit Plan* section that follows.

DIRECTORS DEFERRED SHARE UNIT PLAN

The Board introduced the DSU Plan in 2004 as an optional vehicle for directors to elect to receive their annual retainer in DSUs rather than cash. The DSU Plan also allowed the Board to determine, from time to time, that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled. During 2006, the Board elected to discontinue the grant of stock options to directors and initiated an annual grant of DSUs as the equity component of director compensation so as to align director interests with those of the Corporation's shareholders. Each DSU represents a notional interest in a Common Share and no payment or other redemption of a DSU may be made prior to the retirement of the holder from the Board or any other role with Fortis.

Coincident with the review of director compensation in effect from 1 January 2013, the Governance and Nominating Committee considered the DSU Plan and proposed an amendment and restatement thereto, which the Board adopted as of 1 January 2013 ("Amended and Restated DSU Plan"). The principal change to director compensation instituted by the Amended and Restated DSU Plan is the move from a single annual grant of DSUs on 1 January, to equal quarterly grants of both mandatory (the equity component of director compensation) and optional board retainer DSUs, in lieu of cash, on the first day of each calendar quarter. The Amended and Restated DSU Plan also extended the required final date for payout under the DSU Plan upon retirement from the Board and any other role with Fortis from 15 March to 15 December of the year following retirement and increased the maximum number of payouts from two to four.

Mandatory equity component DSUs and optional board-retainer DSUs are credited, as applicable, on the first day of each calendar quarter during the year by dividing one fourth of the applicable retainer by the Market Price of Common Shares on such date. The Market Price of a Common Share is the volume-weighted average trading price of Common Shares determined by dividing the total value of the Common Shares traded on the TSX during the five trading days immediately preceding the determination date by the total volume of the Common Shares traded on the TSX on such trading days. Additional DSUs are also credited to the directors in respect of their DSUs on each dividend payment date, as each DSU entitles the holder to a notional dividend which is reinvested in additional DSUs pursuant to the terms of the plan.

On 1 January 2013, the Chair of the Board and independent directors were granted 883 and 699 DSUs, respectively, with a Market Price of $33.98 in respect of the mandatory equity component of their compensation for the first quarter of 2013. Three independent directors electing to participate in the optional program also received DSUs equivalent to one quarter of their respective annual Board and committee chair retainers at the same notional price on 1 January 2013.

Upon retirement from the Board, and any other role with the Corporation, a director will receive cash payment(s), in respect of the DSUs in their DSU account in up to four instalments. All such redemptions must be made prior to 15 December of the first calendar year following retirement. Directors are entitled to elect a percentage of their DSUs to be redeemed on each elected redemption date. The amount of any payment is determined by multiplying the number of DSUs redeemed on such date by the Market Price as of such date.

DIRECTOR EQUITY OWNERSHIP

Effective 1 January 2006, the Board adopted a policy regarding equity ownership by directors requiring directors to acquire Common Shares and/or DSUs equivalent in value to three times their annual retainer (inclusive of the mandatory equity component DSU grant) within four years from the date the person was first elected to the Board. As of the date of this Circular, all of the nominees meet the Corporation's minimum equity ownership policy.

The following table shows the Common Share and DSU holdings of each of the director nominees as at 21 March 2013 and comparable holdings for the previous year.

Director [(1)]	**Equity Ownership 21 March 2013**		**Equity Ownership 19 March 2012**		**Net Change in Equity Ownership**		**Market Value of Equity Ownership 21 March 2013** [(2)]	**Multiple of 2012 Annual Retainer (x)**
	Common Shares	DSUs	Common Shares	DSUs	Common Shares	DSUs		
P.E.Case	18,500	11,447	10,500	10,358	8,000	1,089	1,006,219	8.0
F.J. Crothers	10,000	12,681	10,000	11,547	-	1,134	762,082	7.3
I.J. Goodreau	-	13,098	-	11,591	-	1,507	440,093	4.2
D.J. Haughey	10,000	6,661	9,000	5,742	1,000	919	559,810	5.3
J.S. McCallum	4,000	39,691	4,000	37,127	-	2,564	1,468,018	12.2
H. McWatters	1,100	18,088	1,100	16,762	-	1,326	644,717	6.1
R.D. Munkley	12,000	6,661	12,000	5,742	-	919	627,010	6.0
D.G. Norris	7,253	30,862	6,612	28,900	641	1,962	1,280,664	5.6
M.A. Pavey	2,350	20,387	2,266	18,979	84	1,408	763,963	7.3

(1) *Mr. Marshall's equity ownership is not reported in the above table as he does not receive compensation as a director of Fortis. He is compensated as CEO of Fortis and his Common Share ownership value as a multiple of his 2012 base salary is outlined on page 40 of this Circular.*

(2) *Calculated using the closing price of Common Shares as at 21 March 2013 of $33.60.*

DIRECTOR EDUCATION

Following extensive education on International Financial Reporting Standards and US GAAP leading to the conversion of financial reporting under US GAAP as of 1 January 2012, the Board decided to concentrate education and training sessions on the specific business of the Corporation and its subsidiaries rather than more general programs. Consequently, in addition to the group-wide strategic planning session held on 24 and 25 September 2012, where the Board received presentations from, and dialogued with, all of the subsidiary CEOs, the Board conducted more detailed subsidiary specific briefing sessions during 2012 as follows:

March 12	Providenciales, Turks & Caicos	• Presentations and meetings with FortisTCI management • Tour of FortisTCI production plant and premises • Tour of selected areas of service territory and meetings with major customers and community leaders
May 3	St. John’s, Newfoundland	• Presentations and meetings with Newfoundland Power management
September 25	Niagara Falls, Ontario	• Presentations and meetings with FortisOntario management
December 11	Calgary, Alberta	• Presentations and meetings with FortisAlberta management • Presentation on oil sands industry • Tour of FortisAlberta service centre

DIRECTOR TENURE POLICY

The Board adopted a director tenure policy in 1999 which is considered on a periodic basis and was most recently reviewed and amended in September 2010. The policy provides that Directors of Fortis are to be elected for a term of one year and, except in exceptional circumstances determined by the Board, will be eligible for re-election until the Annual Meeting of Shareholders next following the earlier of the date on which they achieve age 70 or the 12th anniversary of their initial election to the Board. The policy does not apply to Mr. Marshall whose service on the Board is related to his tenure as CEO.

MAJORITY VOTING FOR DIRECTORS

Effective 1 January 2010, the Board adopted a policy stipulating that if any nominee for director receives, from the Common Shares voted at the Annual Meeting of Shareholders, a greater number of votes “withheld” than “for” his or her election, such director must promptly tender his or her resignation to the Chair, such resignation to take effect on acceptance by the Board. The Governance and Nominating Committee will expeditiously consider the director’s offer to resign and recommend to the Board whether to accept it. Within 90 days of the Annual Meeting of Shareholders, the Board will make a final decision and announce it by way of media release. Any director who tenders his or her resignation will not participate in the deliberations of the Governance and Nominating Committee or the Board relating to his or her resignation. This policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and officers' liability insurance has been purchased for the benefit of the directors and officers of Fortis. This policy is renewable effective 1 July each year. The premium for such insurance for 2012 was $259,973. The insurance coverage obtained under the current policy is $125,000,000 in respect of any one incident, subject to a $250,000 deductible for securities claims and a $100,000 deductible for other claims.

REPORT ON CORPORATE GOVERNANCE

The Board of Directors and Management of Fortis acknowledge the critical importance of good corporate governance practices in the proper conduct of the affairs of Fortis. Fortis corporate governance practices comply with the Corporate Governance Guidelines promulgated in National Policy 58-201 – *Corporate Governance Guidelines*. Disclosure of the Fortis approach to corporate governance in compliance with Form 58-101F1 (under National Instrument 58-101 – *Disclosure of Corporate Governance Practices*) is set out in the *Disclosure of Corporate Governance Practices* annexed as Schedule A to this Circular.

THE BOARD OF DIRECTORS

The Board has concluded that nine of the ten nominees for election as directors as outlined in the *Board of Directors* section of this Circular are independent in accordance with the definition of independence set out in Section 1.4 of National Instrument 52-110 – *Audit Committees*. Mr. Marshall is not considered independent because he is the President and CEO of Fortis.

Currently, there are no instances where directors of Fortis serve as directors on the same board of another reporting issuer, other than a subsidiary of Fortis. The following table sets forth the current directors who serve on the boards of reporting issuers, other than subsidiaries of Fortis, together with their committee involvement on such boards:

Director	Reporting Issuer	Committee
F.J. Crothers	AML Limited Talon Metals Corp. Templeton Mutual Funds	 Audit
D.J. Haughey	The Churchill Corporation	
H.S. Marshall	Enerflex Ltd	Human Resources (Chair)
J.S. McCallum	IGM Financial Inc. Toromont Industries Ltd	Related Party and Conduct Review (Chair); Audit (Chair); Public Policy; Governance and Nominating Audit (Chair); Corporate Governance, Lead Director
R.D. Munkley	Bird Construction Inc.	Audit; Personnel and Safety

The Board annually appoints from amongst its members three standing Committees: the Governance and Nominating Committee, the Audit Committee and the Human Resources Committee. Fortis does not have an executive committee of the Board. Each committee has a written mandate which sets out the activities or areas of Fortis business to which the committee is required to devote its attention. All committees are currently composed of independent and unrelated directors. Mr. Marshall attends committee meetings in his capacity as President and CEO of Fortis and is not a member of any committee.

GOVERNANCE AND NOMINATING COMMITTEE

The mandate of the Governance and Nominating Committee requires the committee, among other things, to:

(i) develop and recommend the Fortis approach to corporate governance issues to the Board;

(ii) propose new nominees for election to the Board;

(iii) carry out procedures specified by the Board for assessing the effectiveness of the Board, the directors and each Board committee;

(iv) approve the engagement of an outside expert, or experts, by an individual director at Fortis expense; and

(v) review and make recommendations to the Board with respect to the compensation of directors.

The members of the Governance and Nominating Committee, who are all independent and unrelated, are John S. McCallum (Chair), David G. Norris, Frank. J. Crothers, Harry McWatters, Ronald D. Munkley, and Roy P. Rideout. The Governance and Nominating Committee held two meetings during 2012.

AUDIT COMMITTEE

The Audit Committee provides assistance to the Board by overseeing the external audit of the annual financial statements and the accounting and financial reporting and disclosure processes of Fortis. Details regarding the Audit Committee and its mandate can be found in Section 11 of the Fortis 2012 Annual Information Form which can be viewed at either *www.fortisinc.com* or on SEDAR at *www.sedar.com*.

The members of the Audit Committee, who are all independent and unrelated, are Peter E. Case (Chair), David G. Norris, Douglas J. Haughey, John S. McCallum and Michael A. Pavey. The Audit Committee held seven meetings during 2012.

HUMAN RESOURCES COMMITTEE

The compensation committee functions of Fortis are fulfilled by the Human Resources Committee whose mandate requires the committee, among other things, to:

(i) assist and advise the Board in appointing officers of the Corporation;

(ii) oversee and advise the Board on human resources planning including the development and succession of senior management;

(iii) oversee the form and adequacy of the compensation and benefits provided by Fortis to its senior management; and

(iv) administer all incentive compensation plans and arrangements including the 2012 Stock Option Plan, the Short-Term Incentive Plan, the Performance Share Unit Plan and any other stock option, stock appreciation rights, restricted share, or other form of incentive compensation plans.

The members of the Human Resources Committee, who are all independent and unrelated, are Roy P. Rideout (Chair), David G. Norris, Ida J. Goodreau, Ronald D. Munkley and Michael A. Pavey. The Human Resources Committee held five meetings during 2012.

Fortis recognizes the importance of appointing knowledgeable and experienced individuals to the Human Resources Committee. All Committee members have the necessary background and skills to provide effective oversight of executive compensation and ensure that sound risk-management principles are being adhered to in order to align corporate and shareholder interests. More specifically, all Committee members have significant senior leadership experience from their tenures at large organizations, as well as direct operational or functional experience overseeing executive compensation at large organizations similar in complexity to Fortis. The majority of the Committee members are currently serving or have served on compensation committees of the boards of other large organizations and all have received related education/training in executive compensation.

In fulfilling its duties and responsibilities, the Human Resources Committee seeks periodic input, advice and recommendations from various sources, including the Board, executive officers and external independent compensation consultants. Hay Group Limited ("Hay Group") has served as the primary external independent advisor and consultant to the Human Resources Committee on matters relating to executive compensation since 1997. In addition to the mandates as directed by the Human Resources Committee, Hay Group also provides Fortis and its subsidiaries with market compensation data from its national database. The Committee conducted its Triennial Review of the Executive Compensation Policy during 2012 and engaged Mercer (Canada) Limited ("Mercer") as an additional compensation consultant to assist the Committee in the review process.

The Human Resources Committee retains discretion in its executive compensation decisions and is not bound by the input, advice and/or recommendations received from the external independent consultants.

REPORT ON EXECUTIVE COMPENSATION

2012 Report of the Human Resources Committee of the Board of Directors

The *Compensation Discussion and Analysis* that follows discusses the Corporation's executive compensation programs and policies. The primary elements of the Human Resources Committee's mandate are oversight of the Corporation's succession planning, CEO selection, and compensation programs and policies while making decisions regarding the compensation of executives based on those programs and policies. As a result, the Human Resources Committee has participated in the preparation of the *Compensation Discussion and Analysis* and has recommended to the Board that the *Compensation Discussion and Analysis* be included in this Circular.

Roy. P. Rideout (Chair)
David G. Norris
Ida J. Goodreau
Ronald D. Munkley
Michael A. Pavey

The following discussion pertains to the three Named Executive Officers ("NEOs") of Fortis:

1. H. Stanley Marshall – President and Chief Executive Officer ("CEO");
2. Barry V. Perry – Vice President, Finance and Chief Financial Officer ("CFO"); and
3. Ronald W. McCabe – Vice President, General Counsel and Corporate Secretary ("General Counsel").

COMPENSATION DISCUSSION AND ANALYSIS

The Corporation's executive compensation program is designed to attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive's level of responsibility.

EXECUTIVE COMPENSATION POLICY

Objectives

Executive compensation practices at Fortis are specifically designed to:

- Motivate executives to deliver strong business performance;
- Attract and retain highly qualified executives;
- Align the interests of executives and shareholders;
- Balance executive compensation paid for short-term and long-term results;
- Mitigate the perceived risks inherent in the compensation structure;
- Ensure that a significant portion of executive compensation is dependent upon individual and corporate performance while contributing to increasing shareholder value; and
- Keep the executive compensation program simple to communicate and administer.

Compensation Review Framework

Annual Review

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

As part of the annual review process, Fortis engages Hay Group, its primary compensation consultant, to provide comparative analyses of market compensation data reflecting the pay levels and practices of Canadian Commercial Industrial companies. Using this data, a detailed review is prepared to analyze the competitive compensation positioning of Fortis against its reference group. Hay Group provides preliminary compensation recommendations on the basis of pay competitiveness, emerging market trends and best practices.

The Committee takes into account the corporate performance against pre-determined objectives and determines a set of new performance objectives for the following year. Individual performance reviews, incentive award payouts and compensation adjustments, if any, are also determined at this stage.

In the final step, the Human Resources Committee seeks approval from the Board regarding current year's compensation payouts and next year's performance objectives. The Human Resources Committee and the Board may exercise discretion when making compensation decisions in appropriate circumstances and make deviations from the prescribed incentive award formulas, if necessary.

Triennial Review

Fortis conducts a triennial review of its executive compensation and programs using the services of its primary compensation consultant and another compensation consultant. The triennial review seeks to address organizational and market changes that may affect the competitiveness of the existing compensation programs, identify and mitigate risks inherent in the current pay structure, as well as the ongoing compliance with disclosure and corporate governance requirements. More specifically, the triennial review covers the following areas:

- Relative ranking of jobs by value;
- Reference group relevance and appropriateness;
- Compensation mix review;
- Short- and long-term incentive plan design and performance measurement;
- Compensation risk review; and
- Other policies and provisions.

The Committee conducted a triennial review of executive compensation during 2012 with the assistance of Hay Group and Mercer. This review led to the implementation, effective 1 January 2013, of the 2013 Executive Compensation Policy. The next triennial review is scheduled to take place in 2015. The operating subsidiaries of Fortis follow a similar process to develop executive compensation policies reflecting their specific operating environments.

Competitive Positioning

As a general policy, Fortis compensates executives at a level approximately at the median of the practice among a broad reference group of 268 Canadian Commercial Industrial companies from the Hay Group database. This reference group does not include organizations in the financial services and broader public sectors. It does include organizations from the energy, mining and manufacturing sectors. This reference group represents a broad spectrum of Canadian Commercial Industrial organizations with which Fortis competes for executive talent. Fortis does not benchmark actual performance against a particular reference group.

The Human Resources Committee, at the recommendation of Hay Group, decided to use a blended approach when developing the CEO comparator group due to data limitation in the Hay Group database at the Fortis CEO level. The CEO's compensation is referenced against a group of 26 companies combining Hay Group and publicly disclosed compensation data. The selected companies comprise mainly large organizations that occupy leading positions in their respective industries and are comparable in scale and complexity to Fortis. This group of 26 companies represents the comparative talent market for the CEO on a national level while preserving the multi-industry characteristics of the Hay Group Commercial Industrial database that is used for analysis for other Fortis executives. The 26 companies considered as the comparator group for the purpose of assessing the 2012 compensation of the CEO are as follows:

Atco Ltd.	IAMGOLD Corp.	Teck Resources Limited
Barrick Gold Corporation	Imperial Oil Ltd.	Teekay Corporation
Canadian Pacific Railway	Kinross Gold Corporation	Tembec Inc.
Canadian Tire Corp Ltd.	Methanex Corp.	Toromont Industries Ltd.
Capital Power Corp.	Nexen Inc.	TransAlta Corp.
Emera Inc.	Potash Corp of Saskatchewan Inc.	TransCanada Corp.
Enbridge Inc.	Russel Metals Inc.	Wajax Corp.
Finning International Inc.	Sherritt International Corporation	Xstrata Nickel Corp.
Goldcorp Inc.	Suncor Energy Inc.	

The continued appropriateness of both reference groups is discussed periodically and formally considered as part of the Triennial Review of the Executive Compensation Policy.

Annually, the Human Resources Committee uses the median compensation data from the appropriate reference group to compare each executive position to jobs of similar responsibility within the reference group. This framework serves as a guide for the Human Resources Committee's deliberations. The actual total compensation and/or amount of each compensation element for an executive officer may be more or less than the median amount.

Say On Pay

Fortis implemented its first annual shareholder advisory vote on the approach to executive compensation in 2012 and received a 97.35% endorsement. The 2013 advisory vote on the approach to executive compensation is more particularly described on page 7 of this Circular.

COMPENSATION RISK CONSIDERATIONS

The Board annually reviews and approves Fortis strategic plan, considering business opportunities, earnings forecasts, and the level of risks and expenditure implications. Cross-committee membership is in place to facilitate information sharing and ensure that issues of mutual interest are addressed.

Risk is formally considered throughout the Fortis annual and triennial compensation review processes to ensure that effective control systems are in place to mitigate the perceived risks inherent in the compensation design, structure and decisions, both at the parent and at the subsidiary levels. The Human Resources Committee has identified the following external and internal risk controls within the Fortis executive compensation program:

External Compensation Risk-Mitigating Controls

With respect to the regulated gas and electric utility operations of the Corporation, there are extensive regulatory frameworks, as well as reporting and approval mechanisms that govern the operation of regulated utility subsidiaries. At the corporate level, the Corporation's ongoing compliance with existing regulatory requirements and emerging best practices ensures that risks within its compensation program are being continually monitored and controlled.

Internal Compensation Risk-Mitigating Controls

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

Annual Salary	• Annual salaries are targeted approximately at market median levels and, as such, do not encourage excessive risk taking.
Short-Term Incentives	• ***Board Discretion*: ** The Human Resources Committee retains the discretion to make upward or downward adjustments to the prescribed incentive payout formulas and actual payouts based on its assessment of the risk assumed to generate financial results, circumstances that may have influenced individual performance, as well as external factors that may have impacted the Corporation's financial performance. • ***Award Cap**:* Short-term incentives awarded to executives are capped at 150% of targeted annual incentive; however, the Human Resources Committee retains the discretion to award up to a maximum of 200% of targeted annual incentive in recognition of individual response to exceptional challenges or opportunities and may make deviations in appropriate circumstances. • ***Multiple-Performance Factors and Prudent Financial Metrics**:* Fortis does not use a single performance factor and its Short-Term Incentive plan encourages behaviours that align with the long-term interests of the Corporation and its shareholders by heavily weighting the achievement of Earnings per Common Share ("EPS") targets, along with operational excellence and sustained individual performance. To a large extent the Corporation's earnings reflect a roll-up of earnings from its substantially autonomous regulated subsidiaries. Fortis accordingly concluded that the use of an EPS-based annual target performance measure including a + or - 5% performance range is appropriate. Such a narrow band does not incentivize excessive risk taking and/or short-term decision making. EPS has been used as a key factor in determining incentive payments for the Corporation's executive officers for more than 10 years and Fortis has achieved sustained growth and success over this time period. The use of EPS has proven to be an effective performance objective which has not led to imprudent management practices and encourages continuation of the Fortis record of providing 40 consecutive years of annual common share dividend payment increases.
Mid-Term Incentives	• ***Performance Share Units ("PSUs")**:* PSUs are awarded to the CEO to emphasize the CEO's greater ability to affect corporate performance, to reinforce his accountability for developing and successfully implementing the continuing growth strategy of the Corporation, and to be rewarded accordingly. Awarding PSUs to the CEO also strengthens the proportion of deferred compensation in the overall pay mix. The deferred component provides for an appropriate alignment between incentive payouts and the timeline of risks for the Corporation.

Long-Term Incentives	• ***Stock Option Grants linked directly to Share-Ownership Requirements***: To encourage executive share ownership, Fortis implemented share-ownership guidelines requiring the CEO to hold, at minimum, shares equivalent to four times his annual base salary within five years of being appointed to the CEO position. The CEO currently exceeds this minimum ownership requirement. Share ownership for executives, including the NEOs, is encouraged through the Fortis Executive Compensation Policy whereby options granted each year to any executive are limited to the lesser of the number of options prescribed to that particular position and the minimum number of shares actually owned by the individual since the beginning of the previous calendar year. Although minimum share holdings had not been prescribed by policy, except in the case of the CEO, tying the number of stock option grants to an executive's share ownership encourages high levels of executive share ownership. The Common Share ownership of all NEOs is disclosed on page 40 of this Circular. • ***Anti-Hedging Policy*****:** Executive officers are not permitted to hedge against declines in the market value of equity securities received as compensation.

Triennial Compensation Risk Review

As part of the Triennial Review of the Executive Compensation Policy in 2012, the Human Resources Committee requested its independent compensation consultant, Hay Group, to conduct a Compensation Risk Review. This assessment was conducted for Fortis and a representative selection of significant subsidiaries.

The review affirmed that executive compensation programs and practices at Fortis and the representative subsidiaries do not tend to promote significant risks that are likely to have a material adverse effect on the Corporation or its subsidiaries.

While the assessment did not indicate significant risks with regard to compensation, it was noted that the implementation of a compensation clawback policy in the event of misconduct or material financial restatement may strengthen the Corporation's risk management position. The Human Resources Committee recommended that the Board introduce a clawback policy as of 1 January 2013, which is more particularly described at page 41 of this Circular. The Human Resources Committee remains committed to reviewing the applicability of clawback policies to Fortis in the event of legislative changes or further review of market practices.

Elements of 2012 Total Compensation

Considering the objectives above, NEOs are rewarded for performance through the following three components of compensation:

Current-Year Performance + **Medium- and Long-Term Performance** + **Full-Career Performance**

Current-Year Performance		
Compensation Element *(Eligibility)*	**Description**	**Compensation Objectives**
Annual Base Salary *(all NEOs)*	Salary is a market competitive, fixed level of compensation.	Attract and retain highly qualified executives. Motivate strong business performance.
Annual Incentive *(all NEOs)*	Combined with salary, the target level of annual incentive is intended to provide executives with a market-competitive total cash opportunity. Annual incentive payouts depend on individual and corporate performance. EPS is the corporate performance metric.	Attract and retain highly qualified executives. Motivate strong business performance. Compensation dependent on individual and corporate performance. Simple to communicate and administer.

Medium-Term Performance		
Compensation Element *(Eligibility)*	**Description**	**Compensation Objectives**
PSUs *(only the CEO)*	Equity grant value based on performance and retention objectives for the CEO. Grant value is converted to the number of units granted by dividing the planned value by the predetermined, formulaic planning price. At the end of the three-year performance period, the Human Resources Committee assesses the performance of the CEO against the pre-defined objectives as well as total shareholder return performance and, if thought fit, authorizes payment of the accumulated PSU balance (inclusive of notional dividends) at the price determined pursuant to the plan. Paid in cash upon completion of the three-year performance period.	Align executive and shareholder interests. Attract and retain highly qualified executives. Encourage strong longer-term business performance. Balance compensation for short-, medium- and long-term results. Compensation dependent on individual and corporate performance. Encourages sustained, mid-term growth by linking a portion of compensation to mid-term performance. Simple to communicate and administer.

Long-Term Performance		
Compensation Element *(Eligibility)*	**Description**	**Compensation Objectives**
Stock Options *(all NEOs)*	Annual equity grants are made in the form of stock options. The amount of annual grant is dependent on the level of the executive and his/her current share ownership level. Planned grant value is converted to the number of options granted by dividing the planned value by the predetermined, formulaic planning price derived using the Black-Scholes Option Pricing Model. Options vest over a four-year period.	Align executive and shareholder interests. Attract and retain highly qualified executives. Encourage strong longer-term business performance. Balance compensation for short-, medium- and long-term results. Simple to communicate and administer.

Full-Career Performance		
Compensation Element *(Eligibility)*	**Description**	**Compensation Objectives**
Employee Share Purchase Plan (“ESPP”) *(All employees, including NEOs)*	Executives can participate in the ESPP under the same terms and conditions as other employees.	Align executive and shareholder interests. Attract and retain highly qualified executives.
Self-directed Registered Retirement Savings Plan (“RRSP”) *(all NEOs)*	Fortis contributes on a matching basis to self-directed RRSPs for each executive up to the maximum RRSP contribution limit. RRSP contributions for the CEO commenced on 1 January 2007.	Attract and retain highly qualified executives. Simple to communicate and administer.
Defined Contribution Supplemental Employee Retirement Plan (“DC SERP”) *(all NEOs)*	Accrual of 13% of base salary and annual incentive in excess of the maximum RRSP contribution limit. Notionally accrues interest at the 10-year Government of Canada bond yield rate plus a premium of 1% to 3% dependent upon years of service. At time of retirement, paid in one lump sum or in equal payments up to 15 years at the option of the NEO.	Attract and retain highly qualified executives. Simple to communicate and administer.

Annual Base Salary

Annual base salaries for the NEOs are reviewed by the Human Resources Committee and established annually in the context of total compensation and by reference to the range of salaries paid by Hay Group's Canadian Commercial Industrial Companies comparator group, in the case of the CFO and General Counsel, and to the specific group of companies described on page 23 of this Circular for the CEO. The policy of Fortis is to pay executives at approximately the median of the salaries paid to executives in these comparator groups.

Annual Incentive

Fortis uses an annual incentive plan that provides for annual cash payouts to reward executives for performance over 12 months. The amount of each executive's annual incentive is determined by the Board upon recommendation of the Human Resources Committee following annual assessment of corporate and individual performance against pre-determined targets and is expressed as a percentage of each executive's annual base salary. The incentive plan is reviewed annually by the Board, upon recommendation from the Human Resources Committee, and is premised upon meeting and exceeding the current year's corporate performance targets and individual performance objectives.

Considerations relevant to the determination of corporate performance targets include general economic factors and business conditions, anticipated regulatory proceedings, and the derivation of and relative contribution to earnings of particular business segments. The ability to generate year-over-year earnings growth can be constrained by the absence of acquisitions, utility regulatory decisions, general economic factors and the relative earnings mix between regulated and non-regulated activities.

The directors have full discretion in respect of the operation of the annual incentive plan and are required to take into account all relevant circumstances in the exercise of judgment regarding the amounts and terms of annual incentive plan payments. The Board may make deviations from prescribed formulas in appropriate circumstances, having regard to the overall performance of the individual NEO, the Corporation and external considerations.

The sequential process for setting and determining the annual incentive payout is as follows:

Target Setting

1. Weightings are assigned between corporate and individual performance.

    - The relative ability of each executive to impact corporate performance is reflected in the weighting between corporate and individual elements, with 80% of the CEO's annual incentive primarily dependent upon corporate performance.

2012 Corporate and Individual Performance Mix

Position	Corporate Performance %	Individual Performance %	Total %
CEO	80	20	100
CFO	70	30	100
General Counsel	50	50	100

2. Target and maximum annual incentive payouts are delineated as a percentage of base salary.

   - In 2012, the targeted annual incentives for the CEO, CFO and the General Counsel were set at 85% 50%, and 40% of their respective annual base salaries.
   - Annual incentive payouts are earned for meeting expected corporate performance targets as adjusted for factors determined to be beyond the reasonable control of management as reviewed by the Audit Committee and approved by the Human Resources Committee.
   - The annual incentive plan contemplates payment at 150% of target (normal maximum) when superior performance is achieved, with an additional 50% of target available to be awarded at the Board's discretion in recognition of individual response to exceptional challenges or opportunities.
   - The Board retains discretion to make deviations from the prescribed formulas in appropriate circumstances, having regard to the overall performance of the individual NEO, the Corporation and external considerations.
   - Generally, no payments will be made in respect of the corporate component where corporate performance is below a minimum threshold predetermined by the Board.
   - Where individual performance is judged to be unsatisfactory during the year, no annual incentive payment will be made, notwithstanding that certain thresholds/targets were met.

Determinations

1. Corporate performance is determined by reference to EPS results compared to the Corporation's annual Business Plan as approved by the Board.

   - The target EPS range of projected Business Plan performance is developed by the Human Resources Committee and recommended to the Board for adoption.
   - Events beyond the reasonable control of management are identified and adjusted, either upward or downward, by the Human Resources Committee when assessing measurement of actual EPS against target EPS.
   - The Audit Committee reviews the proposed adjustments to actual EPS for events beyond the reasonable control of management and confirms the financial implications of such events to the Human Resources Committee for its assessment in developing a recommendation for Board approval.
   - For 2012, the Board adopted a range of + or – 5% of the EPS projected in the Business Plan for the purpose of setting the maximum target and minimum acceptable corporate performance.

Corporate Performance Targets

	Earnings Per Share	**Annual Incentive Payout**
95% of Business Plan	1.52	50%
Business Plan	1.60	100%
105% or more of Business Plan	1.68	150%

   - Performance between 95% and 105% of Business Plan results in an interpolated payout between 50% and 150% of Target.
   - Performance below 95% of Business Plan results in zero payout.

2. Individual performance is determined by measuring results against individual executive performance objectives approved by the Human Resources Committee in the first quarter of the financial year.
3. Each NEO's annual incentive payment is determined by the Board upon recommendation from the Human Resources Committee.

A summary of the performance metrics, weightings, and potential payout range for each NEO is shown below.

Position	Corporate Performance Targets [(1)]			Individual Performance Targets [(1)]		
	Weight	Metric	Payout Range	Weight	Metric	Payout Range
CEO	80%	EPS	0 - 150%	20%	Multiple	0 - 150%
CFO	70%	EPS	0 - 150%	30%	Multiple	0 - 150%
General Counsel	50%	EPS	0 - 150%	50%	Multiple	0 - 150%

(1) *The Corporate Performance payout percentage plus the Individual Performance payout percentage can range from 0% to 150%. The final incentive percentage can be increased at the Board's discretion based on the NEO's response to exceptional challenges or opportunities.*

Medium- and Long-Term Performance

<u>Medium- and Long-Term Incentives</u>

Medium- and long-term incentives are granted to align executives' interests with shareholders' interests in increasing shareholder value. Two programs currently used by Fortis are: (i) Stock Options under the 2012 Stock Option Plan, which was approved by Shareholders at the meeting held on 4 May 2012 and replaced the 2006 Stock Option Plan; and (ii) PSUs under the Performance Share Unit Plan ("PSUP") established in 2004 for the CEO.

Descriptions of these two plans are set out below:

1. *2012 Stock Option Plan*

The 2012 Stock Option Plan was approved by Shareholders on 4 May 2012 for the grant of Options to Eligible Persons and has not been amended in the latest financial year. Directors are not eligible to participate in the 2012 Stock Option Plan. No Options shall be granted under the 2012 Stock Option Plan if, together with any other security-based compensation arrangement established or maintained by Fortis, such granting of options could result in: (i) the number of Common Shares issuable to insiders of Fortis, at any time, exceeding 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to insiders of Fortis, within any one-year period, exceeding 10% of the issued and outstanding Common Shares.

The 2012 Stock Option Plan is administered by the Human Resources Committee. Pursuant to the 2012 Stock Option Plan, the determination of the exercise price of Options is made by the Human Resources Committee at a price not less than the volume-weighted average trading price of the Common Shares of Fortis determined by dividing the total value of the Common Shares traded on the TSX during the last five trading days immediately preceding the date of grant by the total volume of the Common Shares traded on the TSX during such five trading days. The Human Resources Committee determines: (i) which Eligible Persons are granted Options; (ii) the number of Common Shares covered by each Option grant; (iii) the price per share at which Common Shares may be purchased; (iv) the time when the Options will be granted; (v) the time when the Options will vest; and (vi) the time at which the Options will expire.

Options granted under the 2012 Stock Option Plan are personal to the Eligible Person and not assignable, other than by testate succession or the laws of descent and distribution. In the event that a person ceases to be an Eligible Person, the 2012 Stock Option Plan will no longer be available to such person. The grant of Options does not confer any right upon an Eligible Person to continue employment or to continue to provide services to Fortis.

If the term of an Option granted pursuant to the 2012 Stock Option Plan, held by an Eligible Person, expires during a blackout period (being a period during which the Eligible Person is prohibited from trading in the securities of Fortis pursuant to securities regulatory requirements or then applicable written policies), then the term of such Option, or unexercised portion thereof, shall be extended and shall expire 10 business days after the end of the blackout period.

Options granted pursuant to the 2012 Stock Option Plan have a maximum term of ten years from the date of grant. Options will vest over a period of not less than four years from the date of grant. Options granted pursuant to the 2012 Stock Option Plan will expire no later than three years after the termination, death or retirement of an Eligible Person. Loans to Eligible Persons for the exercise of Options are prohibited by the 2012 Stock Option Plan.

The 2012 Stock Option Plan provides that, notwithstanding any provision in the plan to the contrary, no Option may be amended to reduce the Option Price below the Option Price as of the date the Option is granted.

Commencing 1 January 2009, where an executive has been granted options for five or more prior years, the maximum number of shares for which options will be granted in any calendar year will not exceed the minimum number of shares held by the executive since the beginning of the previous calendar year.

2. *Performance Share Units*

The CEO is granted PSUs in addition to stock options. Each PSU represents a unit with an underlying value equivalent to the value of a Common Share. Notional dividends are assumed to accrue to the holder of the PSU and to be reinvested on the quarterly dividend payment dates of Common Shares. The PSU maturation period is three years, at which time a cash payment is made to the CEO after evaluation by the Human Resources Committee of the achievement of predetermined personal and/or corporate objectives and total return performance. The payment is based on the number of PSUs outstanding multiplied by the volume-weighted average trading price of the Common Shares determined by dividing the total value of the Common Shares traded on the TSX during the last five trading days immediately preceding the date of grant by the total volume of the Common Shares traded on the TSX during such five trading days.

These units provide an additional incentive for the CEO to achieve specific mid- to long-term corporate performance goals and provide a disincentive to inappropriate actions impacting short-term performance metrics. If these goals are not achieved, then the CEO may ultimately receive less compensation than the approximate median of the CEO reference group of companies.

Effective 1 January 2013, the Corporation adopted a PSU plan for its executives to replace the current plan limited to the CEO and extend participation to designated management personnel of the Corporation and its subsidiaries. The 2013 Performance Share Unit Plan is administered by the Human Resources Committee which grants PSUs determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average trading price of Common Shares in a similar manner as the current PSU plan. Payment will be made three years after the grant in an amount of 0-120% of the number of PSUs accumulated, including reinvestment of notional dividends, as determined appropriate by the Human Resources Committee upon measurement of Fortis performance over such three-year period against predetermined measures. These measures include compound annual growth rate in EPS and property plant and equipment and total shareholder return compared to the median performance metrics of a pre-determined performance comparator group of 25 North American gas and electric utilities and subject to maintaining a corporate credit rating consistent with the median credit rating of the performance comparator group.

3. *Other Security Based Arrangements*

In addition to the two incentive plans discussed above, Fortis maintains the 2002 and 2006 Stock Option Plans from which awards are no longer granted. Upon approval of the 2012 Stock Option Plan by the Shareholders on 4 May 2012, stock option grants ceased to be made under the 2006 Stock Option Plan; however, unexercised options remain outstanding under both the 2002 and 2006 Stock Option Plans. The 2002 and 2006 Stock Option Plans will terminate when all of the outstanding options are exercised or expire on or before 28 February 2016 in respect of the 2002 Stock Option Plan and 2 March 2018 in respect of the 2006 Stock Option Plan.

Full-Career Performance

Employee Share Purchase Plan

The optional ESPP was approved on 7 December 1987. In May 2010, the Board adopted an ESPP that satisfies share delivery obligations from purchases on the open market rather than issuance from treasury. This new feature of the ESPP became operational at the 1 September 2010 share purchase date. The market purchase ESPP is transparent to the participant and employs the same terms as the original ESPP. Details of this plan are discussed below.

Shareholders of Fortis approved adoption of the 2012 Employee Share Purchase Plan ("2012 ESPP") at the Annual Meeting of 4 May 2012. The 2012 ESPP allocated 2,044,664 Common Shares for issuance from treasury under the 2012 ESPP while retaining flexibility for the Corporation to satisfy share delivery requirements thereunder by secondary market purchases. Commencing with the share purchase date on 1 September 2012, the Corporation has been delivering treasury shares to satisfy share delivery requirements under the 2012 ESPP.

Employees of Fortis and its subsidiaries are encouraged to share in the financial performance of Fortis by investing in Common Shares as facilitated through the 2012 ESPP and predecessor plans for all permanent employees and stock option plans for senior management. The 2012 ESPP is available to permanent employees and persons who retire upon becoming eligible to do so under the terms of their employer's pension plan and who were participants in the 2012 ESPP at the time of their retirement ("Retirees"). As at 31 December 2012, the total number of Common Shares outstanding under the ESPP and 2012 ESPP was 2,518,619. This represents 1.31% of the total number of issued and outstanding Common Shares.

Permanent employees wishing to participate in the 2012 ESPP may inform their employer that they wish to participate in the plan by completing an employee participation form. The proposed investment in Common Shares cannot be less than $100 and cannot exceed, in the aggregate, in any calendar year, 10% of the permanent employee's annual base salary for the year. A Retiree's participation will be limited to the reinvestment of dividends on Common Shares recorded for participation in the ESPP or 2012 ESPP. The benefits of the plan are not assignable.

The permanent employee's contribution represents 90% of the purchase price of the Common Shares under the 2012 ESPP and the permanent employee's employer contributes the remaining 10%. Shares are either acquired in the open market by Computershare Trust Company of Canada, the trustee under the ESPP and 2012 ESPP, or issued from treasury. The Corporation can elect between treasury issue or secondary market purchase of Common Shares by notice to the trustee at least 15 business days prior to a share purchase date. From 1 September 2010 through 1 June 2012, all of the shares were purchased from the open market. Commencing 1 September 2012, the Corporation resumed satisfaction of share delivery requirements from treasury.

Where payments received by the employer from the permanent employee are less than the amounts directed to be invested, the Employer will make a loan ("Employee Loan") to the permanent employee for the amount of the balance. The permanent employee must repay any Employee Loan amount, without interest, over a term not exceeding 52 weeks immediately following the date of the loan. The full amount of an Employee Loan outstanding becomes due and payable immediately upon termination of employment, when any compensation owing to the permanent employee will be applied to repayment of the Employee Loan.

All Common Shares purchased and retained under the 2012 ESPP are registered in the name of Computershare Trust Company of Canada, as trustee, for the benefit of the permanent employees participating in the plan. Certificates for Common Shares purchased through an Employee Loan will not be provided to the permanent employee until such Employee Loan is repaid in full. Otherwise, certificates for Common Shares held by a permanent employee under the 2012 ESPP are provided upon written request to Fortis or upon termination of the permanent employee's participation in the 2012 ESPP.

PENSION PLAN BENEFITS

Mr. Marshall's participation in a Defined Benefit Registered Pension Plan ("DB RPP") and the Defined Benefit Supplemental Plan ("DB SERP") (collectively the "DB Plans") ceased with respect to contribution and accrual of benefit on 31 December 2006. Commencing 1 January 2007, Fortis contributes an amount, which is matched by Mr. Marshall, up to the maximum RRSP contribution limit, as allowed by the *Income Tax Act* (Canada), to a self-directed RRSP for Mr. Marshall. Commencing 1 January 2007, he also participates in the non-contributory Defined Contribution Supplemental Employee Retirement Plan ("DC SERP").

Defined Benefit Plans

In accordance with the terms of Mr. Marshall's employment agreement entered at the time he was appointed CEO in April 1996, the combined result of the DB Plans is to entitle Mr. Marshall to receive an annual payment following retirement equal to 70% of his highest three-year average annual base salary and annual cash incentive determined as at 31 December 2006. The annual benefit that will be paid to Mr. Marshall upon retirement under the DB Plans is subject to actuarial adjustment resulting from delayed commencement of Mr. Marshall's retirement after 1 January 2007. The annual pension that would have been paid as of 31 December 2012 to Mr. Marshall, if his retirement had commenced on 1 January 2013, was $1,308,282 for life with 50% payable to his surviving spouse.

All payments to Mr. Marshall under the DB SERP will be paid from the operating funds of the Corporation and are not secured through a trust fund. The DB SERP operates as a supplement to the Corporation's regular defined benefit pension plan which provides a pension up to the maximum limits allowed by the applicable pension rules of the *Income Tax Act* (Canada).

Other Retirement Arrangements

Messrs. Perry and McCabe do not participate in a defined benefit pension plan and Mr. Marshall's participation in the DB Plans ceased as at 31 December 2006, other than in regards to his entitlement to pension payment on retirement. Fortis contributed to self-directed RRSPs for Messrs. Marshall, Perry and McCabe, which contribution was matched by them up to the maximum RRSP contribution limit as allowed by the *Income Tax Act* (Canada).

Defined Contribution Supplemental Employee Retirement Plan

Messrs. Marshall, Perry and McCabe participate in the DC SERP. The DC SERP provides for the accrual by Fortis of an amount equal to 13% of the annual base salary and annual cash incentive of the participant in excess of the allowed maximum for contribution to an RRSP, to an account which accrues interest equal to the rate of a 10-year Government of Canada bond yield plus a premium of 1% to 3% dependent upon years of service. At the time of retirement, the notional amounts accumulated under the DC SERP may be paid to the participant in one lump sum or in equal payments over 15 years.

2012 EXECUTIVE COMPENSATION

Objective Setting

Following approval of the Business Plan by the Board, the CEO recommends a range of the EPS projected in the Business Plan to be used to assess corporate performance by the Human Resources Committee. Each NEO also proposes individual performance objectives that support the Business Plan. The CEO submits his individual performance objectives directly to the Human Resources Committee and reviews the individual performance objectives for the other NEOs with the Human Resources Committee. The Human Resources Committee then reviews and submits the corporate and individual performance objectives to the Board for approval.

Annual Base Salary

In accordance with the executive compensation philosophy, the Human Resources Committee adjusts annual base salaries for each NEO referenced against the market medians for the applicable comparator group(s) of Canadian commercial industrial companies.

Annual Incentive

Fortis used EPS, adjusted either upward or downward for matters beyond the reasonable control of management, to determine the corporate performance component of annual incentive payouts for 2012.

The individual performance metrics established for 2012 were intended to drive personal development and performance outside of corporate goals.

CEO Individual Performance Metrics

In addition to general performance against his position description, individual metrics for the CEO included strategically positioning Fortis and its subsidiaries for continued profitable growth by:

- Weathering the world economic crisis and recessionary economic environment; and
- Realizing opportunities for growth.

CFO Individual Performance Metrics

In addition to general performance against his position description, individual metrics for the CFO included:

- Managing financial aspects of acquisition or divestiture investigations and transactions for Fortis and its subsidiaries;
- Implementation of migration to US GAAP financial reporting; and
- Triennial Review of the Executive Compensation Policy.

General Counsel Individual Performance Metrics

In addition to general performance against his position description, individual metrics for the General Counsel included:

- Managing legal aspects of acquisition or divestiture investigations and transactions for Fortis and its subsidiaries;
- Progress the Belize Electricity Limited Compensation Claim;
- Amend the By-Laws of the Corporation;
- Implement the 2012 Stock Option and 2012 Employee Share Purchase Plans; and
- Triennial Review of the Executive Compensation Policy.

In respect of identification and analysis of the impact of matters beyond the reasonable control of management, the Human Resources Committee, with the assistance of the Audit Committee, performed an assessment of the performance of the Corporation and individual NEOs against the predetermined corporate and individual performance metrics to develop its recommendation to the Board for the 2012 annual incentive payments. The assessment of the Human Resources Committee was as follows:

President & CEO:

	Actual Performance			Resultant Payout		
Type of Metric	**Metric**	**Target**	**Actual % of Target**	**Actual % of Target Multiple**	**STI Weighting %**	**% Payout**
Corporate Metrics	EPS	Business Plan EPS (adjusted)	107	150	80	120
Individual Metrics	Various	Full Achievement		120	20	24
Total					100	144

VP, Finance & CFO:

	Actual Performance			Resultant Payout		
Type of Metric	**Metric**	**Target**	**Actual % of Target**	**Actual % of Target Multiple**	**STI Weighting %**	**% Payout**
Corporate Metrics	EPS	Business Plan EPS (adjusted)	107	150	70	105
Individual Metrics	Various	Full Achievement		140	30	42
Total					100	147

VP, General Counsel:

	Actual Performance			Resultant Payout		
Type of Metric	**Metric**	**Target**	**Actual % of Target**	**Actual % of Target Multiple**	**STI Weighting %**	**% Payout**
Corporate Metrics	EPS	Business Plan EPS (adjusted)	107	150	50	75
Individual Metrics	Various	Full Achievement		120	50	60
Total					100	135

Based on performance against corporate and individual objectives mentioned above and in exercise of the discretion vested in the Board, the following annual incentive payments were awarded:

	2012 Actual Annual Incentive Payment ($)	**Percentage of Target Payout (%)**
H. Stanley Marshall	$1,530,000	150
Barry V. Perry	$420,000	173
Ronald W. McCabe	$170,000	160

Medium- and Long-term Incentives

Performance Share Units

2012 – 2015 PSU Grant

In 2012, the CEO was granted 62,000 PSUs valued at a total of $2,109,860 at the date of issue. The payout criteria established by the Human Resources Committee, in respect of the 2012 grant, were directed at:

- Successfully minimizing the impacts of adverse economic factors on the Corporation over the next three years and taking advantage of growth opportunities;
- Successfully progressing the position of the Corporation's British Columbia utilities;
- Maintenance of reasonably successful results for Fortis as a whole relative to the return reported for the S&P/TSX Utilities Index over the three-year period commencing 1 March 2012.

2009 – 2012 PSU Grant

The Human Resources Committee considered the PSU award made in 2009 at its meeting on 13 March 2012. The Human Resources Committee reviewed performance over the three-year period from 2009 through 2012 of the Corporation and the CEO against the pre-defined payout criteria of:

- Successfully minimizing the negative impacts and maximizing the growth opportunities likely to result from the global economic crisis on the Corporation over the next three years;
- Successfully consolidating the position of the Corporation's British Columbia utilities; and
- Maintenance of reasonably successful results for Fortis as a whole as measured by total return equal to, or better than, the return reported for the S&P/TSX Utilities Index over the three-year period commencing 1 March 2009.

The Human Resources Committee concluded that Mr. Marshall fully achieved the performance criteria and authorized payment pursuant to the plan in the amount of $1,453,462.

Stock Options

The number of options granted to NEOs is based upon each NEO's annual base salary. Under guidelines approved by the Board, each executive may receive one option grant per year. In 2012, the CEO, CFO and General Counsel received option grants at 400%, 400% and 150% of their respective annual base salaries.

Based on the Black-Scholes Option Pricing Model, these levels of grants are equivalent to an economic value of 49.1%, 49.1% and 18.4% of their respective annual base salaries. In terms of the number of options, these percentages resulted in 140,064, 56,612 and 11,600 stock options being granted to the CEO, CFO and General Counsel, respectively.

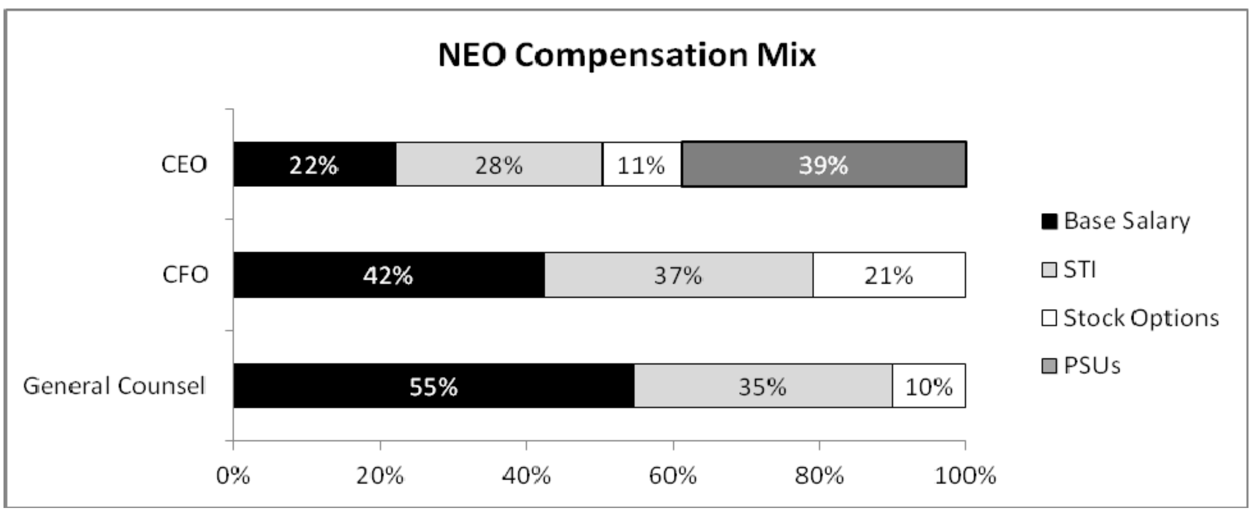
Options were granted at an exercise price of $34.27. Options granted in 2012 have a maximum term of ten years from the date of grant and the Options will vest over a period of not less than four years from the date of grant. No options will vest immediately upon being granted. Options will expire no later than three years after the termination, death or retirement of the NEO.

There were no amendments, replacements, or any modifications to option grants during 2012. However, a total of 42,926 options were cancelled during 2012 by reason of termination of employment of the optionee.

2012 Total Direct Compensation Components
(Base Salary + Annual Incentive + PSUs + Stock Options)

The Fortis approach to total direct compensation is to provide a comprehensive compensation package that links to overall corporate strategy by rewarding individual performance based on Fortis corporate performance. A significant portion of total direct compensation is "at risk" – meaning it will vary annually based on corporate and individual performance with the remainder derived from salary. In 2012, the portion of total direct compensation "at risk" for the CEO, CFO and General Counsel was approximately 78%, 58% and 45%, respectively. This level of "at risk" compensation encourages the alignment of executive and shareholder interests. The Corporation's executive compensation regime is structured in a manner that emphasizes the greater ability of the CEO to affect corporate performance by making a greater portion of the CEO's compensation dependent upon corporate performance. A breakdown of the components of 2012 Total Direct Compensation for each NEO is shown below.

NEO	Base Salary ($)	Annual Incentive ($)	Stock Options ($)	PSUs ($)	Total At-Risk
CEO	1,200,000	1,530,000	589,669	2,109,860	4,229,529
CFO	485,000	420,000	238,337	-	658,337
General Counsel	265,000	170,000	48,836	-	218,836



Retirement Plans

In 2012, the Corporation contributed to self-directed individual RRSPs for Messrs. Marshall, Perry and McCabe, which contributions were matched by them up to the maximum RRSP contribution limit of $22,970 as allowed by the *Income Tax Act* (Canada).

Additional amounts were accrued into DC SERP accounts equal to 13% of the annual base salary and annual cash incentive above the threshold required to meet the maximum RRSP contribution limit for each NEO in the amounts of $344,280, $92,080 and $33,580 for Messrs. Marshall, Perry and McCabe, respectively. A detailed breakdown of retirement plans for each NEO is provided in the *Retirement Plan Tables* of this Circular.

SHARE OWNERSHIP GUIDELINES

The Board adopted a policy in 2003 that requires the CEO to acquire Common Shares to a value equivalent to three times annual base salary within three years of being appointed to the position of CEO. The requirement was increased as of 1 January 2012 to four times annual base salary within five years of being appointed to the position of CEO. Mr. Marshall's ownership of Common Shares exceeds this requirement.

Rather than prescribe minimum share holding guidelines for the other NEOs, the Board elected to encourage share ownership by participants in the stock option plans. In the 2007 Executive Compensation Policy the Board elected to limit annual option grants to any participant who has been granted options for at least five years to the lesser of the number of options prescribed under the Executive Compensation Policy related to the particular position rating of the individual and the minimum number of shares actually owned by the individual since the beginning of the previous calendar year. This guideline became effective with the option grants made on 11 March 2009. This provision continues to apply to grants issued under the 2012 Stock Option Plan.

In addition to the minimum share holding criteria aspect of the award of stock options, effective 1 January 2013, the Board adopted minimum shareholding guidelines for senior management positions. The new guidelines did not alter the CEO minimum and introduced a requirement to own Common Shares equivalent to two times annual base salary above a prescribed Hay point rating which extends to the CFO such that the share ownership guidelines applicable to the NEOs, commencing 1 January 2013, is as follows:

Position	Share Ownership Guideline
CEO	4 times annual base salary
CFO	2 times annual base salary

The current share ownership of the NEOs compared to a multiple of their 2012 annual base salary is as follows:

Common Share Ownership of Named Executive Officers

Name	Shares Owned at 21 March 2013 [(1)] (#)	Value of Shares [(2)] ($)	Common Share Value as a Multiple of 2012 Base Salary (x)
H. STANLEY MARSHALL	365,632	12,285,235	10.2
BARRY V. PERRY	117,715	3,955,224	8.2
RONALD W. McCABE	76,540	2,571,744	9.7

[(1)] *Represents both direct and indirect ownership of Common Shares as reported by each NEO*
[(2)] *Calculated using the closing price of Common Shares as at 21 March 2013 of $33.60.*

Note on Trading Restrictions

Fortis prohibits employees, officers and directors from entering into short sales, calls and puts of any of its securities. Directors and officers of Fortis and its subsidiaries are also required to pre-clear any buying or selling of Fortis securities, including stock options, with the CFO or General Counsel.

"Clawback" Policy

Effective 1 January 2013, the Corporation adopted a compensation recoupment policy as an element of its 2013 Executive Compensation Policy. This policy provides that, in the event of a material restatement of the financial results of the Corporation caused by the fraud or intentional misconduct of one or more employees of the Corporation or a subsidiary of the Corporation, the Human Resources Committee may determine to recoup or require repayment of any compensation linked to the financial or share performance of the Corporation that was paid, awarded or granted to any employee of the Corporation or a subsidiary over such time period as the Human Resources Committee determines to be appropriate in the specific circumstances.

COMPENSATION CONSULTANT

Fortis currently engages Hay Group as its primary compensation consultant. As previously discussed, Hay Group also provides Fortis subsidiaries with job evaluation services and market compensation data from its national database. The engagement with Hay Group at the subsidiary level is solely subject to the direction and decision of the respective subsidiary boards of directors, which operate autonomously from the Corporation. The Human Resources Committee acknowledges this working structure which has been established for years and, as such, requires no pre-approval so long as such services are consistent with the compensation philosophy of the Corporation. In conjunction with the Triennial Review of the Executive Compensation Policy in 2012, the Human Resources Committee engaged Mercer to provide advice in addition to the primary mandate of Hay Group.

Fortis also engages Mercer to consult on certain pension and compensation issues and to perform certain administrative and actuarial functions related to the Corporation's pension programs.

Type of Fee by Consultant	2012 Consultant Fees ($)	Percentage of Total 2012 Consulting Fees (%)	2011 Consultant Fees ($)
Hay Group - Executive Compensation Consulting [(1)]	313,865	46.2	102,998
All other Fees Hay Group - Job evaluation, market compensation data	-	-	13,113
Mercer Triennial Review of Executive Compensation Policy [(2)]	191,744	28.3	-
Mercer - Pension consulting and actuarial services	173,049	25.5	195,399
Total	678,658	100.0	311,510

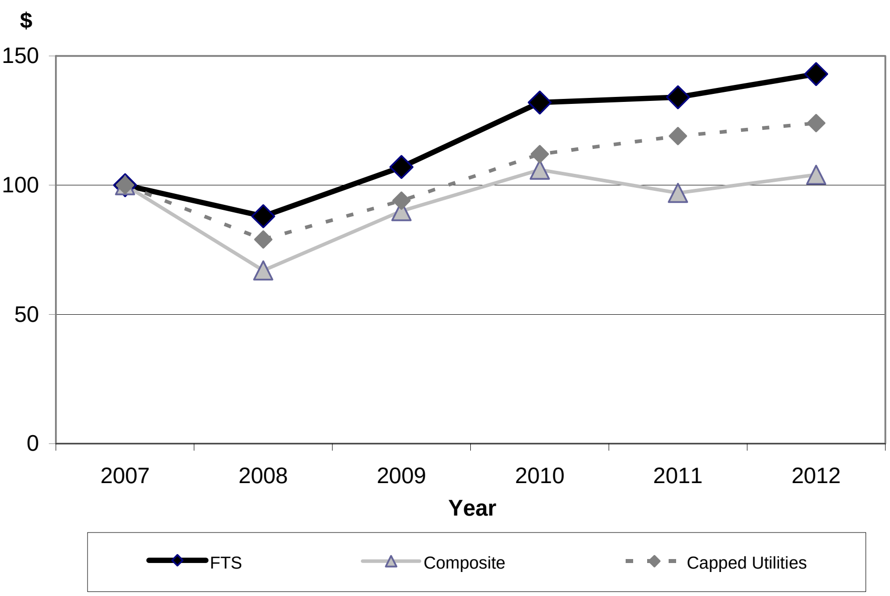
(1) *Mandate given to Hay Group in 2012 was for the following work: compensation analysis for executive positions, estimated salary increases, incentive valuation and Compensation Discussion and Analysis disclosure consulting, triennial review of executive compensation and assessment of compensation risk considerations.*

(2) *Mandate given to Mercer in 2012 was for the triennial review of executive compensation and assessment of director compensation.*

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for $100 invested in Fortis Common Shares on 31 December 2007 with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Capped Utilities Index for the five most recently completed financial years. Dividends declared on the Common Shares are assumed to be reinvested at the closing share price of the Common Shares on each dividend payment date. The S&P/TSX Composite Index and S&P/TSX Capped Utilities Index are total return indices and include reinvested dividends.

Five-Year Cumulative Total Return on $100 Investment
Fortis Inc. Common Shares, S&P/TSX Composite Index and S&P/TSX Capped Utilities Index
(31 December 2007 – 31 December 2012)



	2007	2008	2009	2010	2011	2012
Fortis Inc. Common Shares ($)	100	88	107	132	134	143
S&P/TSX Composite Index ($)	100	67	90	106	97	104
S&P/TSX Capped Utilities Index ($)	100	79	94	112	119	124
Increase in total shareholder return from prior year - Fortis Inc. Common Shares (%)	-	(12.0)	21.6	23.4	1.5	6.7

The Corporation's executive compensation programs are designed to reward NEOs at approximately the median practice of Canadian commercial industrial companies. Total Shareholder Return ("TSR") is one of the factors considered by the Human Resources Committee during its deliberation over the short-, medium- and long-term incentive components of compensation. Therefore, a direct correlation between the performance graph and executive compensation levels over any given period is not to be expected.

As demonstrated in the graph above, Fortis TSR has increased 43% since 31 December 2007. The Corporation's cumulative performance has exceeded the two comparator indices over the five most recently completed financial years. From 31 December 2007 through 31 December 2012, the S&P/TSX Composite Index increased 4% and the S&P/TSX Capped Utilities Index increased 24%. Consequently, Fortis outperformed the S&P/TSX Composite and S&P/Capped Utilities Indices by 975% and 79%, respectively. During this time, the total assets of Fortis increased by 46% from $10.3 billion as at 31 December 2007 to $15.0 billion as at 31 December 2012. This increase in assets was largely influenced by the Corporation's capital expenditure program which surpassed $1 billion per year for the last four years including $436 million invested in the construction of the Waneta Expansion hydroelectric generating facility since the development began in late 2010.

Earnings to common shareholders increased by 63% from $193 million in 2007 to $315 million in 2012. Growth in revenue over the same time period reached 34%, largely reflecting revenue from the acquisition of the natural gas distribution business in British Columbia, which was completed on 17 May 2007. Revenue from 2008 onwards has remained relatively flat, due largely to declining natural gas commodity prices, which have offset increased revenue associated with a growing rate base and increased energy consumption associated with customer and sales growth.

The increase in NEO Total Compensation for 2012 when compared to 2007 was 80.7%. NEO Total Compensation, as a percentage of Fortis earnings, was 2.51% in 2012 compared to 2.27% in 2007. The major contributing factor to the increase in the NEO Total Compensation was an increase in the value of PSUs granted to the CEO in order to continue to provide compensation at approximately the median practice of the applicable comparator group. This increase was consistent with the Corporation's focus on longer-term performance. The component of at-risk longer-term compensation (PSUs + Stock Options) for the CEO, when compared to Total Direct Compensation (Base Salary + STI + PSUs + Stock Options) for the CEO, increased from 34% in 2007 to 50% in 2012.

COMPENSATION TABLES

Compensation of Named Executive Officers

The following table sets forth information concerning the annual and long-term compensation earned for services rendered during the last financial year by the CEO of Fortis and each of the other NEOs as defined in National Instrument 51-102F6 – *Statement of Executive Compensation*, with comparative information for the two previous financial years.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Share-Based Awards [1] ($)	Option-Based Awards [2] ($)	Annual Incentive Plans [3] ($)	Pension Value [4] ($)	All Other Compensation [5] ($)	Total Compensation [4] ($)
H. STANLEY MARSHALL President and CEO	2012	1,200,000	2,109,860	589,669	1,530,000	344,280	184,794	5,958,603
	2011	1,125,000	1,494,000	624,134	1,625,000	274,600	201,067	5,343,801
	2010	1,000,000	1,407,600	483,565	1,160,000	261,920	242,859	4,555,944
BARRY V. PERRY Vice President, Finance and CFO	2012	485,000	-	238,337	420,000	92,080	150,391	1,385,808
	2011	470,000	-	260,746	400,000	81,680	155,119	1,367,545
	2010	450,000	-	217,607	331,000	79,498	147,703	1,225,808
RONALD W. McCABE Vice President, General Counsel and Corporate Secretary	2012	265,000	-	48,836	170,000	33,580	37,110	554,526
	2011	255,000	-	53,049	170,000	24,480	40,893	543,422
	2010	240,000	-	58,036	106,000	22,772	37,565	464,373

(1) *Represents the PSUs awarded in 2010, 2011 and 2012 – see 2012 Executive Compensation – Performance Share Units on page 38 of this Circular. The value of the PSUs awarded was determined using the underlying value of Common Shares as of the grant date. The value used was actuarially determined to be $23.46, $33.20 and $33.61 per PSU for 2010, 2011 and 2012, respectively. Prior to 2012, the value used to determine the number of PSUs issued was based on 90% of the estimated Commercial Industrial Median Target of CEO compensation, which included salary, STI payout and LTI. Since this practice was determined to be below median practice, beginning in 2012, the value of the PSUs awarded was based on providing 100% of the estimated Expanded Commercial Industrial Median Target for CEO compensation. For accounting purposes, the awards for 2010, 2011 and 2012 were measured at fair value, which was determined as the weighted average price of Common Shares traded on the TSX for the five trading days immediately preceding the date of the grant. This value was determined to be $27.39, $33.04 and $33.61 per PSU for 2010, 2011 and 2012, respectively.*

(2) *Represents the fair value of stock options to acquire Common Shares. The fair values of $4.41, $4.57 and $4.21 per option were determined at the date of grant using the Black-Scholes Option Pricing Model in 2010, 2011 and 2012, respectively. The key assumptions used to determine the stock option value included: a weighted average expected 4.5-year maturity period, which is based on the vesting policy under the current stock option plan; dividend yield, which is based on the average dividends paid/average share prices over the historical maturity period; interest rate, which is the Government of Canada bond yield to match the maturity period of the options; and volatility, which is the variation of the share price over the historical maturity period.*

(3) *Represents amounts earned under the Corporation's annual short-term incentive program in the form of cash bonus related to the 2010, 2011 and 2012 financial years.*

(4) *The amount reported for Pension Value is comprised of the compensatory charge in the DC SERP. Amounts reported for Pension Value and Total Compensation for 2010 and 2011 were restated to reflect current year's calculations prepared in accordance with US GAAP. Pension Value for the CEO for each of 2010 and 2011, and the resulting Total Compensation for both years, were reduced by $423,918 and $280,154, respectively.*

(5) *Includes the dollar value of insurance premiums paid by Fortis with respect to term life and disability insurance; imputed interest benefits of loans provided to NEOs in respect of the acquisition of Common Shares in accordance with the ESPP; vehicle benefits; transportation costs; share discount benefits; employer contributions to the self-directed RRSP of the NEO; and amounts paid by subsidiaries of Fortis as directors' fees to Messrs. Marshall and Perry in 2010 ($175,038 and $110,060, respectively), 2011 ($128,575 and $113,100, respectively) and 2012 ($118,484 and $106,000, respectively).*

Incentive Plan Awards

The following tables set forth details of all LTI Plan awards as at 31 December 2012. The LTI Plans are described on page 31 of the *Report on Executive Compensation*.

Outstanding Option-Based and Share-Based Awards Table (as at 31 December 2012)

		Option Based Awards				*Share Based Awards*		
Name	**Year Option Granted**	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options [(1)] ($)**	**Number of shares or units that have not vested (#)**	**Market or payout value of share-based awards that have not vested [(2)] ($)**	**Market or payout value of vested share-based awards not paid out or distributed ($)**
H. STANLEY MARSHALL	2012	140,064	34.270	4 May 2022	-	62,000	2,121,640	-
	2011	136,572	32.950	2 Mar 2018	173,447	45,000	1,539,900	-
	2010	109,652	27.360	1 Mar 2017	752,212	60,000	2,053,200	-
	2009	134,592	22.290	11 Mar 2016	1,605,683	-	-	-
	2008	92,324	28.270	26 Feb 2015	549,328	-	-	-
	2007	77,156	28.190	7 May 2014	465,251	-	-	-
	2006	73,561	22.940	28 Feb 2016	829,768	-	-	-
	2005	88,292	18.405	1 Mar 2015	1,396,338	-	-	-
	2004	101,440	15.280	10 Mar 2014	1,921,274	-	-	-
	2003	52,694	12.810	13 Mar 2013	1,128,179	-	-	-
Total		1,006,347			8,821,480	167,000	5,714,740	-
BARRY V. PERRY	2012	56,612	34.270	4 May 2022	-	-	-	-
	2011	57,056	32.950	2 Mar 2018	72,461	-	-	-
	2010	24,672	27.360	1 Mar 2017	169,250	-	-	-
	2009	15,142	22.290	11 Mar 2016	180,644	-	-	-
Total		153,482			422,355	-	-	-
RONALD W. McCABE	2012	11,600	34.270	4 May 2022	-	-	-	-
	2011	11,608	32.950	2 Mar 2018	14,743	-	-	-
	2010	13,160	27.360	1 Mar 2017	90,278	-	-	-
	2009	16,152	22.290	11 Mar 2016	192,693	-	-	-
	2008	12,204	28.270	26 Feb 2015	72,614	-	-	-
	2007	11,440	28.190	7 May 2014	68,983	-	-	-
	2006	13,535	22.940	28 Feb 2016	152,675	-	-	-
	2005	8,150	18.405	1 Mar 2015	128,892	-	-	-
Total		97,849			720,878	-	-	-

(1) *The value of unexercised in-the-money options as at 31 December 2012 is the difference between the option exercise price and the closing price of Common Shares as at 31 December 2012 on the TSX of $34.22 applied to outstanding options. Where the exercise price is greater than the closing price, no value is assigned.*

(2) *Market or payout value of share-based awards that have not vested is the payout value of outstanding PSUs based on the closing price of Common Shares on the TSX as at 31 December 2012 of $34.22.*

Incentive Plan Awards - Value Vested or Earned - 2012

Name	Option-based awards - Value vested during the year [(1)] ($)	Share-based awards - Value vested during the year [(2)] ($)	Non-equity incentive plan compensation - Value earned during the year [(3)] ($)
H. STANLEY MARSHALL	508,023	1,453,462	1,530,000
BARRY V. PERRY	229,276	-	420,000
RONALD W. McCABE	61,791	-	170,000

(1) *Represents the aggregate value that would have been realized if options that vested during the year had been exercised on the vesting date. The value is calculated as the difference between the closing price of the Common Shares on the TSX on the vesting date and the grant price of the respective grant.*
(2) *Represents the value of PSUs that were realized and paid in 2012. No payments were deferred in 2012.*
(3) *Represents the annual incentive earned for 2012. See the Summary Compensation Table in this Circular.*

Equity Compensation Plan Information as at 31 December 2012

Plan Category	Number of securities to be issued upon exercise of outstanding options (#)	Weighted average exercise price of outstanding options ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding options issued and outstanding) (#)
Equity compensation plans approved by security holders	4,742,665	27.49	9,214,526

Stock Options Outstanding

Option Plan	Options Outstanding 31 December 2012 (#)	Options Outstanding 21 March 2013 [(1)] (#)	% of Common Shares Issued and Outstanding 31 December 2012	% of Common Shares Issued and Outstanding 21 March 2013
2012 Stock Option Plan	789,220	1,596,820	0.40	0.83
2006 Stock Option Plan	3,160,844	3,067,487	1.70	1.59
2002 Stock Option Plan	792,601	694,033	0.40	0.36
Total	4,742,665	5,358,340	2.50	2.78

(1) *Shares remaining in reserve for options to be issued under the Fortis stock option plans are limited to 9,214,526 Common Shares, which represents* 4.79% *of the total number of issued and outstanding Common Shares and are all issuable pursuant to the 2012 Stock Option Plan. In aggregate, options granted and outstanding, combined with shares remaining in reserve for issuance of stock options pursuant to Fortis stock options plans are limited to 13,765,266 Common Shares, which represents 7.15% of the total number of issued and outstanding Common Shares.*

Retirement Plan Tables

The following tables set out the estimated annual pension for the NEOs from the defined benefit and the defined contribution pension arrangements.

Defined Benefit Plans Table

Name	Number of years of credited service (#)	Annual Benefits Payable: At year-end 2012 ($)	Annual Benefits Payable: At age 65 ($)	Accrued obligation at start of year ($)	Compensatory charge ($)	Non-compensatory charge [4] ($)	Accrued obligation at year end ($)
H. STANLEY MARSHALL	35 [1]	1,308,282 [2]	1,308,282 [3]	17,910,192	-	1,256,584	19,166,776

(1) *Mr. Marshall's participation in defined benefit pension plans ceased with respect to contribution and accrual of benefits on 31 December 2006. The annual pension to which he was entitled, had he retired on 1 January 2007, was $910,000. He has received credit for 35 years of Credited Service at 31 December 2006 while his actual number of years of service with the Corporation as of 31 December 2006 was 27.07. An additional 7.93 years of Credited Service were granted, as of 31 December 2006, in accordance with the terms of the employment contract entered upon his appointment as CEO in 1996. His actual number of years of service at 31 December 2012 was 33.07. Since Mr. Marshall's entitlement to pension benefit under this plan was fixed as at 31 December 2006, there has been no augmentation to such benefit for any additional service after 31 December 2006.*

(2) *Mr. Marshall's pension entitlement under the defined benefit pension plan was fixed as at 31 December 2006 and is subject to actuarial adjustment to the time of actual retirement and commencement of pension payments. This figure reflects the actuarially adjusted value of the pension benefit earned and payable as at 31 December 2006, assuming commencement of payment on 1 January 2013, of $1,308,282 per annum.*

(3) *The annual benefit payable at age 65 will be the actuarial equivalent of a $910,000 annual pension payment, earned as at 31 December 2006, as adjusted to actual commencement of payment.*

(4) *Reflects the impact on the obligation of the change in the discount rate as at the measurement date. The discount rate used as at 31 December 2012 was 4.40% compared to 5.25% as at 31 December 2011.*

Defined Contribution Plans Table [1]

Name	Accumulated value at start of year ($)	Compensatory ($)	Non-Compensatory ($)	Accumulated value at year end ($)
H. STANLEY MARSHALL	1,382,887	344,280	91,336	1,818,503
BARRY V. PERRY	662,990	92,080	25,727	780,797
RONALD W. McCABE	328,893	33,580	16,053	378,526

(1) *All payments to be made under the DC SERP will be paid from the operating funds of the Corporation as the DC SERP is not secured through a trust fund or letter of credit.*

TERMINATION AND CHANGE OF CONTROL BENEFITS

The Corporation has entered into agreements with each of Messrs. Marshall, Perry and McCabe which provide, in effect, that in the event the employment of any such individual is terminated by the Corporation, for other than just cause, the Corporation shall pay to such individual an amount equal to three times that individual's then current annual base salary. In addition, the terms of the employment contract between the Corporation and Mr. Marshall provide that he may elect to terminate his service under the agreement at any time within two years of a defined change of control of the Corporation. In such circumstances, the Corporation shall pay to Mr. Marshall an amount equal to three times his then current annual base salary. If such agreements had become operative as at 31 December 2012, the amounts payable by the Corporation thereunder to each of Messrs. Marshall, Perry and McCabe would have been $3,600,000, $1,455,000 and $795,000, respectively.

The 2012 and 2006 Stock Option Plans provide for an immediate vesting of options granted thereunder upon the happening of a defined change of control event. If such an event had occurred as at 31 December 2012, the gross amounts potentially realizable by each of Messrs. Marshall, Perry and McCabe upon the exercise of outstanding options that have not vested would have been $907,612, $404,240 and $93,312, respectively.

The PSUP provides that payments authorized by the Human Resources Committee will be made whether or not the CEO is an employee of the Corporation. There are no specific provisions related to a change of control event. Since the measurement period for payments pursuant to the PSUP is three years, the date of termination of employment will be a relevant factor to be considered by the Human Resources Committee when deciding whether the performance measures have been satisfied.

The following table outlines key severance and change-of-control provisions:

TERMINATION AND CHANGE OF CONTROL BENEFITS

	Voluntary Resignation	Retirement (Early or Normal)	Termination With Cause	Termination Without Cause	Change in Control (CEO Only)
Annual Salary	Annual Salary pro-rated to the date of resignation	Annual Salary pro-rated to the date of retirement	Ceases immediately	Three times Annual Salary	Three times Annual Salary
Annual Bonus	Bonus awarded on a pro-rated basis to the date of resignation	Bonus awarded on a pro-rated basis to the date of retirement	Forfeited	Bonus awarded on a pro-rated basis to the date of termination	Bonus awarded on a pro-rated basis to the date of termination
Stock Options	All unexercised options expire after 90 days from resignation date	All unvested options continue to vest as per normal schedule for two years after retirement; all remaining unvested options after the second year vest immediately. Options expire on the earlier of the original expiry date or three years from the date of retirement.	All vested and unvested options immediately expire and are forfeited on the termination date	All unexercised options expire after 90 days from termination date	All unvested options vest immediately and become exercisable
Performance Share Units	All unvested PSUs vest immediately	All unvested PSUs vest immediately	Forfeited	All unvested PSUs vest immediately	Continue to vest as per normal schedule
Retirement Benefits	Entitled to accrued pension	Entitled to accrued pension and retiree health benefits	Entitled to accrued Pension	Entitled to accrued pension	Entitled to accrued pension
Perquisites	Cease immediately	Cease immediately	Cease immediately	Cease immediately	Cease immediately

INDEBTEDNESS OF EXECUTIVE OFFICERS, DIRECTORS AND EMPLOYEES

The following table sets forth details of the aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees outstanding as at 21 March 2013 to Fortis and its subsidiaries.

Aggregate Indebtedness

Purpose	To Fortis and its Subsidiaries ($)	To Another Entity ($)
Share Purchases	4,402,577	NIL
Other	2,624,994	NIL

All of the indebtedness reported in the following table was incurred under Fortis stock option plans or the ESPP. Optionees, who are employees of Fortis or its subsidiaries, are entitled to receive loans for the full value of Common Shares purchased on the exercise of options under the 2002 Stock Option Plan; however, loans are not permitted under the either of the 2012 or 2006 Stock Option Plans. Optionees availing of such financing must pledge the Common Shares acquired with loans to Fortis, or applicable subsidiary, as security and pay the amount of any dividends received on the related shares as an interest charge. Share option loans must be repaid on the earlier of sale of the pledged Common Shares, one year following cessation of employment or 10 years. ESPP loans are interest free and are repayable within one year through regular payroll deductions.

The following table sets forth details of the indebtedness of the Directors and Executive Officers of Fortis under securities purchase programs as at 21 March 2013. There is no indebtedness to Fortis by executive officers, directors, employees or former executive officers, directors and employees of Fortis for any purposes other than indebtedness under securities purchase programs.

Indebtedness of Directors and Executive Officers Under Securities Purchase Programs

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During 2012 ($)	Amount Outstanding as at 21 March 2013 ($)	Financially Assisted Securities Purchased During 2012 (#)	Security for Indebtedness
H. STANLEY MARSHALL President and CEO	Fortis Inc. As Lender	-	-	-	-
BARRY V. PERRY Vice President, Finance and CFO	Fortis Inc. As Lender	-	-	-	-
RONALD W. McCABE Vice President, General Counsel and Corporate Secretary	Fortis Inc. As Lender	6,000 [(1)]	9,231 [(2)]	331	The Securities Purchased

(1) *The amount represents Mr. McCabe's participation in the ESPP during 2012*
(2) *The amount represents Mr. McCabe's participation in the ESPP during 2013.*

ADDITIONAL INFORMATION

Additional information relating to Fortis is available on SEDAR at *www.sedar.com*. Financial information relating to Fortis is provided in its comparative financial statements and Management Discussion and Analysis for the most recently completed financial year. A copy of the Corporation's most recent consolidated financial statements, interim financial statements, management discussion and analysis and Annual Information Form may be obtained by shareholders, without charge, on SEDAR at *www.sedar.com*, on the Fortis website at *www.fortisinc.com*, or upon request from the Secretary of Fortis at the following address:

Fortis Inc.
The Fortis Building, Suite 1201
139 Water Street
St. John's, NL
A1B 3T2

CONTACTING THE BOARD OF DIRECTORS

Shareholders, employees and other interested parties may communicate directly with the Board of Directors through the Chair of the Board as follows:

Chair of the Board of Directors
Fortis Inc.
The Fortis Building, Suite 1201
139 Water Street
St. John's, NL
A1B 3T2
Tel: 709 -737-2800
Fax: 709-737-5307
Email: dnorris@fortisinc.com

DIRECTORS' APPROVAL

The contents and the sending of this Circular have been approved by the Board of Directors of Fortis.

St. John's, Newfoundland and Labrador
21 March 2013

Ronald W. McCabe
Vice President, General Counsel
and Corporate Secretary

SCHEDULE A
FORM 58-101F1

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

All page references in this Schedule A are to the Management Information Circular dated 21 March 2013.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
1. Board of Directors		
(a) Disclose the identity of directors who are independent.	Yes	Nine of the ten directors proposed for nomination on pages 8 through 13 are independent in accordance with the Meaning of Independence set out in Section 1.4 of NI-52-110 – *Audit Committees*. The Board considers Ms. Goodreau and Messrs. Norris, Case, Crothers, Haughey, McCallum, McWatters, Munkley and Pavey to be independent. The director who the Board considers not to be independent is Mr. Marshall, who is the President and CEO of Fortis.
(b) Disclose the identity of directors who are not independent and describe the basis for that determination.	Yes	
(c) Disclose whether or not a majority of directors are independent.	Yes	
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Yes	All of the directorships of the nominee directors with other reporting issuers are set out on page 19 of this Circular.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	Yes	The directors regularly meet without Mr. Marshall and other management present at meetings of the Board and its committees. Private sessions during meetings conducted by telephone are held when circumstances warrant. During 2012, the directors of the Board and committees held private sessions at every meeting of the Board and each Committee. The number of meetings involving periods without Mr. Marshall and other management present during 2012 were as follows: Board 10 Audit 7 Governance and Nominating 2 Human Resources 5
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.	Yes	David G. Norris was appointed non-executive Chair effective 14 December 2010. Mr. Norris is an independent director. He is responsible for the management and effective functioning of the Board by providing leadership in every aspect of its work. Mr. Norris serves as a member of all committees and is the link between the Board and management on all matters concerning the Board.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Yes	The attendance record of each director for Board and committee meetings during 2012 is disclosed in the tables on pages 8 through 13 of this Circular.
2. Board Mandate Disclose the text of the board's written mandate.	Yes	The text of the Board Mandate is disclosed in Schedule A-1.
3. Position Descriptions (a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	Yes	The Board, with the assistance of the Governance and Nominating Committee, has developed a written position description for the Chair of the Board. There are no specific position descriptions for the chair of each committee; however, there are written mandates for each committee which delineate the responsibilities of each committee with which the chair thereof is responsible to comply.
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	Yes	The Board has developed a written position description for the CEO.
4. Orientation and Continuing Education (a) Briefly describe what measures the board takes to orient new directors regarding: (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.	Yes	Each new recruit to the Board meets with management of Fortis and its subsidiaries for orientation information on Board operation and policies, as well as current and historical data pertaining to the operation of Fortis and an assessment of current strategic opportunities and issues facing Fortis.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Yes	Presentations are made to the Board as required on developments in the business and regulatory environment impacting upon Fortis and its subsidiaries. Board meetings are periodically held at the business locations of Fortis subsidiaries affording directors the opportunity to observe operations and meet employees of the operating subsidiaries. Each subsidiary CEO makes an annual presentation to the Board on matters affecting their subsidiary's operation. Fortis sponsors director attendance at appropriate educational seminars.
5. Ethical Business Conduct		
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	Yes	The Board has adopted a written code of business conduct and ethics for Fortis.
(i) disclose how a person or company may obtain a copy of the code;	Yes	The code is available on the Fortis website at *www.fortisinc.com* (under Corporate Governance) and on SEDAR at *www.sedar.com*.
(ii) describe how the board monitors compliance with its code or, if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and	Yes	The Board, through the Audit Committee, receives reports on compliance with the code.
(iii) provide a cross reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	Yes	The Board has not granted any waiver of the code in favour of a director or executive officer during the past 12 months and for all of 2012. Accordingly, no material change report has been required to be filed.
(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Yes	The Board does not nominate for election any candidate who has an interest in any business conducted with Fortis, or its subsidiaries, and requires directors to disclose any potential conflict of interest which may develop. Directors do not undertake any consulting activities for, or receive any remuneration from, Fortis other than compensation for serving as a director.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	Yes	The Board encourages a culture of ethical conduct by appointing officers of high integrity and monitoring their performance so as to set an example for all employees.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
6. Nomination of Directors		
(a) Describe the process by which the board identifies new candidates for board nomination.	Yes	The Governance and Nominating Committee is responsible for identifying new candidates for the Board. It annually identifies director skill and experience needs, having regard to projected retirements, and oversees a director recruitment search and nomination process leading to recommendations to the Board for consideration and recommendation for election by the shareholders. All of Fortis reporting issuer Canadian utility subsidiaries operate with boards composed of a majority of independent members which affords Fortis an opportunity to observe the performance and assess suitability of prospective nominees to the Board in an appropriate environment. Subsidiary boards have been the source of six of the current nominees.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors.	Yes	The Governance and Nominating Committee is composed of six independent directors as disclosed on page 20 of this Circular.
(c) Describe the responsibilities, powers and operation of the nominating committee	Yes	Please see the section *Governance and Nominating Committee* on page 20 of this Circular.
7. Compensation		
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	Yes	The Governance and Nominating Committee reviews the compensation of directors on a periodic basis in relation to published surveys and private polls of other comparable corporations and recommends adjustments thereto for adoption by the Board. The Human Resources Committee makes recommendations to the Board in respect of compensation of officers as more particularly described in the *Compensation Discussion and Analysis* section of this Circular. Commencing with the Annual Meeting of Shareholders held on 4 May 2012, the Corporation conducts an advisory vote on its approach to executive compensation, the results of which will be considered by the Human Resources Committee.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	Yes	The Human Resources Committee acts as a compensation committee in respect of executive compensation and is composed entirely of independent directors. The Human Resources Committee makes recommendations to the Board following its review of compensation having regard to published material and consultation with appropriate consultants.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	Yes	The Human Resources Committee is responsible for monitoring the compensation practices and policies of Fortis and making recommendations to the Board with respect thereto. Administration and management of the 2012 Stock Option Plan and predecessor option plans, including the authority to grant options to employees, is the responsibility of the Human Resources Committee.
(d) If a compensation consultant or advisor has been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	Yes	Mercers was retained by Fortis in 2012 to assist the Governance and Nominating Committee to develop its recommendation to the Board in respect of director compensation. Fortis retains Hay Group ("HayGroup") and Mercer to advise in respect of executive compensation and pension matters. HayGroup undertakes a rating of positions within Fortis and its subsidiaries and provides reports of median compensation levels applicable to such ratings. Mercers provide consulting advice in respect of pension matters and management support to pension plan administration. Fees paid to the compensation consultants are disclosed on page 41 of this Circular.
8. Other Board Committees If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	Yes	The three standing committees of the Board are Audit, Governance and Nominating and Human Resources.
9. Assessments Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees and its individual directors are performing effectively.	Yes	The Governance and Nominating Committee is responsible for regular assessment of the effectiveness and contribution of the Board, its committees and individual directors. It carries out this responsibility through a periodic confidential survey of each director regarding his or her views on the effectiveness of the Board and the committees, which are summarized and reported to the Committee and Chair of the Board. The review includes a section on individual issues which the Committee believes would disclose any concerns relating to an individual director. A review was carried out in late 2012. In addition to the formal review process, the Chair of the Board conducted individual private interviews with each director during 2012 and will continue this process in 2013.

SCHEDULE A-1

BOARD MANDATE

<u>FORTIS INC.</u>

Mandate of the Board of Directors

The board of directors (the Board) of Fortis Inc. (Fortis) is responsible for the stewardship of Fortis. The Board will supervise the management of the business and affairs of Fortis and, in particular, will:

A. Strategic Planning and Risk Management

1) Adopt a strategic planning process and approve, on an annual basis, a strategic plan for Fortis which considers, among other things, the opportunities and risks of the business;

2) Monitor the implementation and effectiveness of the approved strategic and business plan;

3) Assist the CEO in identifying the principal risks of Fortis business and the implementation of appropriate systems to manage such risks;

B. Management and Human Resources

1) Select, appoint and evaluate the CEO, and determine the terms of the CEO's employment with Fortis;

2) In consultation with the CEO, appoint all officers of Fortis and determine the terms of employment, training, development and succession of senior management (including the processes for appointing, training and evaluating senior management);

3) To the extent feasible, satisfy itself as to the integrity of the CEO and other officers and the creation of a culture of integrity throughout Fortis;

C. Finances, Controls and Internal Systems

1) Review and approve all material transactions including acquisitions, divestitures, dividends, capital allocations, expenditures and other transactions which exceed threshold amounts set by the Board;

2) Evaluate Fortis internal controls relating to financial and management information systems;

D. Communications

1) Adopt a communication policy that seeks to ensure that effective communications, including statutory communication and disclosure, are established and maintained with employees, shareholders, the financial community, the media, the community at large and other security holders of Fortis;

2) Establish procedures to receive feedback from stakeholders of Fortis and communications to the independent directors as a group;

E. Governance

1) Develop Fortis approach to corporate governance issues, principles, practices and disclosure;

2) Establish appropriate procedures to evaluate director independence standards and allow the Board to function independently of management;

3) Appoint from among the directors an Audit Committee and such other committees of the Board as deemed appropriate and delegate responsibilities thereto in accordance with their mandates;

4) Develop and monitor policies governing the operation of subsidiaries through exercise of Fortis shareholder positions in such subsidiaries;

5) Develop and monitor compliance with Fortis code of conduct;

6) Set expectations and responsibilities of directors, including attendance at, preparation for and participation in meetings; and,

7) Evaluate and review the performance of the Board, each of its committees and its members.

Any questions and requests for assistance may be directed to the Proxy Solicitation Agent:

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