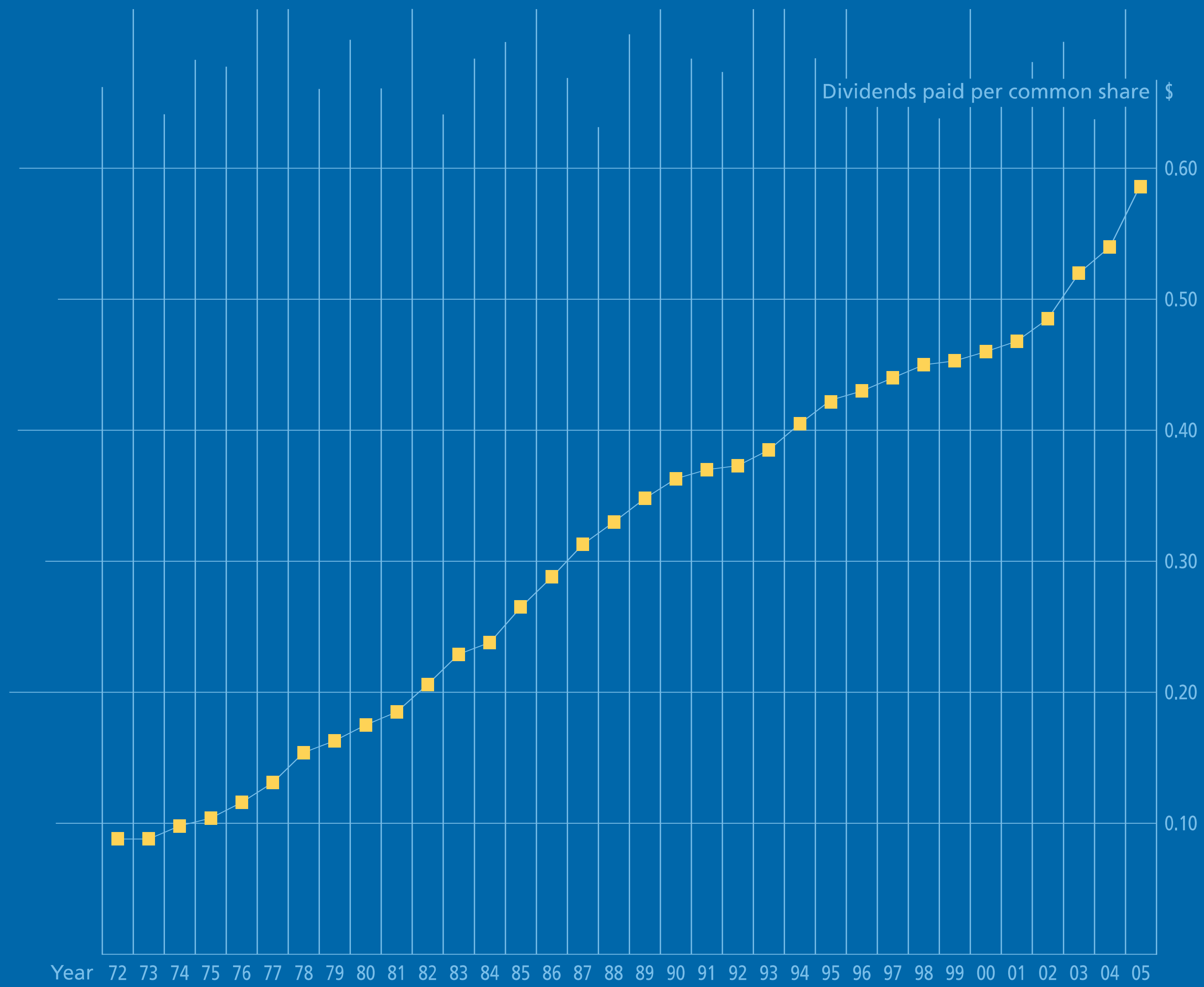
FORTIS INC.

1st Quarter 2006



Paying Dividends

Dear Shareholder:

Earnings applicable to common shares were $36.6 million, or $0.35 per common share, for the first quarter of 2006 compared to earnings of $39.2 million, or $0.40 per common share, for the first quarter of 2005.

Earnings for the first quarter of 2005 included a $7.9 million after-tax gain resulting from the settlement of contractual matters between FortisOntario and Ontario Power Generation Inc. Excluding the one-time item, earnings were up $5.3 million quarter over quarter, primarily due to higher earnings at FortisBC and FortisAlberta and increased non-regulated hydroelectric production.

Canadian regulated utilities delivered earnings of $35.1 million for the first quarter, $2.2 million higher than earnings for the first quarter of 2005. Increasing electricity demand and a 5.9 per cent interim rate increase at FortisBC contributed to the earnings growth achieved by our Western utilities. The performance of these utilities was partially offset by a $2.3 million decline in earnings at Newfoundland Power due primarily to a change in the Company's revenue recognition policy to the accrual method which is consistent with other Canadian utilities. On an annual basis, Newfoundland Power's earnings are expected to remain comparable with the prior year.

Caribbean regulated utilities contributed $3.1 million to earnings for the first quarter compared to $3.5 million for the first quarter of 2005. A decrease in equity income from Caribbean Utilities, driven by higher fuel costs, was partially offset by increased earnings of $0.5 million at Belize Electricity, primarily due to an 11 per cent rate increase, effective July 1, 2005.

Our utilities invested $104.3 million in capital projects this quarter, $80 million of which was undertaken at FortisAlberta and FortisBC. We plan to invest $450 million in consolidated capital projects this year, the majority of which is being driven by robust customer growth in western Canada and the continuing need to maintain and enhance the reliability of electricity systems.

Non-regulated Fortis Generation contributed $5.4 million to earnings for the first quarter compared to $2.1 million for the first quarter of 2005 excluding the Ontario Settlement. The $3.3 million growth in earnings was primarily related to higher hydroelectric production in Belize, partially offset by the impact of lower average wholesale energy prices in Ontario. Our hydroelectric operations in Belize benefited from higher rainfall levels and the addition of the Chalillo dam and storage facility in the fall of 2005.

Fortis Properties' earnings of $1.5 million were comparable quarter over quarter.

The extensive capital programs of our utilities in Alberta and British Columbia will drive organic growth for the remainder of 2006 and for years to come.

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

Fortis Inc.
Interim Management Discussion and Analysis

For the three months ended March 31, 2006
Dated May 1, 2006

The following analysis should be read in conjunction with the Fortis Inc. ("Fortis" or the "Corporation") interim unaudited consolidated financial statements for the three months ended March 31, 2006 and the Management Discussion and Analysis and audited consolidated financial statements for the year ended December 31, 2005 included in the Corporation's 2005 Annual Report. This material has been prepared in accordance with National Instrument 51-102 relating to Management Discussion and Analysis.

Fortis includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to inherent risks and uncertainties surrounding future expectations generally. Such events include, but are not limited to, general economic, market and business conditions, regulatory developments, weather and competition. Fortis cautions readers that should certain events or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. For additional information with respect to certain of these risks or factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial information in this release has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and is presented in Canadian dollars unless otherwise specified.

Financial Highlights (Unaudited) Quarter Ended March 31st			
($ millions, except per common share amounts)	**2006**	2005	Increase (Decrease)
Revenue and equity income	**390.8**	381.8	9.0
Cash flow from operations	**49.4**	79.3	(29.9)
Net earnings applicable to common shares	**36.6**	39.2	(2.6)
Basic earnings per common share ($) (1)	**0.35**	0.40	(0.05)
Diluted earnings per common share ($) (1)	**0.34**	0.36	(0.02)
	Segmented Net Earnings Contribution		
	2006	2005	Increase (Decrease)
FortisAlberta	**9.5**	7.8	1.7
FortisBC (2)	**11.8**	8.9	2.9
Newfoundland Power	**10.7**	13.0	(2.3)
Maritime Electric	**2.1**	2.1	-
FortisOntario (3)	**1.0**	1.1	(0.1)
Regulated Utilities - Canadian	**35.1**	32.9	2.2
Belize Electricity	**1.5**	1.0	0.5
Caribbean Utilities - Equity Income	**1.6**	2.5	(0.9)
Regulated Utilities - Caribbean	**3.1**	3.5	(0.4)
Total Regulated Utilities	**38.2**	36.4	1.8
Non-Regulated - Fortis Generation (4)	**5.4**	10.0	(4.6)
Non-Regulated - Fortis Properties	**1.5**	1.5	-
Corporate	**(8.5)**	(8.7)	0.2
Net earnings applicable to common shares	**36.6**	39.2	(2.6)

(1) Earnings per common share data for 2005 have been restated to reflect the 4-for-1 stock split completed in October 2005.
(2) Includes the regulated operations of FortisBC Inc., non-regulated operating, maintenance and management services related to the Waneta, Brilliant and the Arrows Lake hydroelectric plants, and the distribution system owned by the City of Kelowna. Also includes Princeton Light and Power Company, Limited ("PLP"), but excludes the non-regulated generation operations of FortisBC Inc.'s wholly owned partnership, Walden Power Partnership. Financial results for PLP are included in the FortisBC segmented results from May 31, 2005, the date of acquisition of PLP by Fortis, through an indirect wholly owned subsidiary.
(3) FortisOntario includes Canadian Niagara Power Inc. ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company, Limited ("Cornwall Electric").
(4) Includes the operations of non-regulated generating assets in British Columbia, Ontario, central Newfoundland, Upper New York State and Belize.

Net earnings applicable to common shares were $36.6 million, or $0.35 per common share, for the first quarter of 2006 compared to earnings of $39.2 million, or $0.40 per common share, for the first quarter of 2005. Earnings for the first quarter last year included a $7.9 million after-tax gain resulting from the settlement of contractual matters ("Ontario Settlement") between FortisOntario and Ontario Power Generation Inc. ("OPGI"). Excluding the Ontario Settlement, the Corporation's earnings were $5.3 million higher in the first quarter of 2006 compared to the first quarter of 2005 primarily due to higher earnings at FortisBC and FortisAlberta, and increased non-regulated hydroelectric production in Belize. The increase in earnings was also due to an 11 per cent increase in electricity rates, effective July 1, 2005, and higher electricity sales at Belize Electricity. Partially offsetting the earnings increase was an anticipated decline in earnings at Newfoundland Power as a result of a change in the Company's revenue recognition policy, a decrease in equity income from Caribbean Utilities, driven by higher fuel costs, and the impact of lower average wholesale energy prices in Ontario.

Earnings per common share for the first quarter of 2006 were impacted by the dilution created by the $130 million issue of common shares on March 1, 2005.

REGULATED UTILITIES - CANADIAN

FortisAlberta

FortisAlberta Financial Highlights (Unaudited) Quarter Ended March 31st			
	2006	2005	Increase (Decrease)
Electricity Sales (GWh)	**3,754**	3,685	69
($ millions)			
Revenue	**61.8**	58.6	3.2
Operating Expenses	**28.7**	26.9	1.8
Amortization	**15.7**	13.9	1.8
Finance Charges	**6.8**	6.0	0.8
Corporate Taxes	**1.1**	4.0	(2.9)
Earnings	**9.5**	7.8	1.7

Regulation: FortisAlberta filed its 2006/2007 Distribution Access Tariff Application ("2006/2007 Application") with the Alberta Energy and Utilities Board ("AEUB") on December 12, 2005. The 2006/2007 Application includes a 2006 distribution revenue requirement of $221.2 million and an allowed rate of return on common equity ("ROE") of 8.93 per cent. The revenue requirement reflects a forecast level of operating expenses of $103.6 million included in base rates and $13.0 million that will be collected by separate rate riders. The revenue requirement also reflects a forecast level of capital expenditures of $193.0 million, before customer contributions, in addition to $10.7 million expected to be contributed to Alberta Electric System Operator projects. If approved, the filing will result in no distribution rate increase in 2006 with a 3 per cent rate increase in 2007. The Company is currently charging interim rates, effective January 1, 2006, as approved by the AEUB. The hearing on the 2006/2007 Application is expected to take place in the spring of 2006 with an AEUB decision expected in the fall of 2006.

Earnings: FortisAlberta's earnings were $1.7 million higher quarter over quarter primarily due to increased revenue and a lower effective corporate income tax rate, partially offset by higher operating expenses, amortization costs and finance charges.

Electricity Sales: Electricity sales were 69 gigawatt hours ("GWh"), or 1.9 per cent, higher quarter over quarter. The increase was primarily due to growth in consumption and the number of customers in the commercial and industrial sectors as a result of a strong provincial economy.

Revenue: Revenue was $3.2 million higher quarter over quarter. Higher electricity sales revenue, driven by growth in the residential and the commercial and industrial sectors contributed $1.3 million to the increase in revenue, while increased franchise fee revenue and higher other revenue contributed $0.6 million and $0.3 million to the increase, respectively. Franchise fee revenue was higher primarily due to an increase in transmission rates in 2006. Approximately $1.0 million of the $3.2 million increase was the result of the impact of the 2.1 per cent increase in electricity rates, effective January 1, 2005, not being reflected in the first quarter of 2005 as the rate increase was not approved and, therefore, not recorded until the second quarter of 2005.

Expenses: Operating expenses were $1.8 million higher quarter over quarter primarily due to increased labour, employee benefit expenses and contracted manpower, partially offset by the impact of productivity improvements achieved by the Company. The strong Alberta economy has had an inflationary effect on labour rates. These labour rate increases, combined with higher customer activities associated with a mild winter in 2006, have resulted in higher labour and contracted manpower expenses over the same quarter last year associated with operating programs like meter reading and line maintenance. Employee benefit expenses were higher as a result of increased defined contribution pension and other post-employment benefits costs. In 2005, contributions to the defined contribution plan were funded from the pension plan surplus. In 2006, FortisAlberta is required to fund such contributions. Additionally, costs associated with corporate governance, including contracted manpower, were higher quarter over quarter related to compliance activities associated with Canadian Securities Administrators' requirements that will come into effect over the next 2 years.

Amortization costs were $1.8 million higher quarter over quarter as a result of an increase in approved depreciation rates combined with an increase in the depreciable asset base due primarily to load growth within FortisAlberta's service territory. The 2005 depreciation rates were not approved until the second quarter of 2005 and, therefore, were not reflected in the results for the first quarter of 2005.

Finance charges were $0.8 million higher quarter over quarter due to higher debt levels used to finance capital projects required to satisfy FortisAlberta's obligations to serve its customers.

Corporate taxes were $2.9 million lower quarter over quarter associated with lower earnings before income taxes and a lower effective corporate income tax rate. The decrease in the effective corporate income tax rate was due to an increase in deductions taken for income tax purposes in excess of amounts for accounting purposes in the first quarter of 2006 compared to the same quarter last year.

FortisBC

FortisBC
Financial Highlights (Unaudited)
Quarter Ended March 31st

	2006	2005	Increase (Decrease)
Electricity Sales (GWh)	**840**	832	8
($ millions)			
Revenue	**62.7**	55.4	7.3
Energy Supply Costs	**19.2**	18.6	0.6
Operating Expenses	**15.4**	16.1	(0.7)
Amortization	**7.1**	4.6	2.5
Finance Charges	**5.6**	4.5	1.1
Corporate Taxes	**3.6**	2.7	0.9
Earnings	**11.8**	8.9	2.9

Regulation: In order to establish 2006 rates, FortisBC filed a Revenue Requirements Application ("2006 Application") with the British Columbia Utilities Commission ("BCUC") on November 24, 2005. Using an ROE of 8.69 per cent, the Company's 2006 Application seeks approval of a 5.9 per cent increase in customer electricity rates, effective January 1, 2006. The rate increase is largely driven by the Company's extensive capital expenditure program currently underway for 2006. The BCUC approved an interim refundable rate increase of 5.9 per cent, effective January 1, 2006.

The 2006 Application proposes a new performance-based rate setting mechanism covering the years 2006 through 2009, higher depreciation rates, as a result of a depreciation study on the estimated useful lives of the Company's property, plant and equipment, as well as an increase in capitalized overhead costs. In April 2006, the Company entered negotiations to settle the 2006 Application. If negotiations are not successful, a public hearing is scheduled for June 2006. The BCUC decision on the 2006 Application would be determined subsequent to the negotiations or public hearing.

In June 2005, a British Columbia utility applied to the BCUC for, among other things, a review of the current ROE mechanism applicable to regulated utilities in British Columbia. On March 2, 2006, the BCUC issued an order approving adjustments to the ROE mechanism, which resulted in the 2006 ROE for FortisBC increasing from 8.69 per cent to 9.20 per cent. The increased ROE will be reflected in the final calculation of the Company's 2006 customer electricity rates.

On January 31, 2006, FortisBC received approval from the BCUC for its 2006 Capital Plan of $111.7 million, net of customer contributions, of which approximately $27.0 million in projects is subject to further review and approval, which the Company is in the process of obtaining.

Earnings: FortisBC segment earnings were $2.9 million higher quarter over quarter primarily due to increased electricity revenue and lower operating expenses, partially offset by increased amortization costs, finance charges and energy supply costs.

Electricity Sales: Electricity sales were 8 GWh, or 1.0 per cent, higher quarter over quarter due to customer growth in the Okanagan area.

Revenue: Revenue was $7.3 million higher quarter over quarter. The increase was primarily due to the 5.9 per cent interim refundable rate increase and customer growth. Revenue also increased due to revenue contribution from Princeton Light and Power Company, Limited ("PLP") of $0.8 million and increased non-regulated operating, maintenance and management service revenue of $0.5 million. PLP was acquired by Fortis on May 31, 2005.

Expenses: Energy supply costs were $0.6 million higher quarter over quarter primarily as a result of increased purchased volumes and prices. Energy supply costs represent the cost of purchasing energy and capacity from third parties. Hydro facilities owned by FortisBC generate approximately 50 per cent of the energy and 30 per cent of the capacity necessary to meet existing customer demand. The majority of the additional energy and capacity required to meet existing customer demand is purchased under firm, long-term power purchase contracts. Any remaining energy and capacity required is purchased on the open market and is subject to fluctuations in market rates.

Operating expenses were $0.7 million lower quarter over quarter. The decrease was primarily due to increased capitalized overhead of $2.4 million, partially offset by the impact of increased customer service and system maintenance activities and general inflationary increases totaling approximately $1.1 million, PLP operating expenses of $0.4 million and increased expenses related to non-regulated operating, maintenance and management services of $0.2 million.

The increase in capitalized overhead resulted from a change in estimating capitalized overhead, effective January 1, 2006. Capitalized overhead is now estimated as a percentage of all corporate overhead costs, whereas previously the percentage was applied to a limited pool of corporate costs. The change in estimate for the capitalized overhead rate is subject to approval by the BCUC as part of FortisBC's 2006 Application and, therefore, may be subsequently adjusted.

Amortization costs were $2.5 million higher quarter over quarter. The increase was due to a higher composite depreciation rate and the impact of an increase in FortisBC's depreciable asset base due to its capital expenditure program. The composite depreciation rate increased from 2.6 per cent to 3.6 per cent, effective January 1, 2006, based on the results of a depreciation study undertaken to estimate the appropriate useful lives over which FortisBC's property, plant and equipment should be amortized. The change in the depreciation rate estimate is subject to approval by the BCUC as part of the Company's 2006 Application and, therefore, may be subsequently adjusted.

Finance charges were $1.1 million higher quarter over quarter primarily due to increased borrowings to finance the Company's capital expenditure program.

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Quarter Ended March 31st			
	2006	2005	Increase (Decrease)
Electricity Sales (GWh)	**1,633**	1,700	(67)
($ millions)			
Revenue	**131.8**	135.4	(3.6)
Energy Supply Costs	**82.7**	83.1	(0.4)
Operating Expenses	**14.6**	14.2	0.4
Amortization	**9.8**	10.6	(0.8)
Finance Charges	**8.1**	7.7	0.4
Corporate Taxes	**5.8**	6.7	(0.9)
Non-Controlling Interest	**0.1**	0.1	-
Earnings	**10.7**	13.0	(2.3)

Regulation: In January 2006, Newfoundland Power received approval from the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") of its final 2006 electricity rates, which remain unchanged from 2005. The rates are based on a range of rate of return on rate base of 8.50 per cent to 8.86 per cent, which includes an allowed ROE of 9.24 per cent, also unchanged from 2005.

Effective January 1, 2006, the Company changed its revenue recognition policy from the billed basis to the accrual basis, as approved by the PUB on December 23, 2005. In conjunction with the change in revenue recognition policy, the PUB approved a one-time revenue accrual of $3.1 million in 2006. This amount represents that portion of unbilled revenue at December 31, 2005 of $23.6 million, required to offset the income tax effects of changing to the accrual basis of revenue recognition. The disposition of the remaining 2005 unbilled revenue balance has been deferred until the Company's next general rate application, which is anticipated in 2006 for the purpose of setting rates for 2007. The PUB also ordered that the Company defer recovery of a $5.8 million increase in 2006 amortization costs. The deferral increases earnings in 2006 and results in a regulatory asset to be recovered in future customer rates. During the first quarter of 2006, $1.7 million of the $5.8 million deferral was recognized, which offset what would otherwise have been a $1.7 million increase in amortization.

Earnings: Newfoundland Power's earnings were $2.3 million lower quarter over quarter primarily due to the change in the Company's revenue recognition policy which reduced earnings in the first quarter of 2006 by approximately $2.0 million compared to the same quarter last year. The transition to recording revenue on the accrual basis, while having no material impact on annual earnings, will result in a shift in 2006 quarterly earnings compared to 2005. Earnings in the first and second quarters will be reduced compared to the same quarters in 2005 while earnings in the third and fourth quarters will increase, in total, by a similar amount.

Electricity Sales: Electricity sales were 67 GWh lower quarter over quarter. Electricity sales in the first quarter of 2006 were adjusted downward by 57 GWh due to the change in revenue recognition policy. Under the previous billed basis of recognizing revenue, revenue was recorded as bills were rendered to customers. Therefore, approximately one-half of the total value of electricity service delivered at month end was not recognized as revenue until billed in the following month. Under the newly implemented accrual basis of recognizing revenue, the unbilled revenue is accrued in the same month as the electricity service is delivered. The 57-GWh decrease in electricity sales represented the difference between electricity delivered to customers during the latter half of December 2005 and the latter half of March 2006. Sales accrued in the latter half of 2006 are expected to offset this first quarter reduction. Annual electricity sales for 2006 are not expected to be materially different from 2005 as a result of the change in revenue recognition policy. The remaining 10-GWh, or 0.6 per cent, decrease in electricity sales quarter over quarter was due to a 2.0 per cent decline in average consumption by both residential and commercial customers, partially offset by the impact of customer growth. Average consumption was affected by changes in customer demographics and customer reaction to the increased price of fuels and electricity.

Revenue: Revenue was $3.6 million lower quarter over quarter primarily due to the change in revenue recognition policy. Changing to the accrual basis resulted in a $4.3 million reduction of revenue compared to the first quarter of

2005. The decrease is expected to reverse with the accrual of higher sales and associated revenue in the latter half of 2006. Lower average consumption also contributed to a decrease in revenue, however, the decrease was more than offset by the recording of $0.9 million of the $3.1 million one-time revenue accrual approved by the PUB and an increase in fixed customer charge revenue due to customer growth of 1.1 per cent quarter over quarter.

Expenses: Energy supply costs decreased $0.4 million quarter over quarter primarily due to lower consumption.

Lower production estimates from the Company's own hydroelectric generating facilities necessitated an increase in purchased power. Effective January 1, 2006, the Company's annual production estimate was reduced based on the outcome of a recent hydrology study, resulting in a $0.6 million increase in purchased power costs quarter over quarter. A portion of the increased cost will be reversed over the remainder of 2006, resulting in an overall increase in purchased power costs for the year totaling approximately $0.4 million.

Operating expenses were $0.4 million higher quarter over quarter primarily due to amortization of costs associated with a 2005 early retirement program and higher pension costs, partially offset by reduced labour costs and the Company's on-going focus on managing inflationary and other upward cost pressures. The early retirement program was completed in the first quarter of 2005 and amortization of the early retirement costs began in April 2005.

Amortization costs decreased $0.8 million quarter over quarter due to a difference in the quarterly allocation of amortization based on net margin, partially offset by the impact of continued investment in the Company's capital assets. Annual amortization of capital assets continues to be allocated quarterly based on net margin. As the quarterly allocation of net margin is affected by the change to the accrual basis of revenue recognition and is lower in the first quarter of 2006 compared to the same quarter last year, amortization in the first quarter was lower by $1.1 million. The decrease is expected to fully reverse with increased amortization in later quarters.

Finance charges were $0.4 million higher quarter over quarter due to the replacement of $60 million of lower cost short-term borrowings with a new series of 5.441%, 30-year first mortgage sinking fund bonds in August 2005.

Corporate taxes decreased $0.9 million quarter over quarter due to lower earnings before taxes, partially offset by the impact of a slightly higher effective corporate income tax rate resulting from the transition to the accrual basis of revenue recognition for income tax purposes.

Maritime Electric

Maritime Electric
Financial Highlights (Unaudited)
Quarter Ended March 31st

	2006	2005	Increase (Decrease)
Electricity Sales (GWh)	**255**	256	(1)
($ millions)			
Revenue	**29.9**	29.3	0.6
Energy Supply Costs	**18.3**	18.2	0.1
Operating Expenses	**3.1**	3.0	0.1
Amortization	**2.5**	2.4	0.1
Finance Charges	**2.4**	2.2	0.2
Corporate Taxes	**1.5**	1.4	0.1
Earnings	**2.1**	2.1	-

Regulation: On January 31, 2006, Maritime Electric filed an application with the Island Regulatory and Appeals Commission ("IRAC") proposing an overall increase in customer electricity rates of 1.6 per cent, effective July 1, 2006, and a further amortization of the $20.8 million in recoverable costs accumulated as at December 31, 2003 of $1.5 million in 2006 and $1.3 million in 2007.

The proposed 1.6 per cent overall increase in electricity rates is the result of a proposed 3.35 per cent increase in basic electricity rates, partially offset by the impact of the refund to customers of energy-related costs associated with the operation of the energy cost adjustment mechanism ("ECAM"). Maritime Electric expects to receive a decision on its rate application in the second quarter of 2006.

On April 5, 2006, Maritime Electric filed with IRAC an Application for approval of a 39-megawatt ("MW") Wind Power Purchase Agreement ("Agreement") with the Government of Prince Edward Island ("PEI"). If approved, the Agreement will take effect on January 1, 2007. Recent legislation proclaimed by the Government of PEI will require Maritime Electric to obtain at least 15 per cent of its annual energy requirements from renewable sources such as wind-powered energy by 2010. This Agreement will help the Company reach this 15 per cent target.

Earnings: Maritime Electric's earnings for the first quarter of 2006 were $2.1 million, comparable to the same quarter last year.

Electricity Sales: Electricity sales for the first quarter of 2006 were 255 GWh, comparable to the same quarter last year. Residential sales were down 1.2 per cent while commercial sales increased 0.8 per cent quarter over quarter. Residential sales decreased due to reduced consumption as a result of a milder-than-normal winter season and commercial sales increased primarily due to higher consumption by customers in the general service sector.

Revenue: Revenue increased $0.6 million quarter over quarter as a result of a 2 per cent basic electricity rate increase, effective July 1, 2005, and a $0.3 million decrease in amortization of pre-2004 recoverable costs from customers. Amortization of pre-2004 recoverable costs from customers was $2.5 million in 2005, while $1.5 million of such costs is expected to be amortized in 2006.

Expenses: Energy supply costs (adjusted for the ECAM) for the first quarter of 2006 were $18.3 million, comparable to the same quarter last year. Gross energy supply costs before ECAM adjustments, however, were $0.7 million lower than for the same quarter last year, primarily due to lower-than-anticipated curtailable energy costs. During the first quarter of 2006 and 2005, Maritime Electric purchased the majority of its energy from New Brunswick Power Corporation ("NB Power") under several energy purchase agreements.

Early in the first quarter of 2006, Maritime Electric commissioned its new 50-MW combustion turbine generating facility. This facility operates on light oil or natural gas and will address submarine cable loading issues and improve security of supply.

FortisOntario

FortisOntario Financial Highlights (Unaudited) Quarter Ended March 31st			
	2006	2005	Increase (Decrease)
Electricity Sales (GWh)	**325**	331	(6)
($ millions)			
Revenue	**33.2**	38.2	(5.0)
Energy Supply Costs	**25.8**	30.6	(4.8)
Operating Expenses	**3.2**	3.1	0.1
Amortization	**1.3**	1.3	-
Finance Charges	**1.2**	1.3	(0.1)
Corporate Taxes	**0.7**	0.8	(0.1)
Earnings	**1.0**	1.1	(0.1)

Regulation: On September 6, 2005, Canadian Niagara Power made application to the Ontario Energy Board ("OEB") for new electricity distribution rates to become effective May 1, 2006. The proposed electricity distribution rates are based on 2004 costs using a deemed capital structure at 50 per cent long-term debt and

50 per cent common equity, with an allowed ROE of 9.0 per cent. A decision from the OEB on the electricity distribution rate application is expected during the second quarter of 2006.

Earnings: Earnings for the first quarter of 2006 were $1.0 million, comparable to the same quarter last year. A decrease in electricity sales and an increase in the allocation of shared service costs from non-regulated Ontario generation operations were partially offset by the savings realized from an early retirement program completed in the fourth quarter of 2005.

Electricity Sales: Electricity sales were 6 GWh, or 1.8 per cent, lower quarter over quarter. The decrease was primarily due to the impact of warmer weather conditions in the first quarter of 2006 compared to the first quarter of 2005 and the loss in December 2005 of an industrial customer.

Revenue: Revenue was $5.0 million lower quarter over quarter due to a $4.3 million decrease in the cost of power billed to customers as a result of lower energy prices, and lower electricity sales.

Expenses: Energy supply costs were $4.8 million lower quarter over quarter. Lower energy prices and electricity sales contributed $4.3 million and $0.5 million, respectively, to the decrease.

Operating expenses were $0.1 million higher quarter over quarter. The increase was primarily due to a $0.3 million increase in the allocation of shared service costs from non-regulated Ontario generation operations, partially offset by savings realized from the early retirement program completed in the fourth quarter of 2005.

REGULATED UTILITIES - CARIBBEAN

Belize Electricity

Belize Electricity Financial Highlights (Unaudited) Quarter Ended March 31st			
	2006	2005	Increase (Decrease)
Average US:CDN Exchange Rate	**1.15**	1.23	(0.08)
Electricity Sales (GWh)	**80**	76	4
($ millions)			
Revenue	**20.1**	15.4	4.7
Energy Supply Costs	**11.7**	8.1	3.6
Operating Expenses	**2.7**	2.8	(0.1)
Amortization	**1.4**	1.6	(0.2)
Finance Charges	**1.6**	1.4	0.2
Foreign Exchange Loss (Gain)	**0.1**	(0.2)	0.3
Corporate Taxes and Non-Controlling Interest	**1.1**	0.7	0.4
Earnings	**1.5**	1.0	0.5

Regulation: Belize Electricity's base electricity rates are comprised of 2 components. The first component is Value Added Delivery ("VAD") and the second is the cost of fuel and purchased power ("COP"), including the variable cost of generation, which is a flow through in customer rates. On July 14, 2005, the Public Utilities Commission of Belize ("PUC") approved a new 4-year tariff setting agreement, resulting in an 11 per cent overall increase in electricity rates, inclusive of the recovery of rate stabilization account balances, to BZ39.0 cents per kilowatt hour ("kWh") from BZ34.9 cents per kWh, effective July 1, 2005. The VAD component of electricity rates increased to BZ16.2 cents per kWh from BZ14.0 cents per kWh while the COP component increased to BZ21.0 cents per kWh from BZ17.5 cents per kWh. The component related to the recovery of excess fuel costs deferred to the Cost of Power Rate Stabilization Account ("CPRSA") was reduced from BZ3.4 cents per kWh to BZ1.8 cents per kWh.

On December 31, 2005, the PUC approved a BZ0.6 cent per kWh, or 1.5 per cent, increase in electricity rates associated with the recovery of the excess deferrals to the CPRSA and a BZ4.5 cents per kWh, or 11.5 per cent, increase in electricity rates related to COP. There was no increase in the VAD component of rates. The result was an overall 13 per cent increase in electricity rates to BZ44.1 cents per kWh from BZ39.0 cents per kWh, effective January 1, 2006. This increase in electricity rates was the result of the PUC's final decision on Belize Electricity's Threshold Event Review Application filed on December 20, 2005 and had no impact on Belize Electricity's earnings due to the flow through of cost of power to customers.

On March 31, 2006, the Company filed its Annual Tariff Review Application for the annual tariff period July 1, 2006 through June 30, 2007, proposing that the average mean electricity rate and its components remain unchanged from those in effect from January 1, 2006. The PUC's initial decision on the Application, issued on April 28, 2006, confirmed the Company's average mean electricity rate at BZ44.1 cents per kWh. A final decision on the Application is expected by the end of the second quarter of 2006.

Earnings: Belize Electricity's earnings were $0.5 million (BZ$1.1 million) higher quarter over quarter. The increase was primarily due to the 11 per cent increase in electricity rates, effective July 1, 2005, as a result of the new 4-year tariff agreement, and higher electricity sales, partially offset by the foreign exchange impact associated with the Company's Euro-denominated debt and higher finance charges.

Electricity Sales: Electricity sales were 4 GWh, or 5.3 per cent, higher quarter over quarter primarily due to increased sales in both the residential and commercial sectors driven by economic growth.

Revenue: Revenue was $4.7 million (BZ$9.6 million) higher quarter over quarter. Excluding foreign exchange impacts, revenue increased 38.1 per cent over the same quarter last year. The increase was primarily due to the increase in the VAD and COP components of electricity rates, effective July 1, 2005, the increase in the COP component of electricity rates, effective January 1, 2006, and electricity sales growth.

Expenses: Energy supply costs were $3.6 million (BZ$7.0 million) higher quarter over quarter. Excluding foreign exchange impacts, energy supply costs increased 52.6 per cent over the same quarter last year. The increase was primarily due to increases in the COP component of electricity rates, effective July 1, 2005 and January 1, 2006, and electricity sales growth.

Excluding foreign exchange impacts, operating expenses were BZ$0.2 million higher quarter over quarter due to higher employee costs and general increases in the cost of goods and services.

Amortization costs were slightly lower quarter over quarter due to the recovery of all generation equipment depreciation through cost of power, as a result of the July 1, 2005 Final Tariff Decision, and the impact of foreign exchange, partially offset by increased amortization costs due to capital asset growth.

Finance charges were $0.2 million (BZ$0.3 million) higher quarter over quarter primarily due to higher utilization of overdraft facilities and interest on short-term loans to help meet operational needs, partially offset by foreign exchange impacts.

The foreign exchange losses and gains primarily related to foreign currency exchange rate fluctuations associated with Belize Electricity's Euro-denominated debt. Net foreign exchange losses for the first quarter of 2006 were $0.1 million (BZ$0.2 million) compared to a net foreign exchange gain of $0.2 million (BZ$0.3 million) for the first quarter of 2005. The US dollar weakened relative to the Euro during the first quarter of 2006 compared to the first quarter of 2005.

Caribbean Utilities

Caribbean Utilities Financial Highlights (Unaudited) Quarter Ended March 31st			
	2006	2005	Increase (Decrease)
Average US:CDN Exchange Rate [1]	**1.17**	1.21	(0.4)
($ millions)			
Equity Income	**1.6**	2.5	(0.9)

Fortis accounts for its 37.0 per cent interest in Caribbean Utilities on an equity basis. Equity income is recorded on a lag basis and, as a result, the quarterly equity income noted above represents the Corporation's share of Caribbean Utilities' earnings for its third quarters ended January 31, 2006 and 2005.

Regulation: Caribbean Utilities and the Government of the Cayman Islands recommenced Licence negotiations in November 2005 and discussions are ongoing. The Company's Licence remains in full force and effect until January 2011, or until replaced by a new Licence by mutual agreement.

Equity Income: Caribbean Utilities and the Cayman Islands are continuing to recover from the impact of Hurricane Ivan ("Ivan") which struck Grand Cayman in September 2004. Caribbean Utilities is now regularly meeting pre-Ivan generation and sales levels and expects to consistently meet or exceed these pre-Ivan levels as well as attain pre-Ivan customer numbers by the end of July 2006. Caribbean Utilities also anticipates returning to a total owned generating capacity of approximately 120 MW by the summer of 2006 compared to 123 MW pre-Ivan.

Equity income recorded from Caribbean Utilities was $0.9 million lower quarter over quarter. The decrease was primarily due to higher fuel expenses associated with the timing of expensing previously deferred fuel costs. During its third quarter ended January 31, 2006, Caribbean Utilities expensed US$2.0 million of previously deferred fuel costs whereas, during the same quarter last year, a US$1.7 million deferral of fuel costs was recorded. The impact was a US$3.7 million decrease in Caribbean Utilities' earnings quarter over quarter. Under its current Licence, Caribbean Utilities recovers the cost of fuel above the base price from its customers through a monthly fuel factor adjustment on a 2-month delay basis and defers its recoverable fuel cost on a rolling 2-month deferral basis. Movement in the deferred fuel account is normal and is dependant on fuel prices, fuel usage and kWh sales. Large swings in this account, although normal, occur infrequently and, for any particular period, the impact is timing in nature.

Equity income also decreased from the same quarter last year due to increased insurance premiums, insurance-related consulting fees, interest expense and lease costs associated with temporary generation. Partially offsetting the decrease in equity income was the positive impact of higher electricity sales due to post-Ivan sales recovery and revenue associated with the hurricane cost recovery surcharge ("CRS") implemented on August 1, 2005. Residential and commercial electricity sales at Caribbean Utilities increased 52 per cent and 32 per cent, respectively, during its third quarter ended January 31, 2006 over the same quarter last year. During its third quarter, the Company recorded approximately US$1.0 million in revenue associated with the hurricane CRS with approximately US$11.3 million, as of January 31, 2006, of direct uninsured hurricane losses remaining to be collected from customers through the CRS. The CRS is expected to remain in place for approximately 3 years.

[1] Quarterly equity income for 2006 and 2005 were translated at the average US:CDN exchange rate during the 3-month periods ended January 31, 2006 and 2005, respectively, as equity income is recorded on a lag basis.

NON-REGULATED - FORTIS GENERATION

Non-Regulated - Fortis Generation Financial Highlights (Unaudited) Quarter Ended March 31st			
Energy Sales (GWh)	**2006**	2005	Increase (Decrease)
Central Newfoundland	**38**	35	3
Ontario	**187**	184	3
Belize	**27**	7	20
British Columbia	**3**	5	(2)
Upper New York State	**29**	17	12
Total	**284**	248	36
($ millions)	**2006**	2005	Increase (Decrease)
Revenue	**19.3**	17.0	2.3
Energy Supply Costs	**1.9**	1.9	-
Operating Expenses	**4.0**	4.8	(0.8)
Amortization	**2.7**	2.6	0.1
Finance Charges	**2.7**	3.9	(1.2)
Gain on Settlement of Contractual Matters	**-**	(10.0)	10.0
Corporate Taxes	**2.2**	3.5	(1.3)
Non-Controlling Interest	**0.4**	0.3	0.1
Earnings	**5.4**	10.0	(4.6)

Earnings: The earnings contribution from Non-regulated Fortis Generation was down $4.6 million quarter over quarter primarily due to earnings for the first quarter of last year including the $7.9 million after-tax ($10 million pre-tax) Ontario Settlement. Excluding the impact in the first quarter of 2005 of the Ontario Settlement, earnings were $3.3 million higher for the first quarter of 2006 compared to the same quarter last year as a result of increased production combined with lower finance charges and operating costs, partially offset by the impact of lower average wholesale energy prices in Ontario.

Energy Sales: Energy sales were 36 GWh, or 14.5 per cent, higher quarter over quarter primarily due to higher hydroelectric production in Belize and Upper New York State. Production in Belize was favourably impacted by higher rainfall levels and the operation of the Chalillo dam and its hydroelectric generating facility. Production in Upper New York State increased primarily due to 3 months of operations of the Dolgeville plant in the first quarter of 2006 compared to one month in the same quarter last year. In late January 2005, the Dolgeville plant went out of service as a result of flooding and did not resume production until October 2005.

Revenue: Generation revenue was $2.3 million higher quarter over quarter. This increase was driven by higher production, partially offset by the impact of lower average wholesale energy prices in Ontario. The average wholesale energy price per megawatt hour ("MWh") in Ontario was $50.98 compared to $55.99 for the same quarter last year, resulting in a decrease in revenue of approximately $0.8 million.

Expenses: Operating expenses were $0.8 million lower quarter over quarter. Approximately $0.3 million of cost savings associated with the cessation of operations at the Rankine Generating Station upon implementation of the Niagara Exchange Agreement ("NEA") in late 2005 were experienced in the first quarter of 2006 compared to the same quarter last year. The NEA assigns FortisOntario's water rights on the Niagara River to OPGI and facilitates the irrevocable exchange of 75 MW of wholesale electric power supply to FortisOntario from OPGI until April 30, 2009 in exchange for FortisOntario's agreement not to seek renewal of the water entitlement at that time. Operating expenses also decreased primarily due to a $0.3 million reduction in the allocation of shared-service costs to non-regulated Ontario generation operations and lower business development costs in Ontario.

Finance charges were $1.2 million lower quarter over quarter. The decrease was primarily due to a reduction of inter-company finance charges in the Belizean operations and the repayment of a $22.5 million term loan in the second quarter of 2005 associated with the Ontario operations.

NON-REGULATED - FORTIS PROPERTIES

Non-Regulated - Fortis Properties Financial Highlights (Unaudited) Quarter Ended March 31st			
($ millions)	**2006**	**2005**	Increase (Decrease)
Real Estate Revenue	**13.6**	13.2	0.4
Hospitality Revenue	**21.5**	19.8	1.7
Total Revenue	**35.1**	33.0	2.1
Operating Expenses	**24.6**	22.8	1.8
Amortization	**2.8**	2.6	0.2
Finance Charges	**5.1**	4.9	0.2
Corporate Taxes	**1.1**	1.2	(0.1)
Earnings	**1.5**	1.5	-

Earnings: Fortis Properties' earnings for the first quarter of 2006 were $1.5 million, comparable to the same quarter last year. Slightly higher earnings from operations were offset by increased amortization and finance charges.

Revenue: Real estate revenue was $0.4 million higher quarter over quarter due to growth experienced in all of the Company's operating regions. The occupancy level in the Real Estate Division was 95.9 per cent at March 31, 2006, up from 95.1 per cent at March 31, 2005.

Hospitality revenue was $1.7 million higher quarter over quarter. The growth was primarily attributable to results for the first quarter of 2006 including the operations of the 3 Greenwood Inn hotels for 3 months compared to 2 months for the first quarter of 2005, and increased revenue at the Delta Brunswick. Revenue per available room ("REVPAR") for the first quarter of 2006 was $59.26 compared to $60.15 for the same quarter last year. The 1.5 per cent decrease in REVPAR was attributable to a decrease in average occupancy quarter over quarter, primarily associated with the Company's Newfoundland operations. Average room rates remained relatively stable quarter over quarter.

Expenses: Operating expenses, amortization costs and finance charges were higher quarter over quarter primarily due to the addition of the 3 Greenwood Inn hotels and the expanded operations of the Delta St. John's Hotel.

During the first quarter, Fortis Properties continued the $7.7 million 64-room expansion of the Holiday Inn Sarnia, the $2.5 million 11,000-square foot expansion of conference facilities at the Holiday Inn Kitchener-Waterloo and the $7.2 million expansion of the Blue Cross Centre in Moncton. Approximately half of the Blue Cross Centre expansion is pre-leased. Capital expenditures related to these projects were approximately $4.7 million in the first quarter of 2006 with approximately $11.7 million incurred to date. The projects are expected to be completed during the second quarter of 2006.

The 3 Greenwood Inn hotels in Alberta and Manitoba, and the expanded operations of the Delta St. John's Hotel, Holiday Inn Sarnia, Holiday Inn Kitchener-Waterloo and Blue Cross Centre in Moncton are expected to be Fortis Properties' primary sources of revenue and earnings growth in 2006.

CORPORATE

Corporate Financial Highlights (Unaudited) Quarter Ended March 31st			
($ millions)	**2006**	2005	Increase (Decrease)
Total Revenue	**2.0**	2.6	(0.6)
Operating Expenses	**2.4**	2.2	0.2
Amortization	**0.7**	0.7	-
Finance Charges	**5.5**	6.0	(0.5)
Foreign Exchange Loss	**0.2**	0.6	(0.4)
Preference Share Dividends	**4.2**	4.2	-
Corporate Tax Recovery	**(2.4)**	(2.3)	(0.1)
Non-Controlling Interest	**(0.1)**	(0.1)	-
Net Corporate Expenses	**(8.5)**	(8.7)	0.2

The Corporate segment captures a number of expense and revenue items not specifically related to any operating segment. Included in the Corporate segment are finance charges related to debt incurred directly by Fortis, foreign exchange gains or losses, preference share dividends, other corporate expenses, net of recoveries from subsidiaries, interest and miscellaneous revenues and corporate income taxes.

Net corporate expenses were $0.2 million lower quarter over quarter primarily due to lower finance charges and a reduction in net unrealized foreign exchange losses, partially offset by a decrease in inter-company interest revenue. Finance charges were lower in the first quarter of 2006 compared to the same quarter last year due to the repayment in March 2005 of a portion of the short-term bridge facilities that were used to acquire FortisAlberta and FortisBC with partial proceeds from the $130 million common equity issue on March 1, 2005. The net unrealized foreign exchange losses related to foreign currency exchange rate fluctuations associated with unhedged US dollar-denominated Corporate long-term debt. Both foreign exchange rates and levels of unhedged debt varied from the same quarter last year.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between March 31, 2006 and December 31, 2005.

Fortis Inc.
Significant Changes in the Consolidated Balance Sheets (Unaudited) between March 31, 2006 and December 31, 2005

($ millions)	Increase (Decrease)	Explanation
Cash and cash equivalents	(11.9)	The decrease primarily related to income tax instalment payments made during the 3-month period, combined with the use of cash for capital expenditures and working capital purposes.
Accounts receivable	10.1	The increase primarily related to normal seasonal sales variances resulting from higher electricity sales during winter months, partially offset by lower amounts receivable from customers for contributions in aid of construction at FortisAlberta.
Utility capital assets	47.4	The increase related to $104.3 million invested in electricity systems, less customer contributions and amortization for the 3-month period.
Income taxes payable	(15.2)	The decrease primarily related to income tax instalment payments made by FortisAlberta, FortisOntario and Maritime Electric during the 3-month period, partially offset by current income tax accruals.
Long-term debt and capital lease obligations (including current portion)	47.0	The increase primarily related to drawings on long-term credit facilities by FortisAlberta and the Corporation. FortisAlberta increased its drawings under long-term credit facilities by $40.5 million to fund capital expenditures during the 3-month period. The Corporation increased its drawings under long-term credit facilities by $6.5 million for general corporate purposes. Belize Electricity also obtained a loan of approximately $4.0 million to finance capital expenditures. These increases, combined with the impact of the translation of the Corporation's US dollar-denominated debt at a higher foreign exchange rate at March 31, 2006 compared to December 31, 2005, were partially offset by regular debt repayments during the 3-month period.
Shareholders' equity	24.2	The increase primarily related to the net earnings reported for the 3-month period, less common share dividends.

LIQUIDITY

The following table outlines the summary of cash flows.

Fortis Inc. Summary of Cash Flows (Unaudited) Quarter Ended March 31st			
($ millions)	**2006**	2005	Increase (Decrease)
Cash, beginning of period	**33.4**	37.2	(3.8)
Cash provided by (used in)			
Operating activities	**49.4**	79.3	(29.9)
Investing activities	**(101.7)**	(149.2)	47.5
Financing activities	**40.4**	96.8	(56.4)
Foreign currency impact on cash balances	**-**	0.1	(0.1)
Cash, end of period	**21.5**	64.2	(42.7)

Operating Activities: Cash flow from operations, after working capital adjustments, decreased $29.9 million quarter over quarter. The decrease was due primarily to changes in working capital. The decrease in cash provided from working capital was driven by the timing of income tax instalment payments at FortisAlberta, FortisOntario and Maritime Electric and a general change in the timing of receipt and payment of other working capital items.

Investing Activities: Cash used in investing activities was down $47.5 million quarter over quarter. The decrease was primarily due to lower capital expenditures associated with income producing properties, partially offset by increased utility capital expenditures, net of contributions in aid of construction.

Gross utility capital expenditures were $104.3 million for the first quarter of 2006 compared to $91.4 million for the same quarter last year. The increase in capital expenditures was primarily related to capital spending at FortisAlberta, which was largely driven by customer growth in the residential and commercial and industrial sectors. The increase was partially offset by a decrease in utility capital expenditures at Maritime Electric and Belize Electric Company Limited due to the substantial completion, during 2005, of the construction of the 50-MW combustion turbine generating facility on PEI and the Chalillo Project in Belize.

Capital expenditures associated with income producing properties were $6.6 million for the first quarter of 2006, a decrease of $60.8 million from the same quarter last year. The decrease primarily related to the acquisition of 3 hotels in Alberta and Manitoba for approximately $63 million in February 2005 and the completion of the expansion to the Delta St. John's Hotel in June 2005. The decrease was partially offset by approximately $4.7 million in capital expenditures during the first quarter of 2006 related to the expansion of the Holiday Inn Sarnia, Holiday Inn Kitchener-Waterloo and Blue Cross Centre in Moncton.

During the first quarter of 2006, approximately $9.6 million of contributions in aid of construction were received compared to $10.9 million during the same quarter last year. The decrease primarily related to lower contributions at Belize Electricity, partially offset by increased contributions associated with FortisAlberta's capital expenditure program.

Financing Activities: Cash provided from financing activities was down $56.4 million quarter over quarter. The decrease primarily related to the issue of 6,960,000 common shares of the Corporation on March 1, 2005, which resulted in gross proceeds of approximately $130 million. The proceeds were used to repay certain outstanding short-term indebtedness and for general corporate purposes. In addition, during the first quarter of 2005, Fortis Properties obtained an external $29.6 million loan to finance the acquisition of the Edmonton and Calgary Greenwood Inn hotels.

During the first quarter of 2006, FortisAlberta increased its drawings under long-term credit facilities by $40.5 million to fund capital expenditures. Additionally, the Corporation increased its drawings under its long-term credit facilities by $6.5 million and Belize Electricity obtained a loan of approximately $4.0 million to finance capital expenditures.

The remaining change in cash provided from financing activities quarter over quarter primarily related to the change in short-term borrowings, regular payment of long-term debt and payment of common share dividends.

Contractual Obligations: The consolidated contractual obligations over the next 5 years and for periods thereafter, as at March 31, 2006, are outlined in the following table.

Fortis Inc.
Contractual Obligations (Unaudited)
as at March 31, 2006

($ millions)	**Total**	< 1 year	1-3 years	4-5 years	> 5 years
Long-term debt	**2,172.8**	29.7	114.7	324.9	1,703.5
Brilliant Terminal Station ("BTS") [(1)]	**70.0**	2.6	5.1	5.1	57.2
Power purchase obligations					
FortisBC [(2)]	**2,907.7**	37.2	72.6	73.0	2,724.9
FortisOntario [(3)]	**342.1**	22.2	67.1	47.0	205.8
Maritime Electric [(4)]	**3.0**	3.0	-	-	-
Capital cost [(5)]	**449.5**	19.8	48.6	37.8	343.3
Joint-use asset and shared service agreements [(6)]	**63.6**	2.8	7.5	7.2	46.1
Operating lease obligations [(7)]	**19.5**	3.9	9.0	6.3	0.3
Office lease – FortisBC [(8)]	**22.0**	0.9	2.1	2.6	16.4
Other	**5.4**	1.6	2.5	0.1	1.2
Total	**6,055.6**	123.7	329.2	504.0	5,098.7

(1) On July 15, 2003, FortisBC began operating the BTS under an agreement the term of which expires in 2056 (unless the Company has earlier terminated the agreement by exercising its right, at any time after the anniversary date of the agreement in 2029, to give 36 months' notice of termination). The BTS is jointly owned by the Columbia Power Corporation and the Columbia Basin Trust (the "Owners") and is used by the Company on its own behalf and on behalf of the Owners. The agreement provides that FortisBC will pay a charge related to the recovery of the capital cost of the BTS and related operating expenses.

(2) Power purchase obligations of FortisBC include the Brilliant Power Purchase Agreement (the "BPPA") as well as the Power Purchase Agreement with BC Hydro. On May 3, 1996, an Order was granted by the BCUC approving a 60-year BPPA for the output of the BTS located near Castlegar, British Columbia. The BPPA requires monthly payments based on the operation and maintenance costs and a return on capital for the plant, in exchange for the specified natural flow take-or-pay amounts of power. The BPPA includes a market-related price adjustment after 30 years of the 60-year term. The Power Purchase Agreement with BC Hydro, which expires in 2013, provides for any amount of supply up to a maximum of 200 MW, but includes a take-or-pay provision based on a 5-year rolling nomination of the capacity requirements.

(3) Power purchase obligations for FortisOntario primarily include a long-term take-or-pay contract between Cornwall Electric and Hydro-Québec Energy Marketing for the supply of electricity and capacity. The contract provides approximately 237 GWh of energy per year and up to 45 MW of capacity at any one time. The contract, which expires December 31, 2019, provides approximately one-third of Cornwall Electric's load. Cornwall Electric also has a 1-year contract in place with Hydro-Québec Energy Marketing which expires June 30, 2006. This take-or-pay contract provides energy on an as-needed basis, but charges for 100 MW of capacity at $0.14 million per month.

(4) Maritime Electric has 1 take-or-pay contract for the purchase of either capacity or energy. This contract totals approximately $3.0 million through October 2006.

(5) Maritime Electric has entitlement to approximately 6.7 per cent of the output from the NB Power Dalhousie Generating Station and approximately 4.7 per cent from the NB Power Point Lepreau Generating Station for the life of each unit. As part of its participation agreement, Maritime Electric is required to pay its share of the capital costs of these units.

(6) FortisAlberta and an Alberta transmission service provider have entered into an agreement in consideration for joint attachments of distribution facilities to the transmission system. The expiry terms of this agreement state that the agreement remains in effect until the Company no longer has attachments to the transmission facilities. Due to the unlimited term of this contract, the calculation of future payments after 2010 includes payments to the end of 20 years. However, the payments under this agreement may continue for an indefinite period of time. FortisAlberta and an Alberta transmission service provider have also entered into a number of service agreements to ensure operational efficiencies are maintained through coordinated operations. The service agreements have minimum expiry terms of 5 years from September 1, 2005 and are subject to extension based on mutually agreeable terms.

(7) Operating lease obligations include certain office, vehicle and equipment leases as well as the lease of electricity distribution assets of Port Colborne Hydro Inc.

(8) Under a sale-leaseback agreement, on September 29, 1993, FortisBC began leasing its Trail, British Columbia office building for a term of 30 years. The terms of the agreement grant FortisBC repurchase options at approximately year 20 and year 28 of the lease term. On December 1, 2004, FortisBC also entered into a 5-year lease for the Kelowna, British Columbia head office. The terms of the lease allow for termination without penalty after 3 years.

CAPITAL RESOURCES

The Corporation's principal business of regulated electric utilities requires Fortis to have ongoing access to capital to allow it to build and maintain the electricity systems in its service territories. In order to ensure access to capital is maintained, the Corporation targets a long-term capital structure that includes a minimum of 40 per cent equity and 60 per cent debt as well as investment grade credit ratings. The Corporation targets the equity component of its capital structure to consist of at least 75 per cent common share equity. The capital structure of Fortis is presented in the following table.

Fortis Inc.
Capital Structure (Unaudited)

	March 31, 2006		December 31, 2005	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash)	**2,250.4**	**59.1**	2,182.5	58.7
Preference shares	**319.5**	**8.4**	319.5	8.6
Shareholders' equity	**1,237.6**	**32.5**	1,213.4	32.7
Total	**3,807.5**	**100.0**	3,715.4	100.0

The change in the Corporation's capital structure is primarily the result of increased total debt used to finance the consolidated capital program of Fortis, combined with net earnings less common share dividends of $20.1 million for the first quarter of 2006.

As at March 31, 2006, the Corporation's unsecured debt credit ratings were as follows:

Standard & Poors ("S&P")	BBB
Dominion Bond Rating Service ("DBRS")	BBB(high)

In December 2005, S&P confirmed its credit rating on the Corporation's unsecured debt at BBB and revised its outlook from negative to stable. The outlook was revised based on greater stability in the business and financial risk profiles of Fortis and reduced concerns surrounding the level of operational and funding risk involved with the Corporation's major capital expenditure program. In February 2006, DBRS confirmed the rating on the Corporation's unsecured debt at BBB(high). Fortis will continue to update both S&P and DBRS on the execution of its capital expenditure program.

Capital Program: The Corporation's principal business of regulated electric utilities is capital intensive. Gross consolidated capital expenditures of Fortis for 2006 are expected to be approximately $450 million, of which $110.9 million was invested in the first quarter of 2006. Approximately $425 million is expected to be invested in Regulated Utilities, of which approximately 75 per cent is expected to be attributable to FortisAlberta and FortisBC.

The Corporation's total utility capital assets are expected to grow at an average annual rate of 6 per cent over the next 5 years. The significant capital programs at FortisAlberta and FortisBC are the primary drivers of this expected growth. The cash needed to complete the capital programs is expected to be supplied by a combination of long-term and short-term borrowings, internally generated funds and common share issues under the existing consumer and employee share purchase plans, dividend reinvestment plan and stock option plans. Fortis does not anticipate any difficulties with accessing the required capital.

Cash Flows: The Corporation's ability to service debt obligations as well as dividends on its common and preference shares is dependent on the financial results of the operating subsidiaries and the related cash payments from these subsidiaries. Certain regulated subsidiaries may be subject to restrictions which may limit their ability to distribute cash to Fortis.

As outlined in the Fortis Inc. 2005 Annual Report, Belize Electricity remains non-compliant with its debt service coverage ratio of 1.5 times related to its $5.5 million (BZ$9.4 million) loan with the International Bank for Reconstruction and Development ("IBRD") and its $9.8 million (BZ$16.8 million) loan with the Caribbean Development Bank. A waiver was obtained for December 2005 from the IBRD. Discussions with the

Caribbean Development Bank are ongoing with a view to cure and/or amend the covenants. Fortis does not expect any change in the regular debt repayment schedule relating to these loans.

The Corporation and its subsidiaries had consolidated authorized lines of credit of $795.5 million, of which $542.7 million was unused at March 31, 2006. The following summary outlines the Corporation's credit facilities by reporting segments.

Fortis Inc. Credit Facilities (Unaudited)						
($ millions)	**Corporate**	**Regulated Utilities**	**Fortis Generation**	**Fortis Properties**	**Total as at March 31, 2006**	Total as at December 31, 2005
Total credit facilities	210.0	567.2	5.8	12.5	**795.5**	747.1
Credit facilities utilized						
Short-term borrowings	(2.6)	(65.0)	(1.2)	-	**(68.8)**	(59.9)
Long-term debt	(24.5)	(97.3)	-	-	**(121.8)**	(74.8)
Letters of credit outstanding	(4.7)	(55.3)	-	(2.2)	**(62.2)**	(73.6)
Credit facilities available	178.2	349.6	4.6	10.3	**542.7**	538.8

At March 31, 2006 and December 31, 2005, certain borrowings under the Corporation's and subsidiaries' credit facilities have been classified as long-term debt. These borrowings are under long-term credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

In January 2006, Newfoundland Power renegotiated its syndicated $100 million committed revolving term credit facility extending the term from 1 to 3 years, with maturity now in January 2009.

In January 2006, Maritime Electric's $25 million non-revolving unsecured short-term bridge financing, in support of the construction of the 50-MW combustion turbine generating facility, was extended until July 2007.

In March 2006, FortisAlberta amended its term syndicated credit facility increasing the amount available to $200 million from $150 million and extending the maturity date from May 2008 to May 2010. In addition, the Company has the ability to request an increase in the limit of this credit facility by $50 million under the same terms of the existing credit facility.

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure is required of all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources. The Corporation had no such off-balance sheet arrangements as at March 31, 2006.

BUSINESS RISK MANAGEMENT

There were no material changes to the Corporation's significant business risks for the quarter ended March 31, 2006 from those disclosed in the Corporation's Management Discussion and Analysis for the year ended December 31, 2005, except for those described below.

Regulation: Rate applications that establish revenue requirements may be subject to negotiated settlement procedures as well as pursued through public hearing processes. In September 2005, Canadian Niagara Power made application to the OEB for new electricity distribution rates to become effective May 1, 2006, and a decision on the application is expected during the second quarter of 2006. In April 2006, FortisBC entered negotiations to settle its 2006 Application filed with the BCUC on November 24, 2005. If negotiations are not successful, a public hearing is scheduled for June 2006. The BCUC decision on the 2006 Application would be determined subsequent to the negotiations or public hearing. FortisBC is currently charging interim rates, effective January 1, 2006, as approved by the BCUC. FortisAlberta filed a full 2006/2007 Application on December 12, 2005, pertaining to 2006 and 2007 customer electricity rates and capital expenditures. The hearing on the 2006/2007 Application is expected to take place in the spring of 2006 with an AEUB decision expected in the fall of 2006. FortisAlberta is currently charging interim rates, effective January 1, 2006, as approved by the AEUB. Maritime Electric expects to receive a decision on its rate application, filed with IRAC on January 31, 2006, in the second quarter of 2006. On March 31, 2006, Belize Electricity filed its Annual Tariff Review Application for the annual tariff period July 1, 2006 through June 30, 2007, proposing that the average mean electricity rate and its components remain unchanged from that in effect from January 1, 2006. A final decision on the Application is expected by the end of the second quarter of 2006. There can be no assurance that the rate orders issued will permit these utilities to recover all costs actually incurred and to earn the expected rates of return. A failure to obtain acceptable rate orders may adversely affect the business carried on by each of these utilities, the undertaking or timing of proposed expansion projects, the issue and sale of securities, ratings assigned by rating agencies and other matters which may, in turn, negatively impact the Corporation's results of operations or financial position.

Labour Relations: The collective agreement between FortisBC and Local 213 of the International Brotherhood of Electrical Workers ("IBEW") expired on January 31, 2005. IBEW represents employees in specified occupations in the area of generation, transmission and distribution. The Company and the IBEW reached an agreement which was ratified in early January 2006. The agreement expires on January 31, 2008. The collective agreement between FortisBC and Local 378 of the Canadian Office and Professional Employees Union ("COPE") expired on January 31, 2006. COPE represents employees in office and professional occupations. Discussions between the Company and COPE commenced in the first quarter of 2006 and are currently ongoing.

The majority of employees at FortisAlberta are represented by the United Utility Workers Association ("UUWA"). There are 2 collective agreements with the UUWA. The Dispatch/Contact Centre Collective Agreement expired December 31, 2004 and the main collective agreement expired December 31, 2005. The Company is currently in negotiations to renew both of these agreements and expects to enter into new contracts in the first half of 2006.

Belize Electricity's collective agreement with the Belize Energy Workers Union was signed on November 29, 2000 and is to be reviewed every 5 years. Preparations are underway for union negotiations which are expected to commence by mid 2006.

CHANGES IN ACCOUNTING POLICIES

Revenue Recognition: Effective January 1, 2006, Newfoundland Power prospectively changed its revenue recognition policy from a billed basis to an accrual basis, as approved by the PUB. The change in revenue recognition policy, while having no material impact on Newfoundland Power's annual earnings, will result in a shift in the Company's 2006 quarterly earnings compared to 2005. Earnings in the first and second quarters will be reduced compared to the same quarters in 2005 while earnings in the third and fourth quarters will increase, in total, by a similar amount. The PUB also approved a one-time revenue accrual of $3.1 million in 2006. This amount represents that portion of unbilled revenue at December 31, 2005 of $23.6 million, required to offset the income tax effects of changing to the accrual basis of revenue recognition. The disposition of the remaining 2005 unbilled revenue balance has been deferred until the Company's next general rate application, which is anticipated in 2006 for the purpose of setting rates for 2007.

FUTURE ACCOUNTING PRONOUNCEMENTS

During the first quarter of 2006, there were no changes to the Corporation's disclosure of future accounting pronouncements from those disclosed in the Corporation's Management Discussion and Analysis for the year ended December 31, 2005.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's interim unaudited consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates are necessary since the regulatory environments in which the Corporation's utilities operate often require amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings.

Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period they become known. Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes to the Corporation's critical accounting estimates for the three months ended March 31, 2006 from those disclosed in the Corporation's Management Discussion and Analysis for the year ended December 31, 2005 except as discussed below.

Interim Rates: FortisAlberta and FortisBC are currently charging interim rates that are subject to change based upon regulator approval of the final rates to be charged to customers in 2006. The difference between the interim rates currently charged and the final approved rates could result in material adjustments to the financial results of FortisAlberta and FortisBC. Any adjustments resulting from the regulators' decisions on the 2006 final rates will be recorded during the periods the decisions are received.

Amortization and Capitalized Overhead: FortisBC has completed a depreciation study on the estimated useful lives of its property, plant and equipment. The study recommended an increase in the Company's composite depreciation rate from 2.6 per cent to 3.6 per cent. Additionally, FortisBC has completed an analysis of its capitalized overhead allocation method. This analysis supported a change in the estimate of capitalized overhead. The revised estimate calculates capitalized overhead as a percentage of all corporate overhead costs whereas previously the percentage was applied to a limited pool of corporate costs.

FortisBC's 2006 Application, which is subject to BCUC approval, and the Corporation's financial statements for the first quarter of 2006 are based on the revised depreciation rate and revised capitalized overhead estimate. The change in estimates for amortization expense and capitalized overhead have been applied prospectively in the financial statements. Any change in the estimate of amortization expense and method of estimating capitalized overhead as a result of the BCUC decision on the 2006 Application will be recorded in the period the BCUC decision is received.

Contingencies: Fortis is a party to a number of disputes and lawsuits in the normal course of business. The Corporation's contingent liabilities are consistent with disclosures in the Corporation's 2005 annual audited consolidated financial statements except as noted below.

Maritime Electric

In April 2006, Canada Revenue Agency ("CRA") reassessed Maritime Electric's 1997-2004 taxation years. The reassessment encompasses the Company's tax treatment, specifically the Company's timing of deductions, with respect to: (i) the ECAM in the 2001-2004 taxation years, (ii) customer rebate adjustments in the 2001-2003 taxation years, and (iii) the Company's payment of approximately $6 million on January 2, 2001 associated with a settlement with NB Power regarding its $450 million write down of the Point Lepreau Nuclear Generating Station in 1998.

The Company believes it has reported its tax position appropriately in all aspects of the reassessment and intends to file a Notice of Objection with the Chief of Appeals at CRA. Should the Company be unsuccessful in defending all aspects of the reassessment, the Company would be required to pay approximately $11.6 million in taxes and accrued interest. The Company has provided for, through future and current income taxes payable, approximately $10 million and, therefore, an additional liability of $1.6 million would arise. In this event, the Company would apply to IRAC to include this amount in the regulatory rate-making process. The provisions of the *Income Tax Act* require the Company to deposit one half of the assessment under objection with CRA and the Company intends to deposit approximately $5.8 million with CRA by the end of June 2006.

FortisAlberta

On March 24, 2006, Her Majesty the Queen in Right of Alberta filed a statement of claim in the Court of Queen's Bench of Alberta in the Judicial District of Edmonton against FortisAlberta. The Crown's claim is that the Company is responsible for a fire that occurred in October of 2003 in an area of the Province of Alberta commonly referred to as "Poll Haven Community Pasture". The Crown is seeking approximately $2.7 million in fire-fighting and suppression costs and approximately $2.4 million in timber losses, as well as interest and other costs. Given the preliminary stage of the proceedings, FortisAlberta has not made any definitive assessment of potential liability with respect to the litigation. However, management does not believe that the Company contributed to, or is responsible for, the fire and, therefore, management is of the view that the allegations are without merit.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the 8 quarters ended June 30, 2004 through March 31, 2006. The quarterly information has been obtained from the Corporation's interim unaudited consolidated financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP and as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities. These differences are disclosed in the Notes to the Corporation's 2005 annual audited consolidated financial statements. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Fortis Inc.
Summary of Quarterly Results (Unaudited)

Quarter Ended	Revenue and Equity Income *($ thousands)*	Net Earnings Applicable to Common Shares *($ thousands)*	Earnings per Common Share [(1)] Basic *($)*	Earnings per Common Share [(1)] Diluted *($)*
March 31, 2006	390,827	36,605	0.35	0.34
December 31, 2005	353,084	22,263	0.22	0.21
September 30, 2005	341,650	37,450	0.36	0.33
June 30, 2005	364,948	38,188	0.37	0.34
March 31, 2005	381,789	39,196	0.40	0.36
December 31, 2004	337,170	21,176	0.22	0.21
September 30, 2004	303,653	25,452	0.26	0.25
June 30, 2004	254,513	23,946	0.30	0.28

[(1)] Earnings per common share data have been restated to reflect the 4-for-1 stock split completed in October 2005.

A summary of the past 8 quarters reflects the Corporation's continued growth as well as the seasonality associated with its businesses. From May 31, 2004, financial results were impacted by the acquisition of FortisAlberta and FortisBC, while financial results from February 1, 2005 were impacted by the acquisition of 3 Greenwood Inn hotels. Interim results will fluctuate due to the seasonal nature of electricity demand and water flows as well as the timing and recognition of regulatory decisions. Given the diversified group of companies, seasonality may vary. Most of the Corporation's utility investments produce their highest earnings in the first quarter. The Corporation's non-utility investment, Fortis Properties, generally produces its highest earnings in the second and third quarters. The comparability of 2006 and 2005 quarterly earnings and revenue has been somewhat impacted by the shift in reported revenue at Newfoundland Power resulting from the change to the accrual basis of revenue recognition from the billed basis. The comparability of 2005 and 2004 quarterly earnings is somewhat impacted by the seasonality effect of the new purchased power rate structure at Newfoundland Power, effective January 1, 2005. Each of the comparative quarterly earnings, except for the comparative first quarters ended March 31, 2006 and March 31, 2005, has increased as a result of both the Corporation's acquisition strategy and improved operating earnings at most subsidiaries. Results for the first quarter of 2005 included the $7.9 million after-tax Ontario Settlement.

March 2006/March 2005 - Net earnings applicable to common shares were $36.6 million, or $0.35 per common share, for the first quarter of 2006 compared to earnings of $39.2 million, or $0.40 per common share, for the first quarter of 2005. Earnings for the first quarter last year included the $7.9 million after-tax Ontario Settlement. Excluding the Ontario Settlement in 2005, earnings increased quarter over quarter primarily due to higher earnings at FortisBC and FortisAlberta, and increased non-regulated hydroelectric production in Belize. The increase in earnings was also due to an 11 per cent increase in electricity rates, effective July 1, 2005, and higher electricity sales at Belize Electricity. Partially offsetting the earnings increase was an anticipated decline in earnings at Newfoundland Power as a result of a change in the Company's revenue recognition policy, a decrease in equity income from Caribbean Utilities, driven by the higher fuel costs, and the impact of lower average wholesale energy prices in Ontario.

Earnings per common share for the first quarter of 2006 were impacted by the dilution created by the $130 million issue of common shares on March 1, 2005.

December 2005/December 2004 - Net earnings applicable to common shares for the fourth quarter of 2005 were $22.3 million, or $0.22 per common share, compared to $21.2 million, or $0.22 per common share, for the same quarter last year. Higher earnings from Non-regulated Fortis Generation, as a result of higher average wholesale energy prices in Ontario and Upper New York State and increased production, partially offset by increased operating expenses, were partially offset by decreased earnings from Regulated Utilities and higher Corporate expenses. The decrease in earnings from Regulated Utilities was primarily driven by lower earnings at FortisAlberta and FortisBC, partially offset by higher equity income from Caribbean Utilities. FortisAlberta's earnings for the fourth quarter of 2005 were reduced by a one-time adjustment of approximately $3.0 million largely related to the implementation of the Negotiated Rate Settlement reached on May 24, 2005. Additionally, during the fourth quarter of 2004, FortisBC recorded a $3.7 million after-tax increase to earnings related to the refinement of the process of estimating unbilled electricity revenue. Also, equity income in the fourth quarter of 2004 included an $8.2 million charge associated with the damage from Hurricane Ivan.

Earnings per common share for the fourth quarter of 2005 were impacted by the dilution created by the $130 million issue of common shares on March 1, 2005.

September 2005/September 2004 - Net earnings applicable to common shares for the third quarter of 2005 were $37.4 million, or $0.36 per common share, compared to $25.5 million, or $0.26 per common share, for the same quarter last year. Earnings for the third quarter were $11.9 million higher than for the same quarter in 2004 primarily due to higher average wholesale energy prices in Ontario, a $3.1 million, net of tax, unrealized foreign exchange gain associated with the translation of US$60 million of unhedged corporate long-term debt and increased earnings at Belize Electricity, Caribbean Utilities and Fortis Properties. Earnings from Regulated Canadian Utilities were comparable quarter over quarter. The net impact of several adjustments at FortisAlberta, FortisBC and FortisOntario and higher earnings at Maritime Electric helped offset lower quarterly earnings at Newfoundland Power related to the new purchase power rate structure and higher finance charges at the utilities in western Canada. Growth in earnings per common share quarter over quarter was partially offset by the dilution created by the $130 million issue of common shares on March 1, 2005.

June 2005/June 2004 - Net earnings applicable to common shares for the second quarter of 2005 were $38.2 million, or $0.37 per common share, compared to $23.9 million, or $0.30 per common share, for the second quarter of 2004. Second quarter results include 3 months of earnings from FortisAlberta and FortisBC compared to 1 month for the second quarter of 2004.

Results this quarter included a $7.0 million positive net after-tax adjustment to FortisAlberta's earnings, associated with the resolution of tax-related matters resulting in the reduction of liabilities associated with prior periods, partially offset by amounts provided for the final settlement of billings related to prior years. Results also included approximately $1.4 million in after-tax interest revenue from a tax settlement at Newfoundland Power and a $1.1 million positive adjustment to Caribbean Utilities' earnings related to a change in the accounting practice for recognizing unbilled revenue. Fortis Properties' earnings were $1.1 million higher quarter over quarter. The increase in earnings for the second quarter was partly constrained by a $1.0 million after-tax unrealized foreign exchange loss associated with the translation of US$75 million of unhedged corporate debt. Growth in earnings per common share quarter over quarter was partially offset by the dilution created by the $130 million issue of common shares on March 1, 2005.

SUBSEQUENT EVENT

On April 21, 2006, FortisAlberta closed a $100 million unsecured debenture offering. The net proceeds of the offering will primarily be used to refinance drawings on FortisAlberta's term syndicated credit facility and to fund operating and capital expenditures. The debentures will bear interest at an interest rate of 5.40 per cent per annum, payable semi-annually on April 21 and October 21, and mature on April 21, 2036.

OUTLOOK

The Corporation's principal business of regulated electric utilities is capital intensive and Fortis expects that most of its capital expenditures for the next 5 years will relate primarily to FortisAlberta and FortisBC. Gross consolidated capital expenditures for 2006 are expected to be approximately $450 million, approximately $425 million of which is expected to be invested in Regulated Utilities.

Fortis also expects to focus its capital on funding further acquisitions of utility assets. Fortis will continue to pursue acquisition opportunities in Canada, the Caribbean and the United States. Fortis will also pursue growth in its non-regulated businesses of hydroelectric generation, hotels and real estate.

OUTSTANDING SHARE DATA

At April 30, 2006, the Corporation had issued and outstanding 103,384,041 Common Shares, 5,000,000 First Preference Shares Series C and 7,993,500 First Preference Shares Series E. The number of Common Shares, as at March 31, 2006, that would be issued upon conversion of convertible debt and the First Preference Shares Series C and Series E is described in the Notes to the 2005 Fortis annual audited consolidated financial statements. The number of Common Shares, as at March 31, 2006, that would be issued upon conversion of share options is described in the Notes to the interim unaudited consolidated financial statements for the three months ended March 31, 2006.

FORTIS INC.

Interim Consolidated Financial Statements
For the three months ended March 31, 2006 and 2005
(Unaudited)

Fortis Inc.
Consolidated Balance Sheets (Unaudited)
As at
(in thousands)

	March 31 2006	December 31 2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 21,523	$ 33,416
Accounts receivable	214,232	204,169
Prepaid expenses	12,757	9,786
Regulatory assets	31,091	33,289
Materials and supplies	36,296	32,033
	315,899	312,693
Deferred charges	149,819	148,140
Regulatory assets	88,430	82,315
Future income taxes	57,079	58,815
Utility capital assets	2,653,424	2,606,061
Income producing properties	418,588	414,608
Investments	167,566	167,393
Intangibles, net of amortization	12,975	14,027
Goodwill	512,139	512,139
	$ 4,375,919	$ 4,316,191
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 5)	$ 68,848	$ 59,868
Accounts payable and accrued charges	267,526	265,223
Dividends payable	17,938	17,924
Income taxes payable	7,616	22,785
Regulatory liabilities	13,363	19,392
Current instalments of long-term debt and capital lease obligations	31,216	31,392
Future income taxes	2,819	6,714
	409,326	423,298
Deferred credits	67,962	64,261
Regulatory liabilities	84,737	86,780
Future income taxes	45,070	44,718
Long-term debt and capital lease obligations (Note 5)	2,171,879	2,124,674
Non-controlling interest	39,881	39,555
Preference shares	319,492	319,492
	3,138,347	3,102,778
Shareholders' equity		
Common shares (Note 6)	816,914	813,304
Contributed surplus	3,540	3,179
Equity portion of convertible debentures	1,506	1,500
Foreign currency translation adjustment	(16,203)	(16,312)
Retained earnings	431,815	411,742
	1,237,572	1,213,413
	$ 4,375,919	$ 4,316,191

Contingent liabilities and commitments (Note 12)
Subsequent event (Note 13)

See accompanying notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Earnings (Unaudited)
For the three months ended March 31
(in thousands, except per share amounts)

	Quarter Ended 2006	Quarter Ended 2005
Operating revenues	**$ 389,208**	$ 379,278
Equity income	**1,619**	2,511
	390,827	381,789
Expenses		
Operating	**253,268**	253,313
Amortization	**44,167**	40,176
	297,435	293,489
Operating income	**93,392**	88,300
Finance charges (Note 9)	**37,470**	35,898
Preference share dividends	**4,152**	4,152
Gain on settlement of contractual matters (Note 10)	**-**	(10,000)
	41,622	30,050
Earnings before income taxes	**51,770**	58,250
Corporate income taxes	**13,948**	18,202
Net earnings before non-controlling interest	**37,822**	40,048
Non-controlling interest	**1,217**	852
Net earnings applicable to common shares	**$ 36,605**	$ 39,196
Weighted average common shares outstanding (Note 6)	**103,287**	98,005
Earnings per common share (Note 6)		
Basic	**$ 0.35**	$ 0.40
Diluted	**$ 0.34**	$ 0.36

Consolidated Statements of Retained Earnings (Unaudited)
For the three months ended March 31
(in thousands)

	2006	2005
Balance at beginning of period	**$ 411,742**	$ 337,013
Net earnings applicable to common shares	**36,605**	39,196
	448,347	376,209
Dividends on common shares	**(16,532)**	(14,643)
Balance at end of period	**$ 431,815**	$ 361,566

See accompanying notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31
(in thousands)

	Quarter Ended 2006	Quarter Ended 2005
Operating Activities		
Net earnings applicable to common shares	**$ 36,605**	$ 39,196
Items not affecting cash		
Amortization - capital assets, net of contributions in aid of construction	**41,668**	37,662
Amortization - intangibles	**1,052**	921
Amortization - other	**1,447**	1,593
Future income taxes	**(3,499)**	(1,189)
Accrued employee future benefits	**202**	(501)
Equity loss (income), net of dividends	**170**	(56)
Stock-based compensation	**386**	387
Unrealized foreign exchange loss on long-term debt (Note 9)	**321**	397
Non-controlling interest	**1,217**	852
Other	**79**	(113)
	79,648	79,149
Change in non-cash operating working capital	**(30,250)**	189
	49,398	79,338
Investing Activities		
Change in deferred charges and credits	**(532)**	(1,559)
Purchase of utility capital assets	**(104,306)**	(91,371)
Purchase of income producing properties	**(6,638)**	(67,392)
Contributions in aid of construction	**9,611**	10,877
Proceeds on sale of utility capital assets	**493**	218
Increase in investments	**(387)**	-
	(101,759)	(149,227)
Financing Activities		
Change in short-term borrowings	**8,954**	(37,658)
Proceeds from long-term debt	**51,772**	30,396
Repayment of long-term debt and capital lease obligations	**(7,182)**	(8,904)
Advances from non-controlling interest	**247**	303
Issue of common shares	**3,585**	127,688
Dividends		
Common shares	**(16,532)**	(14,643)
Subsidiary dividends paid to non-controlling interest	**(410)**	(411)
	40,434	96,771
Effect of exchange rate changes on cash	**34**	119
Change in cash and cash equivalents	**(11,893)**	27,001
Cash and cash equivalents, beginning of period	**33,416**	37,203
Cash and cash equivalents, end of period	**$ 21,523**	$ 64,204

See accompanying notes to interim consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

Fortis Inc. ("Fortis" or the "Corporation") is principally a diversified, international electric utility holding company. Fortis segments its utility operations by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis also holds investments in non-regulated generation and commercial real estate and hotels, which are treated as separate segments. The operating segments allow senior management to evaluate the operational performance and assess the overall contribution of each segment to the Corporation's long-term objectives. Each operating segment operates as an autonomous unit, assumes profit and loss responsibility and is accountable for its own resource allocation.

The following summary briefly describes the operations included in each of the Corporation's operating and reportable segments.

Regulated Utilities - Canadian

The following summary describes the Corporation's interest in Regulated Utilities in Canada by utility:

a. *FortisAlberta:* FortisAlberta owns and operates the electricity distribution system in a substantial portion of southern and central Alberta.

b. *FortisBC*: Includes FortisBC Inc., an integrated electric utility operating in the southern interior of British Columbia. FortisBC Inc. owns 4 hydroelectric generation plants with a combined total capacity of 235 MW. Included with the FortisBC component of the Regulated Utilities - Canadian segment are the non-regulated operating, maintenance and management services relating to the 450-megawatt ("MW") Waneta hydroelectric generating facility owned by Teck Cominco, the 149-MW Brilliant Hydroelectric Plant owned by Columbia Power Corporation and the Columbia Basin Trust ("CPC/CBT"), the 185-MW Arrow Lakes Hydroelectric Plant owned by CPC/CBT and the distribution system owned by the City of Kelowna. Commencing May 31, 2005, the FortisBC component of Regulated Utilities - Canadian segment also includes Princeton Light and Power Company, Limited ("PLP"). On May 31, 2005, Fortis, through an indirect wholly owned subsidiary, acquired all issued common and preference shares of PLP. PLP is an electric utility serving customers, mainly in Princeton, British Columbia. PLP presently purchases its wholesale power from FortisBC Inc. under a Power Purchase Agreement ("PPA").

c. *Newfoundland Power:* Newfoundland Power is the principal distributor of electricity in Newfoundland. Newfoundland Power also has an installed generating capacity of 146 MW of which 95 MW is hydroelectric generation.

d. *Maritime Electric:* Maritime Electric is the principal distributor of electricity on Prince Edward Island. Maritime Electric also maintains on-Island generating facilities at Charlottetown and Borden-Carleton with a combined total capacity of 150 MW.

e. *FortisOntario*: FortisOntario provides an integrated electric utility service to customers in Fort Erie, Cornwall, Gananoque and Port Colborne in Ontario. FortisOntario operations include Canadian Niagara Power Inc. ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company, Limited. Included in Canadian Niagara Power's accounts is the operation of the electricity distribution business of Port Colborne Hydro Inc., which has been leased from the City of Port Colborne under a 10-year lease agreement, entered into in April 2002. FortisOntario also owns a 10 per cent interest in each of Westario Power Holdings Inc. and Rideau St. Lawrence Holdings Inc., 2 regional electrical distribution companies formed in 2000.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Regulated Utilities - Caribbean

The following summary describes the Corporation's interest in Regulated Utilities in the Caribbean by utility:

a. *Belize Electricity*: Belize Electricity is the principal distributor of electricity in Belize, Central America. The Corporation holds a 68 per cent controlling interest in the Company.

b. *Caribbean Utilities Company, Ltd. ("Caribbean Utilities"):* Caribbean Utilities is the sole provider of electricity on Grand Cayman, Cayman Islands. The Corporation's 37.0 per cent interest in the Company is accounted for on the equity basis of accounting.

Non-Regulated - Fortis Generation

The following summary describes the Corporation's non-regulated generation assets by location:

a. *Ontario:* Includes 75 MW of water right entitlement associated with the Niagara Exchange Agreement, the 5-MW Cornwall District Heating cogeneration plant and 6 small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW. Non-regulated generating operations in Ontario are conducted through FortisOntario Inc. and the former FortisOntario Generation Corporation. In January 2006, FortisOntario Generation Corporation was amalgamated with CNE Energy Inc.

b. *Belize:* Operations consist of the 25-MW Mollejon and 7-MW Chalillo hydroelectric facilities in Belize. All of the electricity output is sold to Belize Electricity under a 50-year PPA. Hydroelectric generation operations in Belize are conducted through the Corporation's wholly owned indirect subsidiary, Belize Electric Company Limited ("BECOL"), under a Franchise Agreement with the Government of Belize.

c. *Central Newfoundland:* Through the Exploits River Hydro Partnership ("Exploits Partnership"), a partnership between the Corporation, through an indirect wholly owned subsidiary, CNE Energy Inc., and Abitibi-Consolidated Company of Canada ("Abitibi-Consolidated"), 36 MW of additional capacity was developed and installed at 2 of Abitibi-Consolidated's hydroelectric plants in central Newfoundland. The Corporation holds an indirect 51 per cent interest in the Exploits Partnership and Abitibi-Consolidated holds the remaining 49 per cent interest. The Exploits Partnership sells its output to Newfoundland and Labrador Hydro Corporation under a 30-year PPA.

d. *Upper New York State:* Includes the operations of 4 hydroelectric generating stations in Upper New York State with a combined capacity of 23 MW operating under licences from the US Federal Energy Regulatory Commission. Hydroelectric generation operations in Upper New York State are conducted through the Corporation's indirect wholly owned subsidiary, FortisUS Energy Corporation.

e. *British Columbia:* Includes the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. This plant sells its entire output to BC Hydro under a long-term contract. Hydroelectric generating operations in British Columbia are conducted through the Walden Power Partnership, a wholly owned partnership of FortisBC Inc.

Non-Regulated - Fortis Properties

Fortis Properties owns and operates hotels in 6 provinces in Canada and commercial real estate in Atlantic Canada. Its holdings include 15 hotels with more than 2,900 rooms and approximately 2.7 million square feet of commercial real estate.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Corporate

Corporate includes finance charges related to debt incurred directly by Fortis, foreign exchange gains or losses, preference share dividends, other corporate expenses, net of recoveries from subsidiaries, interest and miscellaneous revenues and corporate income taxes.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements and do not include all of the disclosures normally found in the Corporation's annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Corporation's 2005 annual audited consolidated financial statements. Interim results will fluctuate due to the seasonal nature of electricity demand and water flows as well as the timing and recognition of regulatory decisions. Given the diversified group of companies, seasonality may vary. Most of the Corporation's utility investments produce their highest earnings in the first quarter. The Corporation's non-utility investment, Fortis Properties, generally produces its highest earnings in the second and third quarters.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP, including selected accounting treatments that differ from those used by entities not subject to rate regulation. The timing of the recognition of certain assets, liabilities, revenues and expenses, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for entities not subject to rate regulation. These differences and nature of regulation are disclosed in Notes 2 and 4 to the Corporation's 2005 annual audited consolidated financial statements. These interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2005 annual audited consolidated financial statements except as described below. All amounts are presented in Canadian dollars unless otherwise stated.

Revenue Recognition

Effective January 1, 2006, Newfoundland Power prospectively changed its revenue recognition policy from a billed basis to an accrual basis, as approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB"). The change in revenue recognition policy, while having no material impact on Newfoundland Power's annual earnings, will result in a shift in the Company's 2006 quarterly earnings compared to 2005. Earnings in the first and second quarters will be reduced compared to the same quarters in 2005 while earnings in the third and fourth quarters will increase, in total, by a similar amount. The change in the revenue recognition policy resulted in a $4.3 million and $2.0 million decrease in revenue and earnings, respectively, during the first quarter of 2006 compared to the same quarter last year. The PUB also approved a one-time revenue accrual of $3.1 million in 2006. This amount represents that portion of unbilled revenue at December 31, 2005 of $23.6 million, required to offset the income tax effects of changing to the accrual basis of revenue recognition. The disposition of the remaining 2005 unbilled revenue balance has been deferred until the Company's next general rate application, which is anticipated in 2006 for the purpose of setting rates for 2007.

4. USE OF ESTIMATES

The preparation of the Corporation's interim consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

4. USE OF ESTIMATES (cont'd)

Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates are necessary since the regulatory environments in which the Corporation's utilities operate often require amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period they become known. Interim financial statements may also employ a greater use of estimates than the annual financial statements.

There were no material changes to the Corporation's critical accounting estimates during the three months ended March 31, 2006 from those disclosed in the Corporation's Management Discussion and Analysis for the year ended December 31, 2005 except as discussed below and as described in Note 12 to these interim consolidated financial statements.

Interim Rates

FortisAlberta and FortisBC are currently charging interim rates that are subject to change based upon regulator approval of the final rates to be charged to customers in 2006. The difference between the interim rates currently charged and the final approved rates could result in material adjustments to the financial results of FortisAlberta and FortisBC. Any adjustments resulting from the regulators' decisions on the 2006 final rates will be recorded during the periods the decisions are received. In April 2006, FortisBC entered negotiations to settle its 2006 Revenue Requirements Application ("2006 Application"). If negotiations are not successful, a public hearing is scheduled for June 2006. The British Columbia Utilities Commission ("BCUC") decision on the 2006 Application would be determined subsequent to the negotiations or public hearing. A hearing on FortisAlberta's 2006/2007 Distribution Access Tariff Application is expected to take place in the spring of 2006 with an Alberta Energy and Utilities Board decision expected in the fall of 2006.

Amortization and Capitalized Overhead

FortisBC has completed a depreciation study on the estimated useful lives of its property, plant and equipment. The study recommended an increase in the Company's composite depreciation rate from 2.6 per cent to 3.6 per cent. Additionally, FortisBC has completed an analysis of its capitalized overhead allocation method. This analysis supported a change in the estimate of capitalized overhead. The revised estimate calculates capitalized overhead as a percentage of all corporate overhead costs whereas previously the percentage was applied to a limited pool of corporate costs.

FortisBC's 2006 Application, which is subject to BCUC approval, and the Corporation's financial statements for the first quarter of 2006 are based on the revised depreciation rate and revised capitalized overhead estimate. The change in estimates for amortization expense and capitalized overhead have been applied prospectively in the financial statements. Any change in the estimate of amortization expense and method of estimating capitalized overhead as a result of the BCUC decision on the 2006 Application will be recorded in the period the BCUC decision is received.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The Corporation and its subsidiaries had consolidated authorized lines of credit of $795.5 million of which $542.7 million was unused at March 31, 2006. The following summary outlines the Corporation's credit facilities by reporting segments.

Credit Facilities *($ millions)*	Corporate	Regulated Utilities	Fortis Generation	Fortis Properties	**Total as at March 31, 2006**	Total as at December 31, 2005
Total credit facilities	210.0	567.2	5.8	12.5	**795.5**	747.1
Credit facilities utilized						
Short-term borrowings	(2.6)	(65.0)	(1.2)	-	**(68.8)**	(59.9)
Long-term debt	(24.5)	(97.3)	-	-	**(121.8)**	(74.8)
Letters of credit outstanding	(4.7)	(55.3)	-	(2.2)	**(62.2)**	(73.6)
Credit facilities available	178.2	349.6	4.6	10.3	**542.7**	538.8

At March 31, 2006 and December 31, 2005, certain borrowings under the Corporation's and subsidiaries' credit facilities have been classified as long-term debt. These borrowings are under long-term credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

In January 2006, Newfoundland Power renegotiated its syndicated $100 million committed revolving term credit facility extending the term from 1 to 3 years, with maturity now in January 2009.

In January 2006, Maritime Electric's $25 million non-revolving unsecured short-term bridge financing, in support of the construction of the 50-MW combustion turbine generating facility, was extended until July 2007.

In March 2006, FortisAlberta amended its syndicated term credit facility increasing the amount available to $200 million from $150 million and extending the maturity date from May 2008 to May 2010. In addition, the Company has the ability to request an increase in the limit of this credit facility by $50 million under the same terms of the existing credit facility.

6. COMMON SHARES

Authorized: an unlimited number of Common Shares without nominal or par value.

	March 31, 2006		December 31, 2005	
a) **Issued and Outstanding**	**Number of Shares**	**Amount** *(in thousands)*	Number of Shares	Amount *(in thousands)*
Common Shares	**103,384,041**	**$ 816,914**	103,203,981	$ 813,304

Common Shares issued during the period were as follows:

	Quarter Ended March 31, 2006	
	Number of Shares	**Amount** *(in thousands)*
Opening balance	**103,203,981**	**$ 813,304**
Consumer Share Purchase Plan	**21,388**	**493**
Dividend Reinvestment Plan	**44,988**	**1,037**
Employee Share Purchase Plan	**68,486**	**1,578**
Directors' and Executive Stock Option Plans	**45,198**	**502**
	103,384,041	**$ 816,914**

6. COMMON SHARES (cont'd)

At March 31, 2006, 6,160,879 Common Shares remained reserved for issue under the terms of the above noted share purchase, dividend reinvestment and stock option plans.

b) Earnings per Common Share

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding were 103,287,270 and 98,004,660 for the quarters ended March 31, 2006 and March 31, 2005, respectively. Diluted earnings per common share are calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

Earnings per common share are as follows:

	Quarter Ended March 31					
	2006			2005		
	Earnings *(in thousands)*	**Weighted Average Shares** *(in thousands)*	**Earnings per Common Share**	Earnings *(in thousands)*	Weighted Average Shares [(1)] *(in thousands)*	Earnings per Common Share [(1)]
Earnings	**$ 36,605**			$ 39,196		
Weighted average shares outstanding		**103,287**			98,005	
Basic Earnings per Common Share			**$ 0.35**			$ 0.40
Effect of dilutive securities:						
Stock options	**-**	**1,283**		-	824	
Preference Shares	**4,152**	**14,096**		4,152	19,690	
Convertible debentures	**262**	**1,925**		279	1,924	
Diluted Earnings per Common Share	**$ 41,019**	**120,591**	**$ 0.34**	$ 43,627	120,443	$ 0.36

(1) The share information has been restated to reflect the 4-for-1 stock split completed in October 2005.

7. STOCK OPTIONS

The Corporation is authorized to grant certain key employees and directors of Fortis Inc. and its subsidiaries options to purchase Common Shares of the Corporation. At March 31, 2006, the Corporation had the following stock-based compensation plans: Executive Stock Option Plan and 2002 Stock Option Plan. The 2002 Stock Option Plan was adopted at the Annual and Special General Meeting on May 15, 2002 to ultimately replace the Executive and the former Directors' Stock Option Plans. The Executive Stock Option Plan will cease to exist when all outstanding options are exercised or expire in or before 2011.

7. STOCK OPTIONS (cont'd)

	Quarter Ended March 31, 2006	
	Number of Options	**Weighted Average Price**
Options outstanding at beginning of period	3,421,876	$ 14.18
Granted	626,761	$ 22.94
Cancelled	-	$ -
Exercised	(45,198)	$ 10.16
Options outstanding at end of period	4,003,439	$ 15.60

Details of stock options outstanding are as follows:	**Number of Options**	**Exercise Price**	**Expiry Date**
	417,992	$ 9.57	2011
	629,964	$ 12.03	2012
	703,468	$ 12.81	2013
	709,136	$ 15.28	2014
	12,000	$ 15.23	2014
	72,423	$ 14.55	2014
	769,955	$ 18.40	2015
	28,000	$ 18.11	2015
	33,740	$ 20.82	2015
	626,761	$ 22.94	2016
	4,003,439		
Options vested at end of period	1,606,263		

Stock-based Compensation

On February 28, 2006, the Corporation granted 626,761 options on common shares under its 2002 Stock Option Plan at the 5-day average trading price immediately preceding the date of grant of $22.94. These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of each option granted was $3.90 per option.

The fair value was estimated on the date of grant using the Black-Scholes fair value option-pricing model and the following assumptions:

	February 28, 2006
Dividend yield (%)	3.02
Expected volatility (%)	16.7
Risk-free interest rate (%)	4.12
Weighted-average expected life (years)	7.5

The Corporation records compensation expense upon the issuance of stock options under its 2002 Stock Option Plan. Using the fair value method, the compensation expense is amortized over the 4-year vesting period of the options. Under the fair value method, $0.4 million was recorded as compensation expense for the quarter ended March 31, 2006 ($0.4 million for the quarter ended March 31, 2005).

8. EMPLOYEE FUTURE BENEFITS

The Corporation provides pension arrangements and other post-employment benefits to qualified employees through both defined contribution and defined benefit arrangements. The cost of providing the defined benefit arrangements was $5.4 million for the quarter ended March 31, 2006 ($3.4 million for the quarter ended March 31, 2005). The cost of providing the defined contribution arrangements for the quarter ended March 31, 2006 was $0.9 million ($0.8 million for the quarter ended March 31, 2005).

9. FINANCE CHARGES

(in thousands)	Quarter Ended March 31 **2006**	2005
Amortization of debt and stock issue expenses	**$ 147**	$ 252
Interest - Long-term debt and capital lease obligations	**37,458**	35,193
- Short-term borrowings	**1,753**	1,990
Interest charged to construction	**(1,117)**	(1,190)
Interest earned	**(1,092)**	(744)
Unrealized foreign exchange loss on long-term debt	**321**	397
	$ 37,470	$ 35,898

10. GAIN ON SETTLEMENT OF CONTRACTUAL MATTERS

In the first quarter of 2005, Fortis recorded a $7.9 million after-tax gain ($10 million pre-tax) resulting from the settlement of contractual matters between FortisOntario and Ontario Power Generation Inc.

11. SEGMENTED INFORMATION

a) Information by reportable segment is as follows:

Quarter ended	Regulated Utilities							Non-Regulated			Inter-	
(in thousands of dollars)	Fortis	Fortis	Nfld	Maritime	Fortis	**Total**	**Total**	**Fortis**	**Fortis**		**segment**	
March 31, 2006	Alberta	BC	Power	Electric	Ontario	**Canadian**	**Caribbean**	**Generation**	**Properties**	**Corporate**	**eliminations**	**Consolidated**
Operating revenues	61,803	62,730	131,792	29,880	33,240	**319,445**	**20,085**	**19,283**	**35,137**	**2,022**	**(6,764)**	**389,208**
Equity income	-	-	-	-	-	**-**	**1,619**	**-**	**-**	**-**	**-**	**1,619**
Energy supply costs	-	19,231	82,662	18,277	25,756	**145,926**	**11,732**	**1,909**	**-**	**-**	**(3,494)**	**156,073**
Operating expenses	28,701	15,368	14,560	3,148	3,263	**65,040**	**2,706**	**4,029**	**24,553**	**2,371**	**(1,504)**	**97,195**
Amortization	15,715	7,126	9,784	2,547	1,334	**36,506**	**1,421**	**2,651**	**2,842**	**747**	**-**	**44,167**
Operating income	17,387	21,005	24,786	5,908	2,887	**71,973**	**5,845**	**10,694**	**7,742**	**(1,096)**	**(1,766)**	**93,392**
Finance charges	6,749	5,599	8,136	2,399	1,236	**24,119**	**1,654**	**2,637**	**5,150**	**5,676**	**(1,766)**	**37,470**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**4,152**	**-**	**4,152**
Corporate income taxes	1,148	3,554	5,844	1,444	662	**12,652**	**346**	**2,219**	**1,114**	**(2,383)**	**-**	**13,948**
Non-controlling interest	-	-	148	-	-	**148**	**691**	**420**	**-**	**(42)**	**-**	**1,217**
Net earnings (loss)	9,490	11,852	10,658	2,065	989	**35,054**	**3,154**	**5,418**	**1,478**	**(8,499)**	**-**	**36,605**
Goodwill	228,615	220,719	-	19,858	42,947	**512,139**	**-**	**-**	**-**	**-**	**-**	**512,139**
Identifiable assets	789,188	737,796	861,998	270,891	119,092	**2,778,965**	**214,575**	**259,987**	**434,743**	**40,111**	**(29,632)**	**3,698,749**
Equity investment assets	-	-	-	-	-	**-**	**165,031**	**-**	**-**	**-**	**-**	**165,031**
Total assets	1,017,803	958,515	861,998	290,749	162,039	**3,291,104**	**379,606**	**259,987**	**434,743**	**40,111**	**(29,632)**	**4,375,919**
Capital expenditures	54,590	25,607	12,023	5,704	1,883	**99,807**	**3,426**	**746**	**6,638**	**327**	**-**	**110,944**
March 31, 2005												
Operating revenues	58,595	55,374	135,436	29,286	38,160	**316,851**	**15,387**	**16,970**	**33,038**	**2,572**	**(5,540)**	**379,278**
Equity income	-	-	-	-	-	**-**	**2,511**	**-**	**-**	**-**	**-**	**2,511**
Energy supply costs	-	18,555	83,098	18,143	30,624	**150,420**	**8,134**	**1,860**	**-**	**-**	**(1,882)**	**158,532**
Operating expenses	26,921	16,043	14,201	2,998	3,143	**63,306**	**2,784**	**4,846**	**22,831**	**2,213**	**(1,199)**	**94,781**
Amortization	13,846	4,635	10,587	2,399	1,243	**32,710**	**1,612**	**2,555**	**2,600**	**699**	**-**	**40,176**
Operating income	17,828	16,141	27,550	5,746	3,150	**70,415**	**5,368**	**7,709**	**7,607**	**(340)**	**(2,459)**	**88,300**
Finance charges	5,970	4,541	7,692	2,214	1,288	**21,705**	**1,240**	**3,875**	**4,924**	**6,613**	**(2,459)**	**35,898**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**4,152**	**-**	**4,152**
Gain on settlement of contractual matters	-	-	-	-	-	**-**	**-**	**(10,000)**	**-**	**-**	**-**	**(10,000)**
Corporate income taxes	4,012	2,652	6,761	1,414	757	**15,596**	**215**	**3,535**	**1,182**	**(2,326)**	**-**	**18,202**
Non-controlling interest	-	-	145	-	-	**145**	**440**	**308**	**-**	**(41)**	**-**	**852**
Net earnings (loss)	7,846	8,948	12,952	2,118	1,105	**32,969**	**3,473**	**9,991**	**1,501**	**(8,738)**	**-**	**39,196**
Goodwill	229,097	219,509	-	19,858	45,577	**514,041**	**-**	**-**	**-**	**-**	**-**	**514,041**
Identifiable assets	623,279	632,163	841,461	244,649	121,308	**2,462,860**	**202,090**	**279,046**	**422,867**	**68,790**	**(21,922)**	**3,413,731**
Equity investment assets	-	-	-	-	-	**-**	**161,325**	**-**	**-**	**-**	**-**	**161,325**
Total assets	852,376	851,672	841,461	264,507	166,885	**2,976,901**	**363,415**	**279,046**	**422,867**	**68,790**	**(21,922)**	**4,089,097**
Capital expenditures	33,825	22,927	14,540	8,958	944	**81,194**	**2,463**	**6,573**	**67,392**	**1,141**	**-**	**158,763**

11. SEGMENT INFORMATION (cont'd)

b) Inter-Company Transactions

Inter-company transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The significant inter-company transactions primarily related to the sale of energy from BECOL to Belize Electricity, electricity sales from Newfoundland Power to Fortis Properties and finance charges on inter-company borrowings. The significant inter-company transactions for the quarters ended March 31, 2006 and 2005 are detailed below.

Inter-company transactions *(in thousands)*	**Quarter Ended March 31** **2006**	2005
Sales from BECOL to Belize Electricity	**$ 3,148**	$ 895
Sales from Newfoundland Power to Fortis Properties	**1,091**	1,009
Inter-company finance charges on borrowings from:		
Corporate to Fortis Properties	**933**	1,070
Corporate to BECOL	**-**	650
BECOL to Belize Electricity	**405**	466

12. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments are consistent with disclosures in the Fortis annual audited consolidated financial statements for the year ended December 31, 2005 except as described below.

(a) Maritime Electric

In April 2006, the Canada Revenue Agency ("CRA") reassessed Maritime Electric's 1997-2004 taxation years. The reassessment encompasses the Company's tax treatment, specifically the Company's timing of deductions, with respect to: (i) the ECAM in the 2001-2004 taxation years, (ii) customer rebate adjustments in the 2001-2003 taxation years, and (iii) the Company's payment of approximately $6 million on January 2, 2001 associated with a settlement with New Brunswick Power Corporation regarding its $450 million write down of the Point Lepreau Nuclear Generating Station in 1998.

The Company believes it has reported its tax position appropriately in all aspects of the reassessment and intends to file a Notice of Objection with the Chief of Appeals at CRA. Should the Company be unsuccessful in defending all aspects of the reassessment, the Company would be required to pay approximately $11.6 million in taxes and accrued interest. The Company has provided for, through future and current income taxes payable, approximately $10 million and, therefore, an additional liability of $1.6 million would arise. In this event, the Company would apply to the Island Regulatory and Appeals Commission to include this amount in the regulatory rate-making process. The provisions of the Income Tax Act require the Company to deposit one half of the assessment under objection with CRA and the Company intends to deposit approximately $5.8 million with CRA by the end of June 2006.

(b) FortisAlberta

On March 24, 2006, Her Majesty the Queen in Right of Alberta filed a statement of claim in the Court of Queen's Bench of Alberta in the Judicial District of Edmonton against FortisAlberta. The Crown's claim is that the Company is responsible for a fire that occurred in October of 2003 in an area of the Province of Alberta commonly referred to as "Poll Haven Community Pasture". The Crown is seeking approximately $2.7 million in fire fighting and suppression costs and approximately $2.4 million in timber losses, as well as interest and other costs. Given the preliminary stage of the proceedings, FortisAlberta has not made any definitive assessment of potential liability with respect to the litigation. However, management does not believe that the Company contributed to, or is responsible for, the fire and, therefore, management is of the view that the allegations are without merit.

13. SUBSEQUENT EVENT

On April 21, 2006, FortisAlberta closed a $100 million unsecured debenture offering. The net proceeds of the offering will primarily be used to refinance drawings on FortisAlberta's term syndicated credit facility and to fund operating and capital expenditures. The debentures will bear interest at an interest rate of 5.40 per cent per annum, payable semi-annually on April 21 and October 21, and mature on April 21, 2036.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with current period classifications.

Dates – Dividends* and Earnings

Expected Earnings Release Dates

August 4, 2006	October 31, 2006
February 6, 2007	May 1, 2007

Dividend Record Dates

May 5, 2006	August 4, 2006
November 3, 2006	February 3, 2007

Dividend Payment Dates

June 1, 2006	September 1, 2006
December 1, 2006	March 1, 2007

* *The declaration and payment of dividends are subject to Board of Directors' approval.*

Registrar and Transfer Agent

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1
T: 514-982-7555 or 1-866-586-7638
F: 416-263-9394 or 1-888-453-0330
E: service@computershare.com
W: www.computershare.com

Share Listings

The Common Shares, First Preference Shares Series C and First Preference Shares Series E of Fortis Inc. trade on the Toronto Stock Exchange under the symbols FTS, FTS.PR.C and FTS.PR.E, respectively.

Fortis Common Shares ($) Quarter Ended March 31		
	2006	**2005**
High	**24.60**	18.88
Low	**21.65**	17.00
Close	**22.43**	17.85

Fortis Inc.
The Fortis Building
Suite 1201, 139 Water Street
P.O. Box 8837
St. John's, NL, Canada A1B 3T2

T: 709-737-2800
F: 709-737-5307

www.fortisinc.com

Cover Design: CCL Group – Colour, St. John's, NL