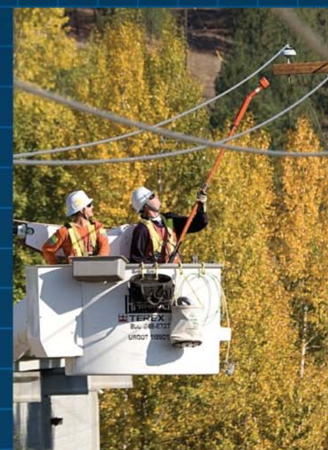
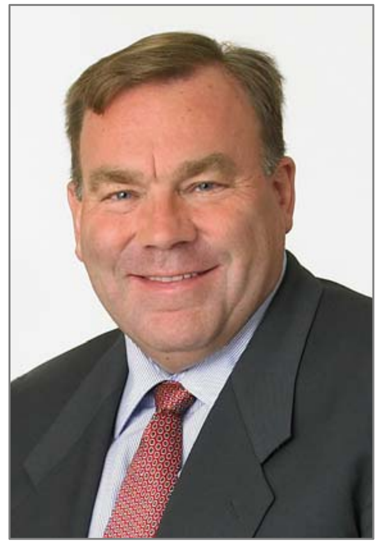
FORTIS INC.

First Quarter 2010



Dear Shareholder:



Fortis achieved first quarter net earnings attributable to common equity shareholders of $100 million, or $0.58 per common share, compared to $92 million, or $0.54 per common share, for the first quarter of 2009.

Performance for the quarter was driven by the Terasen Gas companies and Canadian Regulated Electric Utilities. However, growth in earnings was tempered by lower contributions from non-regulated hydroelectric generation operations and Caribbean Regulated Electric Utilities, and higher preference share dividends.

During the fourth quarter of 2009, regulatory decisions were received increasing the allowed rate of return on common shareholder's equity ("ROE") and/or the common equity component of total capital structure ("equity component") at the Corporation's four largest utilities. Effective January 1, 2009, the allowed ROE at FortisAlberta increased to 9.00 per cent from an interim allowed ROE for 2009 of 8.51 per cent and the utility's equity component increased to 41 per cent from 37 per cent. Effective July 1, 2009, the allowed ROE at Terasen Gas Inc. ("TGI") increased to 9.50 per cent from 8.47 per cent. Effective January 1, 2010, the equity component for TGI increased to 40 per cent from 35 per cent. TGI also received regulatory approval of a Negotiated Settlement Agreement ("NSA") for its 2010-2011 revenue requirements. A previous agreement had provided for the sharing of earnings above or below the allowed ROE with customers. The recently approved NSA does not include an earnings' sharing mechanism. At FortisBC, the allowed ROE increased to 9.90 per cent from 8.87 per cent, effective January 1, 2010. FortisBC also received regulatory approval of an NSA for its 2010 revenue requirements. Newfoundland Power received regulatory approval for its 2010 revenue requirements and the Company's allowed ROE has been set at 9.00 per cent for 2010, up from 8.95 per cent for 2009.

The Terasen Gas companies contributed earnings of $73 million, up $15 million from the first quarter of 2009, mainly due to an increase in the allowed ROE and an increase to the equity component at TGI. Due to the seasonality of the business, most of the earnings of the Terasen Gas companies are generated in the first and fourth quarters.

Canadian Regulated Electric Utilities contributed earnings of $40 million, up $3 million from the first quarter of 2009, related to FortisAlberta and Newfoundland Power. Earnings increased at FortisAlberta due to a higher allowed ROE and equity component compared to those reflected in earnings for the first quarter of 2009, combined with growth in electrical infrastructure investment and customers. Earnings at Newfoundland Power improved mainly as a result of growth in electrical infrastructure investment, higher electricity sales and timing differences favourably impacting operating expenses during the quarter.

On June 30, 2010, Randy Jespersen will retire as President and CEO of Terasen Inc. and John Walker, President and CEO of FortisBC Inc., will also become President and CEO of Terasen Inc. We extend our gratitude to Randy for his leadership, commitment and valuable contribution since Fortis acquired Terasen in 2007. With John as President and CEO of both of our regulated utilities in British Columbia, we are assured a consistent focus and strategy in the delivery of energy to our customers.

Caribbean Regulated Electric Utilities contributed $4 million to earnings compared to $6 million for the first quarter of 2009. Excluding a one-time gain of approximately $1 million at Fortis Turks and Caicos in the first quarter of 2009 and the approximate $1 million unfavourable impact of foreign exchange rates associated with the weakening of the US dollar, earnings were comparable quarter over quarter. Electricity sales were 3.6 per cent higher than in the same quarter last year, reflecting the favourable impact on energy demand of warmer and drier weather conditions experienced on Grand Cayman, combined with overall customer growth.

Non-Regulated Fortis Generation contributed $2 million to earnings compared to $6 million for the first quarter of 2009. The decrease was due to the expiry of the water rights of the Rankine hydroelectric generating facility in Ontario in April 2009 at the end of a 100-year term combined with decreased hydroelectric production in Belize associated with lower rainfall. Earnings from the Rankine facility were approximately $3 million during the first quarter of 2009.

The US$53 million 19-megawatt hydroelectric generating facility at Vaca in Belize was commissioned in March 2010, delivering 4 gigawatt hours of energy during the quarter.

Fortis Properties delivered earnings of $2 million, consistent with earnings for the first quarter of 2009.

Corporate and other expenses were $21 million compared to $17 million for the same quarter in 2009. The increase in expenses was mainly attributable to dividends associated with the First Preference Shares, Series H that were issued in January 2010 and interest expense on the $200 million 6.51% unsecured debentures issued in July 2009.

Net proceeds from the $250 million five-year fixed rate reset preference shares issued in January were used to repay borrowings under the Corporation's committed credit facility and to fund an equity injection into TGI to repay borrowings under the Company's credit facilities.

Subsequent to the quarter end, Terasen Inc. redeemed in full for cash its $125 million 8.0% Capital Securities.

Common shareholders of Fortis received a dividend of 28 cents per common share on March 1, 2010, up from 26 cents in the fourth quarter of 2009. The 7.7 per cent increase in the quarterly common share dividend translates into an annualized dividend of $1.12 and extends the Corporation's record of annual common share dividend increases to 37 consecutive years, the longest record of any public corporation in Canada.

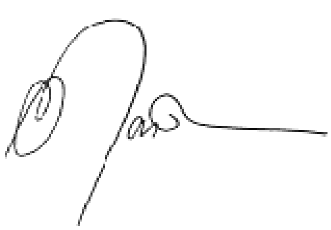
Consolidated capital expenditures, before customer contributions, were approximately $188 million in the first quarter of 2010. Much of the Corporation's consolidated capital expenditure program is being driven by Regulated Utilities in western Canada.

Cash flow from operating activities was $249 million for the quarter, up $20 million from the same quarter last year, driven by higher earnings and favourable working capital changes.

As at March 31, 2010, Fortis had consolidated credit facilities of approximately $2.2 billion, of which $1.6 billion was unused, including $547 million unused under the Corporation's $600 million committed revolving credit facility. Approximately $2.0 billion of the total credit facilities are committed facilities, the majority of which currently have maturities between 2011 and 2013.

Our 2010 capital program of more than $1 billion is continuing as planned. Over the next five years, capital expenditures are expected to approach $5 billion, driven by ongoing investment in infrastructure at our Regulated Utilities in western Canada.

We will continue to build our business profitably through investment in existing operations and the pursuit of strategic acquisitions of regulated electric and gas utilities in the United States, Canada and the Caribbean.



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

Interim Management Discussion and Analysis

For the three months ended March 31, 2010
Dated April 30, 2010

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FORWARD-LOOKING STATEMENT

The following analysis should be read in conjunction with the Fortis Inc. ("Fortis" or the "Corporation") interim unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2010 and the Management Discussion and Analysis ("MD&A") and audited consolidated financial statements for the year ended December 31, 2009 included in the Corporation's 2009 Annual Report. This material has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations* relating to MD&As. 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.

Fortis includes forward-looking information in the MD&A within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities, and it may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation's management. The forward-looking information in the MD&A includes, but is not limited to, statements regarding: the expected timing of regulatory decisions; expected consolidated forecasted gross capital expenditures for 2010 and in total over the five-year period from 2010 through 2014; the expectation that the Corporation's significant capital program should drive growth in earnings and dividends; the expected increase in average annual energy production from the Macal River in Belize by the Vaca hydroelectric generating facility; expected consolidated long-term debt maturities and repayments on average annually over the next five years; the expectation of no material adverse credit rating actions in the near term; expected sources of financing for the subsidiaries' capital expenditure programs; and except for debt at Belize Electricity and Exploits River Hydro Partnership ("Exploits Partnership"), the expectation that the Corporation and its subsidiaries will remain compliant with debt covenants during 2010. The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major event; the continued ability to maintain the gas and electricity systems to ensure their continued performance; no significant decline in capital spending in 2010; no severe and prolonged downturn in economic conditions; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms to flow through the commodity cost of natural gas and energy supply costs in customer rates; the continued ability to hedge exposures to fluctuations in interest rates, foreign exchange rates and natural gas commodity prices; no significant variability in interest rates; no significant counterparty defaults; the continued competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the continued availability of natural gas supply; the continued ability to fund defined benefit pension plans; the absence of significant changes in government energy plans and environmental laws that may materially affect the operations and cash flows of the Corporation and its subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; no material decrease in market energy sales prices; maintenance of information technology infrastructure; favourable relations with First Nations; favourable labour relations; and sufficient human resources to deliver service and execute the capital program. The forward-looking information is subject to risks, *uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory risk; operating and maintenance risks; economic conditions; capital resources and liquidity risk; weather and seasonality; commodity price risk; derivative financial instruments and hedging; interest rate risk; counterparty risk; competitiveness of natural gas; natural gas supply; defined benefit pension plan performance and funding requirements; risks related to the development of the Terasen Gas (Vancouver Island) Inc. franchise; the Government of British Columbia's Energy Plan; environmental risks; insurance coverage risk; loss of licences and permits; loss of service area; market energy sales prices; changes in the current assumptions and expectations associated with the transition to International Financial Reporting Standards; changes in tax legislation; information technology infrastructure; an ultimate resolution of the expropriation of the assets of the Exploits Partnership that differs from what is currently expected by management; an unexpected outcome of legal proceedings currently against the Corporation; relation with First Nations; labour relations; and human resources. For additional information with respect to the Corporation's risk factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and to the heading "Business Risk Management" in the MD&A for the three months ended March 31, 2010 and for the year ended December 31, 2009.*

All forward-looking information in the MD&A is qualified in its entirety by the above cautionary statements and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

COMPANY OVERVIEW AND FINANCIAL HIGHLIGHTS

Fortis is the largest investor-owned distribution utility in Canada, serving approximately 2,100,000 gas and electricity customers. Its regulated holdings include electric utilities in five Canadian provinces and three Caribbean countries and a natural gas utility in British Columbia. Fortis owns and operates non-regulated generation assets across Canada and in Belize and Upper New York State, and hotels and commercial office and retail space primarily in Atlantic Canada. Year-to-date March 31, 2010, the Corporation's electricity distribution systems met a combined peak demand of approximately 5,015 megawatts ("MW") and its gas distribution system met a peak day demand of 1,006 terajoules ("TJ"). For additional information on the Corporation's business segments, refer to Note 1 to the Corporation's interim unaudited consolidated financial statements for the three months ended March 31, 2010.

The key goals of the Corporation's regulated utilities are to operate sound gas and electricity distribution systems, deliver gas and electricity safely and reliably to customers at the lowest reasonable cost and conduct business in an environmentally responsible manner. The Corporation's main business, utility operations, is highly regulated. It is segmented by franchise area and, depending on regulatory requirements, by the nature of the assets.

Fortis has adopted a strategy of profitable growth with earnings per common share as the primary measure of performance. Key financial highlights, including earnings by reportable segment, for the first quarter ended March 31, 2010 and March 31, 2009 are provided in the following tables.

Financial Highlights (Unaudited)	**Quarter Ended March 31**		
	2010	2009	Variance
Revenue *($ millions)*	**1,076**	1,202	(126)
Cash Flow from Operating Activities *($ millions)*	**249**	229	20
Net Earnings Attributable to Common Equity Shareholders *($ millions)*	**100**	92	8
Basic Earnings per Common Share *($)*	**0.58**	0.54	0.04
Diluted Earnings per Common Share *($)*	**0.56**	0.52	0.04
Weighted Average Number of Common Shares Outstanding *(millions)*	**171.6**	169.4	2.2

Segmented Net Earnings Attributable to Common Equity Shareholders (Unaudited)

($ millions)	**Quarter Ended March 31**		
	2010	2009	Variance
Regulated Gas Utilities - Canadian			
Terasen Gas Companies (1)	**73**	58	15
Regulated Electric Utilities - Canadian			
FortisAlberta	***14***	*12*	*2*
FortisBC (2)	***14***	*14*	*-*
Newfoundland Power	***7***	*6*	*1*
Other Canadian (3)	***5***	*5*	*-*
	40	37	3
Regulated Electric - Caribbean (4)	**4**	6	(2)
Non-Regulated - Fortis Generation (5)	**2**	6	(4)
Non-Regulated - Fortis Properties (6)	**2**	2	-
Corporate and Other (7)	**(21)**	(17)	(4)
Net Earnings Attributable to Common Equity Shareholders	**100**	92	8

(1) Comprised of Terasen Gas Inc. ("TGI"), Terasen Gas (Vancouver Island) Inc. ("TGVI") and Terasen Gas (Whistler) Inc. ("TGWI")

(2) Includes the regulated operations of FortisBC Inc. and operating, maintenance and management services related to the Waneta, Brilliant and Arrow Lakes hydroelectric generating plants and the distribution system owned by the City of Kelowna. Excludes the non-regulated generation operations of FortisBC Inc.'s wholly owned partnership, Walden Power Partnership.

(3) Includes Maritime Electric and FortisOntario. FortisOntario includes Canadian Niagara Power, Cornwall Electric and, from October 2009, Algoma Power Inc. ("Algoma Power")

(4) Includes Belize Electricity, in which Fortis holds an approximate 70 per cent controlling interest; Caribbean Utilities on Grand Cayman, Cayman Islands, in which Fortis holds an approximate 59 per cent controlling interest; and wholly owned Fortis Turks and Caicos

(5) Includes the operations of non-regulated generating assets in Belize, Ontario, central Newfoundland, British Columbia and Upper New York State, with a combined generating capacity of 139 megawatts ("MW"), mainly hydroelectric. Prior to May 1, 2009, the financial results of Fortis reflected earnings' contribution associated with the Corporation's 75-MW water-right entitlement on the Niagara River in Ontario related to the Rankine hydroelectric generating facility. The water rights expired on April 30, 2009, at the end of a 100-year term. Additionally, prior to February 12, 2009, the financial results of the hydroelectric generation operations in central Newfoundland were consolidated in the financial statements of Fortis. Effective February 12, 2009, the Corporation discontinued the consolidation method of accounting for the generation operations in central Newfoundland due to the Corporation no longer having control over the operations and cash flows, as a result of the expropriation of the assets of the Exploits River Hydro Partnership by the Government of Newfoundland and Labrador. For a further discussion of this matter, refer to the "Critical Accounting Estimates - Contingencies" section of the MD&A for the year ended December 31, 2009.

(6) Fortis Properties owns and operates 21 hotels, comprised of more than 4,100 rooms, in eight Canadian provinces and approximately 2.8 million square feet of commercial office and retail space primarily in Atlantic Canada.

(7) Includes Fortis net corporate expenses, net expenses of non-regulated Terasen Inc. ("Terasen") corporate-related activities and the financial results of Terasen's 30 per cent ownership interest in CustomerWorks Limited Partnership ("CWLP") and of Terasen's non-regulated wholly owned subsidiary Terasen Energy Services Inc. ("TES")

SEGMENTED RESULTS OF OPERATIONS

REGULATED GAS UTILITIES - CANADIAN

TERASEN GAS COMPANIES

Gas Volumes by Major Customer Category (Unaudited)	Quarter Ended March 31		
(TJ)	**2010**	2009	Variance
Core – Residential and Commercial	**40,431**	50,412	(9,981)
Industrial	**1,675**	2,310	(635)
Total Sales Volumes	**42,106**	52,722	(10,616)
Transportation Volumes	**16,410**	20,249	(3,839)
Throughput under Fixed Revenue Contracts	**4,668**	4,999	(331)
Total Gas Volumes	**63,184**	77,970	(14,786)

Significant Factors Affecting Gas Volumes Variance

Unfavourable

- Lower average consumption by residential and commercial customers as a result of warmer weather quarter over quarter
- Transportation volumes were negatively impacted by unfavourable economic conditions affecting the forestry sector combined with the ability of certain transportation customers to switch to alternative fuels

Net customer additions were 1,566 during the first quarter of 2010 compared to 2,256 during the same quarter of 2009. While gross customer additions increased quarter over quarter, customer disconnections were also higher due to warmer weather. Growth in multi-family housing, where natural gas use is less prevalent compared to single-family housing, has also resulted in lower customer growth quarter over quarter.

Seasonality has a material impact on the earnings of the Terasen Gas companies as a major portion of the gas distributed is used for space heating. Most of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters.

The Terasen Gas companies earn approximately the same margin regardless of whether a customer contracts for the purchase of natural gas or for the transportation only of natural gas.

As a result of the operation of regulator-approved deferral mechanisms, changes in consumption levels and energy supply costs from those forecasted to set gas rates do not materially affect earnings.

Financial Highlights (Unaudited)	Quarter Ended March 31		
($ millions)	**2010**	2009	Variance
Revenue	**529**	669	(140)
Energy Supply Costs	**305**	468	(163)
Operating Expense	**70**	67	3
Amortization	**30**	25	5
Finance Charges	**27**	32	(5)
Corporate Taxes	**24**	19	5
Earnings	**73**	58	15

Significant Factors Affecting Revenue Variance

Unfavourable

- Lower commodity cost of natural gas charged to customers
- Lower average gas consumption per customer

Favourable

- Increased customer delivery rates, effective January 1, 2010, which included the impact of the increase in the allowed rate of return on common shareholder's equity ("ROE") to 9.50 per cent from 8.47 per cent for Terasen Gas Inc. ("TGI") and to 10.00 per cent from 9.17 per cent for Terasen Gas (Vancouver Island) Inc. ("TGVI") and Terasen Gas Whistler Inc. ("TGWI"), and the increase in the deemed common equity component of the total capital structure ("equity component") for TGI to 40 per cent from 35 per cent

Significant Factors Affecting Earnings Variance

Favourable

- The increase in customer delivery rates, effective January 1, 2010
- Lower finance charges due to lower interest rates and lower average credit facility borrowings quarter over quarter

Unfavourable

- Higher operating expenses driven by: (i) increased labour and employee-benefit costs; and (ii) the expensing of asset removal costs to operating expenses, effective January 1, 2010, as a result of regulator-approved Negotiated Settlement Agreements ("NSAs") related to 2010 and 2011 revenue requirements. These asset removal costs are being collected in current customer delivery rates. Prior to 2010, asset removal costs were recorded against accumulated amortization.
- Increased amortization cost due to higher amortization rates quarter over quarter, as determined and approved by the regulator upon review of a current depreciation study. The increase in amortization is being collected in current customer delivery rates.

For a discussion of the nature of regulation and material regulatory decisions and applications pertaining to the Terasen Gas companies, refer to the "Regulatory Highlights" section of this MD&A.

REGULATED ELECTRIC UTILITIES - CANADIAN

FORTISALBERTA

Financial Highlights (Unaudited)	**Quarter Ended March 31**		
	2010	2009	Variance
Energy Deliveries *(gigawatt hours ("GWh"))*	**4,109**	4,152	(43)
($ millions)			
Revenue	**87**	79	8
Operating Expense	**35**	34	1
Amortization	**24**	22	2
Finance Charges	**14**	11	3
Earnings	**14**	12	2

Significant Factors Affecting Energy Deliveries Variance

Unfavourable

- Decreased energy deliveries to farm and irrigation, oil and gas, and industrial customers, mainly due to lower average consumption resulting from relatively milder temperatures quarter over quarter

Favourable

- Customer growth with the total number of customers increasing by 2,100 during the first quarter of 2010

FortisAlberta's distribution revenue is a function of numerous variables, many of which are independent of actual energy deliveries.

Significant Factors Affecting Revenue Variance

Favourable

- An interim average 7.5 per cent increase in base customer electricity distribution rates, effective January 1, 2010, combined with a rate revenue accrual during the first quarter of 2010 for future collection from customers relating to certain approved deferral account items. Final approval of FortisAlberta's 2010-2011 Revenue Requirements Application is expected in the second quarter of 2010.
- A rate revenue accrual of approximately $1 million during the first quarter of 2010 to reflect an allowed ROE of 9.00 per cent, compared to an interim allowed ROE of 8.51 per cent as reflected in revenue during the first quarter of 2009, and an increase in the equity component to 41 per cent from 37 per cent as reflected in revenue during the first quarter of 2009
- Customer growth, as described above

Unfavourable

- An approximate $2 million decrease in miscellaneous revenue

Significant Factors Affecting Earnings Variance

Favourable

- The increase in customer electricity distribution rate revenue, for the reasons discussed above

Unfavourable

- Increased operating expenses, mainly due to higher labour costs and general operating expenses
- Increased amortization cost associated with continued investment in utility capital assets, partially offset by the impact of the commencement of capitalization of depreciation for vehicles and tools used in the construction of other assets in 2010, as approved by the regulator
- Increased finance charges due to higher debt levels in support of the Company's significant capital expenditure program, partially offset by the impact of lower interest rates on lower average credit facility borrowings

For a discussion of the nature of regulation and material regulatory decisions and applications pertaining to FortisAlberta, refer to the "Regulatory Highlights" section of this MD&A.

FORTISBC

Financial Highlights (Unaudited)	Quarter Ended March 31		
	2010	2009	Variance
Electricity Sales *(GWh)*	**820**	903	(83)
($ millions)			
Revenue	**72**	72	-
Energy Supply Costs	**21**	22	(1)
Operating Expense	**17**	17	-
Amortization	**10**	10	-
Finance Charges	**8**	7	1
Corporate Taxes	**2**	2	-
Earnings	**14**	14	-

Significant Factors Affecting Electricity Sales Variance

Unfavourable

- Lower average consumption due to warmer temperatures experienced during the first quarter of 2010 compared to cooler temperatures experienced during the first quarter of 2009

Favourable

- Residential and general service customer growth

Significant Factors Affecting Revenue Variance

Unfavourable

- The 9.2 per cent decrease in electricity sales

Favourable

- A 6.0 per cent increase in customer electricity rates, effective January 1, 2010, reflecting an increase in the allowed ROE to 9.90 per cent for 2010, up from 8.87 per cent for 2009, and ongoing investment in electrical infrastructure
- Increased performance-based rate-setting ("PBR") incentive adjustments receivable from customers
- Higher revenue contribution from non-regulated operating, maintenance and management services

Significant Factors Affecting Earnings Variance

Favourable

- The 6.0 per cent increase in customer electricity rates, effective January 1, 2010
- Increased PBR incentive adjustments, as discussed above
- Lower energy supply costs associated with decreased electricity sales and a higher proportion of energy generated from Company-owned hydroelectric generating facilities versus purchased power, partially offset by the impact of higher average prices for purchased power
- Lower than expected operating expenses in the first quarter of 2010 due to the timing of operating and maintenance projects and their related expenditures

Unfavourable

- Higher finance charges due to higher debt levels in support of the Company's capital expenditure program and higher fees and interest rates on credit facility borrowings
- The 9.2 per cent decrease in electricity sales

For a discussion of the nature of regulation and material regulatory decisions and applications pertaining to FortisBC, refer to the "Regulatory Highlights" section of this MD&A.

NEWFOUNDLAND POWER

Financial Highlights (Unaudited)	**Quarter Ended March 31**		
	2010	2009	Variance
Electricity Sales *(GWh)*	**1,795**	1,763	32
($ millions)			
Revenue	**178**	169	9
Energy Supply Costs	**131**	127	4
Operating Expense	**16**	14	2
Amortization	**11**	11	-
Finance Charges	**9**	8	1
Corporate Taxes	**4**	3	1
Earnings	**7**	6	1

Significant Factors Affecting Electricity Sales Variance

Favourable

- Customer growth

Significant Factors Affecting Revenue Variance

Favourable

- An average 3.5 per cent increase in customer electricity rates, effective January 1, 2010, reflecting an increase in the allowed ROE to 9.00 per cent for 2010, up from 8.95 per cent for 2009, and higher rate base and operating expenses, including pension costs
- A 1.8 per cent increase in electricity sales

Significant Factors Affecting Earnings Variance

Favourable

- The average 3.5 per cent increase in customer electricity rates, effective January 1, 2010
- The 1.8 per cent increase in electricity sales
- Lower than expected operating labour costs due to the timing of capital projects. Good weather conditions during the first quarter of 2010 allowed for an early start to capital projects and there was also an increase in capital work associated with an ice storm in March 2010.

Unfavourable

- Higher pension costs, wage and inflationary cost increases, increased conservation costs and higher retirement and severance expenses
- Higher finance charges associated with interest expense on the $65 million 6.606% bonds issued in May 2009, partially offset by lower average credit facility borrowings and lower interest rates on those borrowings

For a discussion of the nature of regulation and material regulatory decisions and applications pertaining to Newfoundland Power, refer to the "Regulatory Highlights" section of this MD&A.

OTHER CANADIAN ELECTRIC UTILITIES

Financial Highlights (Unaudited) *(1)*	**Quarter Ended March 31**		
	2010	2009	Variance
Electricity Sales *(GWh)*	**632**	616	16
($ millions)			
Revenue	**82**	71	11
Energy Supply Costs	**53**	47	6
Operating Expense	**11**	8	3
Amortization	**5**	4	1
Finance Charges	**6**	5	1
Corporate Taxes	**2**	2	-
Earnings	**5**	5	-

(1) Includes Maritime Electric and FortisOntario. FortisOntario includes financial results of Algoma Power from October 8, 2009, the date of acquisition.

Significant Factors Affecting Electricity Sales Variance

Favourable

- Electricity sales at Algoma Power Inc. ("Algoma Power") of 54 gigawatt hours ("GWh") during the first quarter of 2010

Unfavourable

- Lower average consumption due to more moderate temperatures experienced on Prince Edward Island and in Ontario during the first quarter of 2010, combined with the impact of conservation initiatives and the economic downturn. Excluding electricity sales at Algoma Power, electricity sales decreased 6.2 per cent.

Significant Factors Affecting Revenue Variance

Favourable

- Revenue contribution of $9 million from Algoma Power during the first quarter of 2010
- The flow through in customer electricity rates of higher energy supply costs at FortisOntario
- An average 5.3 per cent increase in customer electricity rates at Maritime Electric, effective April 1, 2009, which reflects an increase in the base amount of energy-related costs being expensed and collected from customers and recorded in revenue through the basic rate component of customer billings
- A 5.1 per cent, an 11.7 per cent and an 8.4 per cent increase in customer electricity distribution rates at Fort Erie, Gananoque and Port Colborne in Ontario, respectively, effective May 1, 2009

Unfavourable

- The 6.2 per cent decrease in electricity sales, excluding electricity sales at Algoma Power

Significant Factors Affecting Earnings Variance

Favourable

- Algoma Power contributed $0.4 million to earnings during the first quarter of 2010

For a discussion of the nature of regulation and material regulatory decisions and applications pertaining to Maritime Electric and FortisOntario, refer to the "Regulatory Highlights" section of this MD&A.

REGULATED ELECTRIC UTILITIES - CARIBBEAN

Financial Highlights (Unaudited) [1]	Quarter Ended March 31		
	2010	2009	Variance
Average US:CDN Exchange Rate [2]	**1.04**	1.25	(0.21)
Electricity Sales *(GWh)*	**256**	247	9
($ millions)			
Revenue	**76**	83	(7)
Energy Supply Costs	**45**	46	(1)
Operating Expense	**12**	14	(2)
Amortization	**9**	11	(2)
Finance Charges	**5**	4	1
	5	8	(3)
Non-Controlling Interest	**1**	2	(1)
Earnings	**4**	6	(2)

[1] Includes Belize Electricity, Caribbean Utilities and Fortis Turks and Caicos
[2] The reporting currency of Belize Electricity is the Belizean dollar, which is pegged to the US dollar at BZ$2.00=US$1.00. The reporting currency of Caribbean Utilities and Fortis Turks and Caicos is the US dollar.

Significant Factors Affecting Electricity Sales Variance

Favourable
- Warmer and drier weather conditions experienced on Grand Cayman, which increased air conditioning load
- Overall customer growth for the segment, including a new system-connected medical facility and condominium complex in the Turks and Caicos Islands
- A relatively strong winter tourist season experienced in the Turks and Caicos Islands in 2010

Significant Factors Affecting Revenue Variance

Unfavourable
- Approximately $15 million unfavourable foreign exchange associated with the translation of foreign currency-denominated revenue, due to the weakening of the US dollar relative to the Canadian dollar quarter over quarter
- Revenue during the first quarter of 2009 included approximately $1 million associated with a favourable appeal judgment at Fortis Turks and Caicos related to a customer rate classification matter.

Favourable
- The flow through in customer electricity rates of higher energy supply costs at Caribbean Utilities due to an increase in the cost of fuel
- A 3.6 per cent increase in electricity sales
- A 2.4 per cent increase in basic customer electricity rates at Caribbean Utilities, effective June 1, 2009

Significant Factors Affecting Earnings Variance

Unfavourable
- Approximately $1 million associated with unfavourable foreign currency translation
- The favourable impact on energy supply costs during the first quarter of 2009, due to a change in the methodology for calculating the cost of fuel recoverable from customers at Fortis Turks and Caicos
- Higher finance charges, excluding the impact of foreign exchange, mainly associated with interest expense on the US$40 million 7.5% unsecured notes issued in May and July 2009 at Caribbean Utilities and interest expense on regulatory liabilities at Belize Electricity
- Revenue during the first quarter of 2009 included approximately $1 million associated with the favourable appeal judgment at Fortis Turks and Caicos.

Favourable
- The 3.6 per cent increase in electricity sales
- The 2.4 per cent increase in basic customer electricity rates at Caribbean Utilities, effective June 1, 2009

For additional information on the nature of regulation and material regulatory decisions and applications pertaining to Belize Electricity, Caribbean Utilities and Fortis Turks and Caicos, refer to the "Regulatory Highlights" section of this MD&A.

NON-REGULATED - FORTIS GENERATION

Financial Highlights (Unaudited) (1)	**Quarter Ended March 31**		
	2010	2009 (2)	Variance
Energy Sales *(GWh)*	**64**	257	(193)
($ millions)			
Revenue	**5**	16	(11)
Energy Supply Costs	**-**	1	(1)
Operating Expense	**2**	4	(2)
Amortization	**1**	2	(1)
Finance Charges	**-**	1	(1)
Corporate Taxes	**-**	2	(2)
Earnings	**2**	6	(4)

(1) Includes the operations of non-regulated generating assets in Belize, Ontario, central Newfoundland, British Columbia and Upper New York State

(2) Results reflect contribution from the Rankine hydroelectric generating facility in Ontario until April 30, 2009. On April 30, 2009, the Rankine water rights expired at the end of a 100-year term.

Significant Factors Affecting Energy Sales Variance

Unfavourable

- The expiration on April 30, 2009 of the water rights of the Rankine hydroelectric generating facility in Ontario. Energy sales for the first quarter of 2009 included approximately 168 GWh related to Rankine.
- Lower production in Belize due to lower rainfall
- Energy sales for the first quarter of 2009 included energy sales of 19 GWh related to central Newfoundland operations up until February 12, 2009, at which point the consolidation method of accounting for these operations was discontinued necessitated by the actions of the Government of Newfoundland and Labrador related to expropriation of the assets of the Exploits River Hydro Partnership (the "Exploits Partnership")

Favourable

- The new Vaca hydroelectric generating facility was commissioned in March 2010. The facility is expected to increase average annual energy production from the Macal River in Belize by approximately 80 GWh. Production by the facility was only 4 GWh for the first quarter due to low rainfall and the commissioning of the facility late in the quarter.

Significant Factors Affecting Revenue Variance

Unfavourable

- The loss of revenue subsequent to the expiration of the Rankine water rights in April 2009
- The discontinuance of the consolidation method of accounting for the financial results of the Exploits Partnership during the first quarter of 2009
- Lower production in Belize
- Approximately $1 million unfavourable foreign exchange associated with the translation of US dollar-denominated revenue, due to the weakening of the US dollar relative to the Canadian dollar quarter over quarter

Significant Factors Affecting Earnings Variance

Unfavourable

- The expiration of the Rankine water rights. Earnings' contribution associated with the Rankine hydroelectric generating facility was approximately $3 million during the first quarter of 2009.
- Lower production in Belize

Favourable

- Reduced finance charges as a result of higher interest revenue associated with inter-company lending to regulated operations in Ontario

NON-REGULATED - FORTIS PROPERTIES

Financial Highlights (Unaudited)	**Quarter Ended March 31**		
($ millions)	**2010**	2009	Variance
Hospitality Revenue	**32**	31	1
Real Estate Revenue	**17**	16	1
Total Revenue	**49**	47	2
Operating Expense	**36**	34	2
Amortization	**4**	4	-
Finance Charges	**6**	6	-
Corporate Taxes	**1**	1	-
Earnings	**2**	2	-

Significant Factors Affecting Revenue Variance

Favourable

- Revenue contribution from the Holiday Inn Select Windsor, acquired in April 2009, combined with overall higher revenue contribution from hotel properties in Atlantic Canada, partially offset by overall lower revenue contribution from hotel properties in western Canada
- Revenue growth at all regions of the Real Estate Division, mainly due to rent increases and higher operating expense recoveries
- A $0.2 million gain on sale of land in central Newfoundland

Unfavourable

- A 2.3 per cent decrease in revenue per available room ("RevPAR") at the Hospitality Division to $62.93 for the first quarter of 2010 from $64.40 for the same quarter in 2009. RevPAR decreased due to an overall 4.1 per cent decrease in hotel occupancy, mainly at operations in western Canada, partially offset by an overall 1.9 per cent increase in average room rates. Average room rates at operations in Atlantic and western Canada increased, while rates at operations in central Canada decreased, quarter over quarter.
- A decrease in the occupancy rate at the Real Estate Division to 95.8 per cent as at March 31, 2010 from 96.0 per cent as at March 31, 2009

Significant Factors Affecting Earnings Variance

- Improved performance at the Real Estate Division, contribution from the Holiday Inn Select Windsor and improved performance from hotel operations in Atlantic Canada were mostly offset by the unfavourable impact of lower occupancies at hotel operations in western Canada, driven by the continued impact of the economic downturn.

CORPORATE AND OTHER

Financial Highlights (Unaudited) (1)	**Quarter Ended March 31**		
($ millions)	**2010**	2009	Variance
Revenue	**7**	7	-
Operating Expense	**4**	3	1
Amortization	**3**	2	1
Finance Charges (2)	**20**	19	1
Corporate Tax Recovery	**(5)**	(4)	(1)
	(15)	(13)	(2)
Preference Share Dividends	**6**	4	2
Net Corporate and Other Expenses	**(21)**	(17)	(4)

(1) Includes Fortis net corporate expenses, net expenses of non-regulated Terasen corporate-related activities and the financial results of Terasen's 30 per cent ownership interest in CWLP and of Terasen's non-regulated wholly owned subsidiary TES

(2) Includes dividends on preference shares classified as long-term liabilities

Significant Factors Affecting Net Corporate and Other Expenses Variance

Unfavourable

- Higher preference share dividends, due to the issuance of First Preference Shares, Series H in January 2010
- Higher finance charges driven by interest expense on the 30-year $200 million 6.51% unsecured debentures issued in July 2009 and marginally higher average credit facility borrowings, partially offset by lower interest rates charged on those credit facility borrowings

Favourable

- A favourable foreign exchange impact of approximately $1 million associated with the translation of US dollar-denominated interest expense, due to the weakening of the US dollar relative to the Canadian dollar quarter over quarter

In January 2010, Fortis completed a $250 million five-year fixed rate reset preference share offering. The net proceeds of approximately $242 million were used to repay borrowings under the Corporation's committed credit facility and to fund an equity injection into TGI to repay borrowings under the utility's credit facilities in support of working capital and capital expenditure requirements.

REGULATORY HIGHLIGHTS

The nature of regulation and material regulatory decisions and applications associated with each of the Corporation's regulated gas and electric utilities are summarized as follows:

Nature of Regulation

Regulated Utility	Regulatory Authority	Allowed Common Equity (%)	Allowed Returns (%) 2008	2009	2010	Supportive Features Future or Historical Test Year Used to Set Customer Rates
				ROE		Cost of Service ("COS")/ROE
TGI	British Columbia Utilities Commission ("BCUC")	40 (1)	8.62	8.47 (2)/ 9.50 (3)	9.50	TGI: Prior to January 1, 2010, 50/50 sharing of earnings above or below the allowed ROE under a PBR mechanism that expired on December 31, 2009
TGVI	BCUC	40	9.32	9.17 (2)/10.00 (3)	10.00	ROEs established by the BCUC, effective July 1, 2009, as a result of a cost of capital decision in the fourth quarter of 2009. Previously, the allowed ROEs were set using an automatic adjustment formula tied to long-term Canada bond yields. Future Test Year
FortisBC	BCUC	40	9.02	8.87	9.90	COS/ROE PBR mechanism for 2009 through 2011: 50/50 sharing of earnings above or below the allowed ROE up to an achieved ROE that is 200 basis points above or below the allowed ROE – excess to deferral account ROE established by the BCUC, effective January 1, 2010, as a result of a cost of capital decision in 2009. Previously, the allowed ROE was set using an automatic adjustment formula tied to long-term Canada bond yields. Future Test Year
FortisAlberta	Alberta Utilities Commission ("AUC")	41 (4)	8.75	9.00	9.00	COS/ROE ROE established by the AUC, effective January 1, 2009, as a result of a generic cost of capital decision in the fourth quarter of 2009. Previously, the allowed ROE was set using an automatic adjustment formula tied to long-term Canada bond yields. Future Test Year
Newfoundland Power	Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB")	45	8.95 +/- 50 bps	8.95 +/- 50 bps	9.00 +/- 50 bps	COS/ROE ROE for 2010 established by the PUB. Except for 2010, the allowed ROE is set using an automatic adjustment formula tied to long-term Canada bond yields. Future Test Year
Maritime Electric	Island Regulatory and Appeals Commission ("IRAC")	40	10.00	9.75	9.75 (5)	COS/ROE Future Test Year
FortisOntario	Ontario Energy Board ("OEB")					Canadian Niagara Power - COS/ROE
	Canadian Niagara Power	40 (6)	9.00	8.01	8.01	Algoma Power – COS/ROE and subject to Rural Rate Protection Subsidy program
	Algoma Power	50	N/A	8.57	9.75 (5)	Cornwall Electric - Price cap with commodity cost flow through
	Franchise Agreement Cornwall Electric					Canadian Niagara Power – 2004 historical test year for 2008; 2009 test year beginning in 2009 Algoma Power – 2007 historical test year for 2009; 2010 test year for 2010

Nature of Regulation (cont'd)

Regulated Utility	Regulatory Authority	Allowed Common Equity (%)	Allowed Returns (%) 2008	2009	2010	Supportive Features Future or Historical Test Year Used to Set Customer Rates
				ROA [7]		Four-year COS/ ROA agreements
Belize Electricity	Public Utilities Commission ("PUC")	N/A	10.00	10.00	- [8]	Additional costs in the event of a hurricane would be deferred and the Company may apply for future recovery in customer rates.
						Future Test Year
Caribbean Utilities	Electricity Regulatory Authority ("ERA")	N/A	9.00 - 11.00	9.00 - 11.00	7.75 – 9.75	COS/ROA Rate-cap adjustment mechanism based on published consumer price indices Under the new transmission and distribution licence, the Company may apply for a special additional rate to customers in the event of a disaster, including a hurricane.
						Historical Test Year
Fortis Turks and Caicos	Utilities make annual filings with the Government	N/A	17.50 [9]	17.50 [9]	17.50 [9]	COS/ROA If the actual ROA is lower than the allowed ROA, due to additional costs resulting from a hurricane or other event, the Company may apply for an increase in customer rates in the following year.
						Future Test Year

(1) Effective January 1, 2010. For 2008 and 2009, the allowed deemed equity component of the capital structure was 35 per cent.
(2) Pre-July 1, 2009
(3) Effective July 1, 2009
(4) Effective January 1, 2009. For 2008, the allowed deemed equity component of the capital structure was 37 per cent.
(5) Subject to regulatory approval
(6) Effective May 1, 2010. For 2009, effective May 1, the allowed deemed equity component of the capital structure was 43.3 per cent.
(7) Rate of return on rate base assets
(8) Allowed ROA to be settled once regulatory matters are resolved
(9) Amount provided under licence. Actual ROAs achieved in 2008 and 2009 were materially lower than the ROA allowed under the licence due to significant investment occurring at the utility.

Material Regulatory Decisions and Applications

Regulated Utility	Summary Description
TGI/TGVI	• TGI and TGVI review with the BCUC natural gas and propane commodity rates every three months and mid-stream rates annually in order to ensure the flow through rates charged to customers are sufficient to cover the cost of purchasing natural gas and propane and contracting for mid-stream resources, such as third-party pipeline or storage capacity. The commodity cost of natural gas and mid-stream costs are flowed through to customers without markup. Effective January 1, 2010, the BCUC approved an increase in mid-stream rates for natural gas and kept commodity rates for natural gas unchanged for customers in the Lower Mainland, Fraser Valley, Interior, North and the Kootenay service areas. The BCUC also approved a decrease in commodity rates for natural gas for customers in Whistler, effective January 1, 2010. Effective April 1, 2010, the BCUC approved an increase in commodity rates for natural gas for customers in the Lower Mainland, Fraser Valley, Interior, North and the Kootenay service areas. There was no change in commodity rates for natural gas for customers on Vancouver Island and in Whistler. • In November and December 2009, the BCUC approved: (i) NSAs pertaining to the 2010 and 2011 Revenue Requirements Applications for TGI and TGVI; (ii) an increase in TGI's equity component, effective January 1, 2010, to 40 per cent from 35 per cent; (iii) an increase in TGI's allowed ROE, effective July 1, 2009, to 9.50 per cent from 8.47 per cent; and (iv) an increase in the allowed ROE to 10.00 per cent, effective July 1, 2009, from 9.17 per cent for each of TGVI and TGWI. In its decision on the Return on Equity and Capital Structure Application, the BCUC maintained TGI as a benchmark utility for calculating the allowed ROE for certain utilities regulated by the BCUC. The BCUC also determined that the former automatic adjustment formula used to establish the ROE annually will no longer apply and the allowed ROEs as determined in the BCUC decision will apply until reviewed further by the BCUC. The BCUC-approved NSA for TGI did not include a provision to allow the continued use of a PBR mechanism after the expiry, on December 31, 2009, of TGI's previous PBR agreement. The approved mid-year rate base at TGI is $2,540 million for 2010 and $2,634 million for 2011, and the approved mid-year rate base at TGVI is approximately $555 million for 2010 and $729 million for 2011. The impact of the approved NSAs, increase in the allowed ROEs, and higher equity component at TGI resulted in an increase in customer rates, effective January 1, 2010. Customer rates for TGVI's sales customers, however, will remain unchanged for the two-year period beginning January 1, 2010, as provided in the BCUC-approved NSA for TGVI. • In February 2010, the BCUC approved TGI's application for the in-sourcing of core elements of its customer care services and implementation of a new customer information system, upon the Company accepting a cost risk-sharing condition, whereby TGI would share equally with customers any costs or savings outside a band of plus or minus 10 per cent of the approved total project cost of approximately $116 million, including deferral of certain operating and maintenance expenses.
FortisBC	• In December 2009, the BCUC approved an NSA pertaining to FortisBC's 2010 Revenue Requirements Application. The result was a general customer electricity rate increase of 6.0 per cent, effective January 1, 2010. The rate increase was primarily the result of the Company's ongoing investment in infrastructure, increasing power supply costs and the higher cost of capital. FortisBC's allowed ROE has increased to 9.90 per cent, effective January 1, 2010, from 8.87 per cent in 2009 as a result of the BCUC decision to increase the allowed ROE of TGI, the benchmark utility in British Columbia. The BCUC-approved NSA assumes a mid-year rate base of approximately $975 million for 2010.
FortisAlberta	• In June 2009, FortisAlberta filed a comprehensive two-year Distribution Revenue Requirements Application for 2010 and 2011. The application forecasts a mid-year rate base of approximately $1,538 million for 2010 and $1,724 million for 2011. The application proposes an average increase in base customer distribution electricity rates of 13.3 per cent for 2010 and 14.9 per cent for 2011, before considering the impact of the increase in the allowed ROE and equity component, as per the AUC 2009 Generic Cost of Capital Decision (the "2009 GCOC Decision") as described below. The proposed rate increases are primarily driven by the Company's ongoing investment in infrastructure to support customer growth and maintain and upgrade the electricity system. In December 2009, FortisAlberta provided the AUC with an update to the proposed forecast revenue requirements for 2010 and 2011, primarily to reflect the 2009 GCOC Decision. A decision on the revenue requirements application is expected in the second quarter of 2010. The AUC has approved an interim average 7.5 per cent increase in base customer electricity distribution rates at FortisAlberta, effective January 1, 2010. • The $4.1 million favourable 2009 cumulated annual impact of the 2009 GCOC Decision was accrued as revenue in the fourth quarter of 2009, which has been requested to be collected in customer electricity rates in 2010. • The 2009 GCOC Decision established a generic allowed ROE of 9.00 per cent for each of 2009 and 2010 for all Alberta utilities it regulates. This allowed ROE is up from the interim allowed ROE of 8.51 per cent that was applicable to FortisAlberta in 2009. The ROE automatic adjustment formula will no longer apply until reviewed further by the AUC. The AUC also increased FortisAlberta's equity component to 41 per cent from 37 per cent, effective January 1, 2009. • The AUC has initiated a process to reform utility rate regulation in Alberta. The AUC has expressed its intention to apply a PBR formula to distribution service rates as early as July 1, 2012. FortisAlberta is currently assessing PBR and will participate fully in the AUC process.

Material Regulatory Decisions and Applications (cont'd)

Regulated Utility	Summary Description
Newfoundland Power	• In December 2009, the PUB issued a decision on Newfoundland Power's 2010 General Rate Application, resulting in an overall average increase in customer electricity rates of approximately 3.5 per cent, effective January 1, 2010. The rate increase reflects the impact of an increase in the allowed ROE to 9.00 per cent from 8.95 per cent in 2009, as set by the PUB for 2010, and higher rate base and operating expenses, including pension costs. The PUB decision assumes a mid-year rate base of approximately $869 million for 2010. The PUB also ordered that Newfoundland Power's allowed ROE for each of 2011 and 2012 be determined using the ROE automatic adjustment formula. • In March 2010, Newfoundland Power submitted an application to the PUB with proposed changes to the existing ROE automatic adjustment formula. In the application, Newfoundland Power proposed the use of Consensus Forecasts in determining the risk-free rate for calculating the forecast cost of equity to be used in the formula for 2011 and 2012. The previous approach used a ten-day observation of long-term Canada Bond yields as the forecast risk-free rate. In April 2010, the PUB approved the Company's application as filed.
Maritime Electric	• In January 2010, Maritime Electric filed an application with IRAC: (i) providing a report on the impact of the rebasing of the Energy Cost Adjustment Mechanism deferral account in 2009 and requesting an increase in the reference cost of energy in basic rates from 7.7 cents per kilowatt hour ("kWh") to 9.4 cents per kWh, effective April 1, 2010, and from 9.4 cents per kWh to 9.6 cents per kWh, effective April 1, 2011; (ii) requesting that the replacement energy costs incurred during the refurbishment of the New Brunswick Power Point Lepreau Nuclear Generating Station be amortized over a period of 25 years, representing the extended life of the unit; and (iii) requesting an allowed ROE of 9.75 per cent for both 2010 and 2011, unchanged from 2009. A hearing on the application is expected during the second quarter of 2010.
FortisOntario	• In October and November 2009, FortisOntario filed Third-Generation Incentive Rate Mechanism ("IRM") electricity distribution rate applications for harmonized rates for Fort Erie and Gananoque and rates for Port Colborne, effective May 1, 2010, based on a deemed capital structure containing 40 per cent equity and an allowed ROE of 8.01 per cent. In non-rebasing years, customer electricity rates are set using inflationary factors less an efficiency target under the OEB's Third-Generation IRM. In April 2010, FortisOntario received Decisions and Orders from the OEB with respect to the rate applications. The increase in base rates was minimal, with an inflationary increase of 1.3 per cent partially offset by a 1.12 per cent efficiency target. • FortisOntario expects to file new electricity distribution rate applications for harmonized rates for Fort Erie and Gananoque and rates for Port Colborne during the third quarter of 2010, for rates effective January 1, 2011, using 2011 as a forward test year. • FortisOntario expects to file a new electricity rate application for Algoma Power during the second quarter of 2010 for rates effective July 1, 2010, using 2010 as a forward test year and an anticipated allowed ROE of 9.75 per cent.
Belize Electricity	• Changes made in electricity legislation by the Government of Belize and the PUC, and the PUC's June 2008 Final Decision on Belize Electricity's 2008/2009 Rate Application and the PUC's amendment to the June 2008 Final Decision (the "Amendment"), which were based on the changed legislation, have been judicially challenged by Belize Electricity in several proceedings. The judicial process is ongoing with interim rulings, judgments and appeals. The timing or likely final outcome of the proceedings is indeterminable at this time. In 2009, the Supreme Court of Belize issued an injunction against the Amendment until Belize Electricity's appeal of the June 2008 Final Decision has been heard in court. The court appeal of the June 2008 Final Decision was called in early October 2009 but, after considering some preliminary matters, the trial judge postponed the case for a date to be determined. • In April 2010, Belize Electricity filed its annual tariff review proceeding application for the annual tariff period from July 1, 2010 through June 30, 2011. The application requests changes to various components of the electric rate, while maintaining the average electricity rate at BZ44.1 cents per kWh.
Caribbean Utilities	• In February 2010, the ERA approved Caribbean Utilities' 2010-2014 Capital Investment Plan at US$98 million for non-generation expansion expenditures. Additional generation needs are subject to a competitive bid process.

Material Regulatory Decisions and Applications (cont'd)

Regulated Utility	Summary Description
Fortis Turks and Caicos	• In March 2010, Fortis Turks and Caicos submitted its 2009 annual regulatory filing outlining the Company's performance in 2009 and its capital expansion plans for 2010. • In March 2010, Fortis Turks and Caicos filed an Electricity Rate Review with the Ministry of Works, Housing and Utilities of the Government of the Turks and Caicos Islands in accordance with Section 34 of the Electricity Ordinance. The filing requests an average 7 per cent increase in base customer electricity rates, effective May 31, 2010. If approved, the rate increase will be the first rate increase that Fortis Turks and Caicos has implemented since its inception. The objectives of the Electricity Rate Review include setting rates for the various classes of customers through an Allocated Cost of Service Study, introducing uniformity in the rate structure throughout the service territory of Fortis Turks and Caicos and enabling Fortis Turks and Caicos to start to recover its December 31, 2009 accumulated regulatory shortfall in achieving its allowable profit.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between March 31, 2010 and December 31, 2009.

Significant Changes in the Consolidated Balance Sheets (Unaudited) between March 31, 2010 and December 31, 2009

Balance Sheet Account	Increase/ (Decrease) *($ millions)*	Explanation
Regulatory assets - current and long-term	102	The increase was driven by deferrals at the Terasen Gas companies associated with: (i) a $75 million change in the fair market value of the natural gas derivatives; and (ii) the drawdown of the Commodity Cost Reconciliation Account as amounts are being refunded to customers in current commodity rates.
Inventories	(40)	The decrease was driven by the normal seasonal reduction of gas in storage at the Terasen Gas companies, due to higher consumption during the winter months.
Utility capital assets	48	The increase primarily related to $179 million invested in electricity and gas systems, partially offset by amortization and customer contributions for the three months ended March 31, 2010 and the impact of foreign exchange on the translation of foreign currency-denominated utility capital assets.
Short-term borrowings	(182)	The decrease was driven by the repayment of short-term borrowings by TGI with proceeds from an equity injection from Fortis and lower borrowings at the Terasen Gas companies due to seasonality of its operations.
Accounts payable and accrued charges	37	The increase was driven by a $75 million change in the fair market value of the natural gas derivatives at the Terasen Gas companies, partially offset by lower amounts owing for purchased natural gas due to lower natural gas prices and volumes at the Terasen Gas companies.
Dividends payable	50	The increase was due to the timing of the declaration of common share dividends for the first quarter of 2010 and an increase in the quarterly common share dividend declared from $0.26 per share to $0.28 per share.
Long-term debt and capital lease obligations (including current portion)	(68)	The decrease was driven by a net $29 million repayment of committed credit facility borrowings, regularly scheduled debt repayments and the impact of foreign exchange on the translation of foreign currency-denominated long-term debt.
Shareholders' equity	259	The increase was driven by the issuance of $250 million five-year fixed rate reset preference shares in January 2010. The remainder of the increase was due to net earnings attributable to common equity shareholders reported for the three months ended March 31, 2010, less common share dividends, and the issuance of common shares under the Corporation's share purchase, dividend reinvestment and stock option plans, partially offset by an increase in accumulated other comprehensive loss and lower non-controlling interest.

LIQUIDITY AND CAPITAL RESOURCES

The table below outlines the Corporation's consolidated sources and uses of cash for the first quarter of 2010, as compared to the first quarter of 2009, followed by a discussion of the nature of the variances in cash flows quarter over quarter.

Summary of Consolidated Cash Flows (Unaudited)

	Quarter Ended March 31		
($ millions)	**2010**	2009	Variance
Cash, Beginning of Period	**85**	66	19
Cash Provided by (Used in):			
Operating Activities	**249**	229	20
Investing Activities	**(176)**	(210)	34
Financing Activities	**(65)**	9	(74)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(1)**	-	(1)
Cash, End of Period	**92**	94	(2)

Operating Activities: Cash flow from operating activities, after working capital adjustments, was $20 million higher quarter over quarter. The increase was primarily due to higher earnings and favourable working capital changes. The favourable working capital changes were driven by: (i) the timing of the declaration of common share dividends for the first quarter of 2010; (ii) favourable changes in the Alberta Electric System Operator ("AESO") charges deferral account at FortisAlberta; and (iii) a decrease in the amount of corporate taxes paid at the Terasen Gas companies and Newfoundland Power, partially offset by unfavourable working capital changes at the Terasen Gas companies, reflecting differences in the commodity cost of natural gas and cost of natural gas charged to customers quarter over quarter.

Investing Activities: Cash used in investing activities was $34 million lower quarter over quarter, driven by lower gross capital expenditures at FortisAlberta, mainly due to lower demand for new services from irrigation customers and lower spending related to equipment, facilities and AESO transmission capital projects.

Financing Activities: Cash used in financing activities was $65 million during the quarter compared to cash provided by financing activities of $9 million during the same quarter in 2009. Lower proceeds from long-term debt, higher common share dividends and higher net repayments under committed credit facilities and short-term borrowings were partially offset by higher proceeds from the issuance of preference shares.

Net repayments of short-term borrowings were $181 million during the first quarter of 2010, $31 million higher than net repayments of $150 million during the same quarter in 2009. The net repayments during the first quarter of 2010 were driven by TGI using proceeds from an equity injection by the Corporation.

In January 2010, Fortis completed a $250 million five-year fixed rate reset preference share offering. The net proceeds of approximately $242 million were used to repay borrowings under the Corporation's committed credit facility and to fund the equity injection into TGI.

Proceeds from long-term debt, net of issue costs, repayments of long-term debt and capital lease obligations and net (repayments) borrowings under committed credit facilities for the first quarter of 2010 compared to the same quarter of 2009 are summarized in the following tables.

Proceeds from Long-Term Debt, Net of Issue Costs (Unaudited)

	Quarter Ended March 31		
($ millions)	**2010**	2009	Variance
Terasen Gas Companies	**-**	99 (1)	(99)
FortisAlberta	**-**	99 (2)	(99)
Total	**-**	198	(198)

(1) Issued February 2009, 30-year $100 million 6.55% unsecured debentures by TGI. The net proceeds were used to repay credit facility borrowings and repay $60 million 10.75% unsecured debentures that matured in June 2009.

(2) Issued February 2009, 30-year $100 million 7.06% unsecured debentures. The net proceeds were used to repay committed credit facility borrowings and for general corporate purposes.

Repayments of Long-Term Debt and Capital Lease Obligations (Unaudited)			
	Quarter Ended March 31		
($ millions)	**2010**	2009	Variance
Fortis Properties	**(14)**	(2)	(12)
Other	**(2)**	(4)	2
Total	**(16)**	(6)	(10)

Net (Repayments) Borrowings Under Committed Credit Facilities (Unaudited)			
	Quarter Ended March 31		
($ millions)	**2010**	2009	Variance
FortisAlberta	**40**	(54)	94
FortisBC	**(9)**	5	(14)
Newfoundland Power	**11**	30	(19)
Corporate	**(71)**	24	(95)
Total	**(29)**	5	(34)

Borrowings under credit facilities by the utilities are primarily in support of their capital expenditure programs and/or for working capital requirements. Repayments are primarily financed through the issuance of long-term debt, cash from operations and/or equity injections from Fortis. From time to time, proceeds from preference share, common share and long-term debt issues are used to repay borrowings under the Corporation's committed credit facility.

Proceeds from the issuance of common shares increased $10 million quarter over quarter, reflecting the impact of the participation by shareholders in the Corporation's enhanced Dividend Reinvestment and Share Purchase Plan. The plan provides participating common shareholders a 2 per cent discount on the purchase of common shares, issued from treasury, with reinvested dividends.

Common share dividends were $96 million during the first quarter of 2010, up $52 million from the same quarter of 2009. The increase was primarily due to the timing of the declaration of common share dividends for the first quarter of 2010 and an increase in the quarterly common share dividend declared. The dividend declared per common share for the first quarter of 2010 was $0.28, while the dividend declared per common share for the first quarter of 2009 was $0.26.

Preference share dividends increased $2 million quarter over quarter as a result of the dividends associated with the 10 million preference shares that were issued in January 2010.

Contractual Obligations: Consolidated contractual obligations of Fortis over the next five years and for periods thereafter, as of March 31, 2010, are outlined in the following table. A detailed description of the nature of the obligations is provided below and in the MD&A for the year ended December 31, 2009.

Contractual Obligations (Unaudited)

As at March 31, 2010 *($ millions)*	**Total**	Due within 1 year	Due in years 2 and 3	Due in years 4 and 5	Due after 5 years
Long-term debt	**5,433**	333	297	771	4,032
Brilliant Terminal Station	**61**	3	5	5	48
Gas purchase contract obligations (1)	**516**	233	157	126	-
Power purchase obligations					
FortisBC (2)	**2,927**	44	89	83	2,711
FortisOntario	**496**	45	96	100	255
Maritime Electric	**50**	31	2	2	15
Belize Electricity	**310**	26	63	61	160
Capital cost	**379**	15	41	41	282
Joint-use asset and share service agreements	**62**	4	6	6	46
Office lease – FortisBC	**18**	1	4	3	10
Operating lease obligations	**143**	17	30	26	70
Equipment purchase – Fortis Turks and Caicos	**9**	9	-	-	-
Defined benefit pension funding contributions (3)	**36**	18	13	3	2
Other	**28**	14	8	5	1
Total	**10,468**	793	811	1,232	7,632

(1) Based on index prices as at March 31, 2010

(2) During the first quarter of 2010, FortisBC entered into a contract with Powerex Corp., a wholly owned subsidiary of BC Hydro, for fixed-price winter capacity purchases through to February 2016 in an aggregate amount of approximately US$16 million. If FortisBC brings any new resources, such as capital or contractual projects, on-line prior to the expiry of this agreement, FortisBC may terminate this contract any time after July 1, 2013 with a minimum of three-months written notice to Powerex Corp.

(3) Consolidated defined benefit pension funding contributions include current service, solvency and special funding amounts. The contributions are based on estimates provided under the latest completed actuarial valuations, which generally provide funding estimates for a period of three to five years from the date of the valuations. As a result, actual pension funding contributions may be higher than the above estimated amounts pending completion of the next actuarial valuations for funding purposes, which are expected to be as follows for the larger defined benefit pension plans:

December 31, 2009	Terasen (covering non-unionized employees)
December 31, 2010	Terasen (covering unionized employees) and FortisBC
December 31, 2011	Newfoundland Power

Other Contractual Obligations:
In prior years, TGVI received non-interest bearing repayable loans from the federal and provincial governments of $50 million and $25 million, respectively, in connection with the construction and operation of the Vancouver Island natural gas pipeline. As approved by the BCUC, these loans have been recorded as government grants and have reduced the amounts reported for utility capital assets. The government loans are repayable in any fiscal year prior to 2012 under certain circumstances and subject to the ability of TGVI to obtain non-government subordinated debt financing on reasonable commercial terms. As the loans are repaid and replaced with non-government loans, utility capital assets and long-term debt will increase in accordance with TGVI's approved capital structure, as will TGVI's rate base, which is used in determining customer rates. The repayment criteria were met in 2009 and TGVI is expected to make an approximate $4 million repayment on the loans during the second quarter of 2010. As at March 31, 2010, the outstanding balance of the repayable government loans was approximately $53 million, with approximately $4 million classified as current portion of long-term debt. Repayments of the government loans beyond 2010 are not included in the contractual obligations table above as the amount and timing of the repayments are dependent upon the ability of TGVI to replace the government loans with non-government subordinated debt financing on reasonable commercial terms. TGVI, however, estimates making payments under the loans of $20 million in 2012, $14 million over 2013 and 2014 and $15 million thereafter.

Caribbean Utilities has a primary fuel supply contract with a major supplier and is committed to purchase 80 per cent of the Company's fuel requirements from this supplier for the operation of Caribbean Utilities' diesel-powered generating plant. The contract is for three years, terminating in April 2010. The contract contains an automatic renewal clause for the years 2010 through 2012. Should any party choose to terminate the contract within that two-year period, notice must be given a minimum of one year in advance of the desired termination date. No such termination notice has been given by either party to date. The quantity of fuel to be purchased under the contract for 2010 is approximately 25 million imperial gallons.

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

Capital Structure: The Corporation's principal businesses of regulated gas and electricity distribution require ongoing access to capital to allow the utilities to fund maintenance and expansion of infrastructure. Fortis raises debt at the subsidiary level to ensure regulatory transparency, tax efficiency and financing flexibility. To help ensure access to capital, the Corporation targets a consolidated long-term capital structure containing approximately 40 per cent equity, including preference shares, and 60 per cent debt, as well as investment-grade credit ratings. Each of the Corporation's regulated utilities maintains its own capital structure in line with the deemed capital structure reflected in the utilitites' customer rates.

The consolidated capital structure of Fortis is presented in the following table.

Capital Structure (Unaudited)	**As at**			
	March 31, 2010		December 31, 2009	
	($ millions)	***(%)***	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,573**	**57.5**	5,830	60.2
Preference shares [(2)]	**912**	**9.4**	667	6.9
Common shareholders' equity	**3,212**	**33.1**	3,193	32.9
Total [(3)]	**9,697**	**100.0**	9,690	100.0

(1) Includes long-term debt and capital lease obligations, including current portion, and short-term borrowings, net of cash
(2) Includes preference shares classified as both long-term liabilities and equity
(3) Excludes amounts related to non-controlling interests

The change in the capital structure was driven by the issuance of $250 million preference shares in January 2010; increased common shares outstanding, reflecting the impact of the Corporation's enhanced Dividend Reinvestment and Share Purchase Plan; and the repayment of credit facility borrowings with proceeds from the preference share issue.

The Corporation's credit ratings are as follows:

Standard & Poor's	A- (long-term corporate and unsecured debt credit rating)
DBRS	BBB(high) (unsecured debt credit rating)

The credit ratings reflect the diversity of the operations of Fortis, the stand-alone nature and financial separation of each of the regulated subsidiaries of Fortis, management's commitment to maintaining low levels of debt at the holding company level and the continued focus of Fortis on pursuing the acquisition of stable regulated utilities.

Capital Program: The Corporation's principal businesses of regulated gas and electricity distribution are capital intensive. Capital investment in infrastructure is required to ensure continued and enhanced performance, reliability and safety of the gas and electricity systems and to meet customer growth. All costs considered to be maintenance and repairs are expensed as incurred. Costs related to replacements, upgrades and betterments of capital assets are capitalized as incurred.

During the first quarter of 2010, gross consolidated capital expenditures were $188 million. A breakdown of gross capital expenditures by segment for the first quarter of 2010 is provided in the following table.

Gross Capital Expenditures (Unaudited) [(1)]
Quarter Ended March 31, 2010
($ millions)

Terasen Gas Companies	Fortis Alberta [(2)]	FortisBC	Newfoundland Power	Other Regulated Electric Utilities - Canadian	**Total Regulated Utilities - Canadian**	**Regulated Electric Utilities - Caribbean**	**Non-Regulated - Utility** [(3)]	**Fortis Properties**	**Total**
50	64	26	17	8	**165**	**17**	**1**	**5**	**188**

(1) Relates to utility capital assets, income producing properties and intangible assets and includes capital expenditures associated with assets under construction. Includes asset removal and site restoration expenditures, net of salvage proceeds, for those utilities where such expenditures are permissible in rate base in 2010. Excludes capitalized non-cash equity component of the Allowance for Funds Used During Construction.
(2) Includes payments made to AESO for investment in transmission capital projects
(3) Includes non-regulated utility and corporate capital expenditures

There has been no material change in forecast gross consolidated capital expenditures for 2010 from the approximate $1.1 billion forecast as was disclosed in the MD&A for the year ended December 31, 2009. Planned capital expenditures are based on detailed forecasts of energy demand, weather, cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from forecasts.

There are no material changes in the overall expected level, nature and timing of the Corporation's significant capital projects from those disclosed in the MD&A for the year ended December 31, 2009.

Over the five-year period 2010 through 2014, consolidated gross capital expenditures are expected to approach $5 billion. Approximately 70 per cent of the capital spending is expected to be incurred at the Regulated Electric Utilities, driven by FortisAlberta and FortisBC, and 27 per cent of the capital spending is expected to be incurred at the Regulated Gas Utilities. Approximately 3 per cent is expected to be incurred at the non-regulated operations. Capital expenditures at the Regulated Utilities are subject to regulatory approval.

Cash Flow Requirements: At the operating subsidiary level, it is expected that operating expenses and interest costs will generally be paid out of subsidiary operating cash flows, with varying levels of residual cash flow available for subsidiary capital expenditures and/or dividend payments to Fortis. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash required to complete subsidiary capital expenditure programs is also expected to be financed from a combination of borrowings under credit facilities, equity injections from Fortis and long-term debt issues.

The Corporation's ability to service its debt obligations and pay 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. Cash required of Fortis to support subsidiary capital expenditure programs and finance acquisitions is expected to be derived from a combination of borrowings under the Corporation's committed credit facility and proceeds from the issuance of common shares, preference shares and long-term debt. Depending on the timing of cash payments from the subsidiaries, borrowings under the Corporation's committed credit facility may be required from time to time to support the servicing of debt and payment of dividends.

As at March 31, 2010, management expects consolidated long-term debt maturities and repayments to average approximately $280 million annually over the next five years. The combination of available credit facilities and relatively low annual debt maturities and repayments provide the Corporation and its subsidiaries with flexibility in the timing of access to capital markets.

As a result of the regulator's Final Decision on Belize Electricity's 2008/2009 Rate Application in June 2008, Belize Electricity does not meet certain debt covenant financial ratios related to loans with the International Bank for Reconstruction and Development and the Caribbean Development Bank totalling $6 million (BZ$11 million) as at March 31, 2010.

As the hydroelectric assets and water rights of the Exploits Partnership had been provided as security for the Exploits Partnership term loan, the expropriation of such assets and rights by the Government of Newfoundland and Labrador constituted an event of default under the loan. The term loan is without recourse to Fortis and was approximately $59 million as at March 31, 2010 (December 31, 2009 - $59 million). The lenders of the term loan have not demanded accelerated repayment. The scheduled repayments under the term loan are being made by Nalcor, a Crown corporation, acting as agent for the Government of Newfoundland and Labrador with respect to the expropriation matters.

Except for the debt at Belize Electricity and the Exploits Partnership, as discussed above, Fortis and its subsidiaries were in compliance with debt covenants as at March 31, 2010 and are expected to remain compliant throughout 2010.

As at March 31, 2010, the Corporation and its subsidiaries had consolidated credit facilities of approximately $2.2 billion, of which $1.6 billion was unused, including $547 million unused under the Corporation's $600 million committed revolving credit facility. The credit facilities are syndicated almost entirely with the seven largest Canadian banks, with no one bank holding more than 25 per cent of these facilities. Approximately $2.0 billion of the total credit facilities are committed facilities, the majority of which currently have maturities between 2011 and 2013.

The following table outlines the credit facilities of the Corporation and its subsidiaries.

Credit Facilities (Unaudited)				**As at**	
	Corporate and Other	Regulated Utilities	Fortis Properties	**March 31, 2010**	December 31, 2009
Total credit facilities	645	1,493	13	**2,151**	2,153
Credit facilities utilized:					
Short-term borrowings	-	(233)	-	**(233)**	(415)
Long-term debt (including current portion)	(53)	(113)	-	**(166)**	(208)
Letters of credit outstanding	(1)	(115)	(1)	**(117)**	(100)
Credit facilities unused	591	1,032	12	**1,635**	1,430

As at March 31, 2010 and December 31, 2009, certain borrowings under the Corporation's and subsidiaries' credit facilities were classified as long-term debt. These borrowings are under long-term committed credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

Regulated Utilities
In February 2010, Maritime Electric renewed its $50 million unsecured committed revolving credit facility, which matures annually in March.

In March 2010, FortisBC negotiated an extension of its $150 million unsecured committed revolving credit facility, of which $100 million now matures May 2013 and the remaining $50 million now matures May 2011. The amended credit facility agreement is expected to be finalized during the second quarter of 2010.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other assets and deferred credits in the consolidated balance sheets of Fortis approximate their fair values, reflecting the short-term maturity, normal trade credit terms and/or nature of these instruments. The fair value of long-term debt is calculated using quoted market prices when available. When quoted market prices are not available, the fair value is determined by discounting the future cash flows of the specific debt instrument at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Corporation does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs. The fair value of the Corporation's preference shares is determined using quoted market prices.

The carrying and fair values of the Corporation's consolidated long-term debt and preference shares were as follows.

Financial Instruments (Unaudited)	**As at**			
	March 31, 2010		December 31, 2009	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt, including current portion *(1)*	**5,433**	**5,921**	5,502	5,906
Preference shares, classified as debt *(2)*	**320**	**357**	320	348

(1) Carrying value as at March 31, 2010 excludes unamortized deferred financing costs of $38 million (December 31, 2009 - $39 million) and capital lease obligations of $37 million (December 31, 2009 - $37 million).

(2) Preference shares classified as equity do not meet the definition of a financial instrument; however, the estimated fair value of the Corporation's $592 million preference shares classified as equity was $595 million as at March 31, 2010 (December 31, 2009 - carrying value $347 million; fair value $356 million).

Risk Management: The Corporation's earnings from, and net investment in, self-sustaining foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings at the corporate level. The foreign exchange gain or loss on the translation of US dollar-denominated interest expense partially offsets the foreign exchange loss or gain on the translation of the Corporation's foreign subsidiaries' earnings, which are denominated in US dollars or a currency pegged to the US dollar. Belize Electricity's reporting currency is the Belizean dollar, while the reporting currency of Caribbean Utilities, FortisUS Energy Corporation, Belize Electric Company Limited, and Fortis Turks and Caicos is the US dollar. The Belizean dollar is pegged to the US dollar at BZ$2.00=US$1.00.

As at March 31, 2010, all of the Corporation's US$390 million (December 31, 2009 – US$390 million) corporately held long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's corporately held US dollar borrowings designated as hedges, are recorded in other comprehensive income and serve to help offset unrealized foreign currency gains and losses on the foreign net investments, which are also recorded in other comprehensive income. As at March 31, 2010, the Corporation had approximately US$179 million (December 31, 2009 – US$174 million) in foreign net investments remaining to be hedged.

From time to time, the Corporation and its subsidiaries hedge exposures to fluctuations in interest rates, foreign exchange rates and natural gas prices through the use of derivative financial instruments. The Corporation and its subsidiaries do not hold or issue derivative financial instruments for trading purposes.

The following table summarizes the valuation of the Corporation's consolidated derivative financial instruments.

Derivative Financial Instruments (Unaudited) **As at**

Liability	March 31, 2010 Term to Maturity *(years)*	Number of Contracts	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*	December 31, 2009 Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swap	**< 1**	**1**	**-**	**-**	-	-
Foreign exchange forward contracts	**1 to 2**	**2**	**-**	**-**	-	-
Natural gas derivatives:						
Swaps and options	**Up to 5**	**186**	**(194)**	**(194)**	(119)	(119)
Gas purchase contract premiums	**Up to 2**	**24**	**(3)**	**(3)**	(3)	(3)

The interest rate swap is held by Fortis Properties and is designated as a hedge of the cash flow risk related to floating-rate long-term debt and matures in October 2010. The effective portion of changes in the value of the interest rate swap at Fortis Properties is recorded in other comprehensive income.

The foreign exchange forward contracts are held by the Terasen Gas companies. During the first quarter of 2010, TGI entered into a foreign exchange forward contract to hedge the cash flow risk related to approximately US$15 million required to be paid under a contact for the implementation of a customer information system. TGVI also hedges the cash flow risk related to approximately US$7 million remaining to be paid under a contract for the construction of a liquefied natural gas storage facility.

The natural gas derivatives are held by the Terasen Gas companies and are used to fix the effective purchase price of natural gas, as the majority of the natural gas supply contracts have floating, rather than fixed, prices. The price risk-management strategy of the Terasen Gas companies aims to improve the likelihood that natural gas prices remain competitive with electricity rates, temper gas price volatility on customer rates and reduce the risk of regional price discrepancies.

The changes in the fair values of the foreign exchange forward contracts and natural gas derivatives are deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates. The fair values of the foreign exchange forward contracts were recorded in accounts payable as at March 31, 2010 and accounts receivable as at December 31, 2009. The fair values of the natural gas derivatives were recorded in accounts payable as at March 31, 2010 and as at December 31, 2009.

The interest rate swap is valued at the present value of future cash flows based on published forward future interest rate curves. The foreign exchange forward contracts are valued using the present value of cash flows based on a market foreign exchange rate and the foreign exchange forward rate curve. The natural gas derivatives are valued using the present value of cash flows based on market prices and forward curves for the commodity cost of natural gas. The fair values of the foreign exchange forward contracts and natural gas derivatives are estimates of the amounts the Terasen Gas companies would have to receive or pay if forced to settle all outstanding contracts as at the balance sheet dates.

The fair values of the Corporation's financial instruments, including derivatives, reflect point-in-time estimates based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Corporation's future consolidated earnings or cash flows.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2010, the Corporation had no 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.

BUSINESS RISK MANAGEMENT

A detailed discussion of the Corporation's significant business risks is provided in the MD&A for the year ended December 31, 2009. There were no changes in the Corporation's significant business risks during the first quarter of 2010 from those disclosed in the MD&A for the year ended December 31, 2009, except for those described below.

Capital Resources and Liquidity Risk - Credit Ratings: Fortis and its regulated utilities do not anticipate any material adverse rating actions by the credit rating agencies in the near term. During the first quarter of 2010, there was no change in the credit ratings for the Corporation and its currently rated subsidiaries. However, Moody's confirmed its existing credit ratings for TGVI, FortisAlberta and Newfoundland Power. DBRS also confirmed its existing credit rating for FortisAlberta.

Defined Benefit Pension Plan Performance and Funding Requirements: As at March 31, 2010, the fair value of the Corporation's consolidated defined benefit pension plan assets was $681 million, up $20 million, or 3 per cent, from $661 million as at December 31, 2009.

CHANGES IN ACCOUNTING POLICIES AND STANDARDS

Effective January 1, 2010, as required by the regulator, FortisAlberta began capitalizing to utility capital assets a portion of the amortization of utility capital assets, such as tools and vehicles, used in the construction of other assets. During the first quarter of 2010, amortization of $1 million was capitalized.

Effective January 1, 2010, as a result of the BCUC-approved NSAs related to 2010 and 2011 revenue requirements, the Terasen Gas companies adopted the following new accounting policies:

(i) Asset removal costs are now recorded in operating expense on the consolidated statement of earnings. The annual amount of such costs approved for recovery in customer rates in 2010 is approximately $8 million. Actual costs incurred in excess of or below the approved amount are to be recorded in a regulatory deferral account for recovery from, or refund to, customers in future rates, beginning in 2012. Removal costs are direct costs incurred by the Terasen Gas companies in taking assets out of service, whether through actual removal of the assets or through the disconnection of the assets from the transmission or distribution system. During the first quarter of 2010, approximately $2 million of actual asset removal costs was recorded in operating expense. Prior to January 1, 2010, asset removal costs were recorded against accumulated amortization on the consolidated balance sheet.

(ii) Contributions in aid of construction ("CIACs") are now amortized to revenue. During the first quarter of 2010, approximately $3 million of CIACs was amortized to revenue on the consolidated statement of earnings. Prior to January 1, 2010, amortization of CIACs was recorded against amortization expense on the consolidated statement of earnings.

(iii) Gains and losses on the sale or disposal of utility capital assets are now recorded in a regulatory deferral account on the consolidated balance sheet for recovery from, or refund to, customers in future rates, subject to regulatory approval. During the first quarter of 2010, approximately $3 million of losses were deferred and recorded as a regulatory asset on the consolidated balance sheet. Prior to January 1, 2010, gains and losses on the sale or disposal of utility capital assets were recorded against accumulated amortization.

(iv) Amortization of utility capital and intangible assets now commences the month after the assets are available for use. Prior to January 1, 2010, amortization commenced the year following when the assets became available for use. During 2010, additional amortization expense of approximately $2 million is expected to be incurred, due to the change in commencement of amortization of utility capital and intangible assets.

Business Combinations

Effective January 1, 2010, the Corporation early adopted the new Canadian Institute of Chartered Accountants Handbook Section 1582, *Business Combinations*, together with Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*. As a result of adopting Section 1582, changes in the determination of the fair value of the assets and liabilities of an acquiree in a business combination results in a different calculation of goodwill with respect to acquisitions on or after January 1, 2010. Such changes include the expensing of acquisition-related costs incurred during a business acquisition, rather than recording them as a capital transaction, and the disallowance of recording restructuring accruals by the acquirer. The adoption of Section 1582 did not have a material impact on the Corporation's interim unaudited consolidated financial statements for the first quarter of 2010.

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of Sections 1601 and 1602 resulted in non-controlling interests being presented as components of equity, rather than as liabilities, on the consolidated balance sheet. Also, net earnings and components of other comprehensive income attributable to the owners of the parent company and to non-controlling interests are now separately disclosed on the consolidated statement of earnings and consolidated statement of comprehensive income.

FUTURE ACCOUNTING CHANGES

Transition to International Financial Reporting Standards

A detailed discussion of the Corporation's transition to International Financial Reporting Standards ("IFRS") is provided in the MD&A for the year ended December 31, 2009. The Corporation is still unable to fully determine the impact on its future financial position and results of operations of the transition to IFRS, particularly as it relates to the accounting for rate-regulated activities. Completion of the Rate-Regulated Activities project of the International Accounting Standard Board ("IASB") has been delayed based on comments received in response to the IASB's July 2009 Exposure Draft on Rate-Regulated Activities and a decision by the IASB to conduct further research. Project direction and timeline remain uncertain and may not be known for several months. Once a decision is made by the IASB regarding the Rate-Regulated Activities project, Fortis will be in a position to finalize the impact the transition to IFRS is expected to have on the Corporation's January 1, 2010 opening IFRS balance sheet, as well as on its future financial reporting.

During the first quarter of 2010, there were no significant changes in the Corporation's assessment of accounting for rate-regulated activities under IFRS or accounting policy decisions and impacts from those disclosed in the MD&A for the year ended December 31, 2009, except as described below.

Accounting Policy Decisions and Impacts

Property, Plant and Equipment and Intangibles: It is anticipated that during the second quarter of 2010, the IASB will issue a final amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS1"), to provide a transitional exemption for qualifying rate-regulated entities that will allow them to use the carrying value of property, plant and equipment and intangible assets under Canadian GAAP as deemed cost upon transition to IFRS. The Corporation's rate-regulated utilities are expecting to avail of this transitional exemption.

Business Combinations: The Corporation currently intends to avail of the elective exemption under IFRS 1 with respect to IFRS 3, *Business Combinations* ("IFRS 3"), by prospectively applying IFRS 3 to business combinations that occurred on or after October 1, 2009 or, more specifically, by restating the October 2009 acquisition of Algoma Power to comply with IFRS 3. Restating the acquisition is not expected to have a material impact on the Corporation's consolidated financial statements upon transition to IFRS.

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 judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates and judgments 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 and judgments 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 in the nature of the Corporation's critical accounting estimates during the first quarter of 2010 from those disclosed in the Corporation's MD&A for the year ended December 31, 2009, except for that described below related to capital asset amortization.

Capital Asset Amortization: As a result of a recent depreciation study and BCUC-approved NSAs related to TGI and TGVI's 2010 and 2011 revenue requirements, amortization expense at the Terasen Gas companies is expected to increase in 2010, reflecting an increase in the composite depreciation rate to 2.79 per cent for 2010 from 2.63 per cent for 2009. The increase in amortization has been approved for recovery in current customer delivery rates.

Contingencies: The Corporation and its subsidiaries are subject to various legal proceedings and claims associated with ordinary course business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's consolidated financial position or results of operations. There were no material changes in the Corporation's contingent liabilities from those disclosed in the MD&A for the year ended December 31, 2009.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2008 through March 31, 2010. 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, revenue and expenses, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities. The differences and nature of regulation are disclosed in Notes 2 and 4 to the Corporation's 2009 annual audited consolidated financial statements. The quarterly financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Summary of Quarterly Results (Unaudited)				
Quarter Ended	**Revenue** *($ millions)*	**Net Earnings Attributable to Common Equity Shareholders** *($ millions)*	**Earnings per Common Share Basic** *($)*	**Diluted** *($)*
March 31, 2010	1,076	100	0.58	0.56
December 31, 2009	1,018	81	0.48	0.46
September 30, 2009	664	36	0.21	0.21
June 30, 2009	754	53	0.31	0.31
March 31, 2009	1,202	92	0.54	0.52
December 31, 2008	1,181	76	0.48	0.46
September 30, 2008	727	49	0.31	0.31
June 30, 2008	848	29	0.19	0.18

A summary of the past eight quarters reflects the Corporation's continued organic growth and growth from acquisitions, as well as the seasonality associated with its businesses. Interim results will fluctuate due to the seasonal nature of gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Revenue is also affected by the cost of fuel and purchased power and the commodity and mid-stream cost of natural gas, which are flowed through to customers without markup. Given the diversified nature of the Fortis companies, seasonality may vary. Most of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters. Financial results from May 1, 2009 have been impacted, as expected, by the loss of revenue and earnings subsequent to the expiration, in April 2009, of the water rights of the Rankine hydroelectric generating facility in Ontario. Financial results for the fourth quarter ended December 31, 2009 reflected the favourable cumulative retroactive impact associated with an increase in the allowed ROEs for 2009 for FortisAlberta and TGI, and an increase in the equity component at FortisAlberta. Financial results for the fourth quarter ended December 31, 2008 included two additional months of contribution from Caribbean Utilities, resulting from a change in the utility's fiscal year end. Financial results for the second quarter ended June 30, 2008 reflected a $13 million unfavourable impact to Fortis of a charge recorded at Belize Electricity as a result of the June 2008 regulatory rate decision. To a lesser degree, financial results from November 2008 were impacted by the acquisition of the Sheraton Hotel Newfoundland, from April 2009 by the acquisition of the Holiday Inn Select Windsor and from October 2009 by the acquisition of Algoma Power.

March 2010/March 2009 - Net earnings attributable to common equity shareholders were $100 million, or $0.58 per common share, for the first quarter of 2010 compared to earnings of $92 million, or $0.54 per common share, for the first quarter of 2009. The increase in earnings was led by the Terasen Gas companies associated with an increase in the allowed ROEs and equity component. Results also reflected: (i) improved performance at FortisAlberta, associated with an increase in the allowed ROE and equity component combined with growth in electrical infrastructure investment and customers; and (ii) increased earnings at Newfoundland Power, mainly due to growth in electrical infrastructure investment, increased electricity sales and timing differences favourably impacting operating expenses during the quarter. Earnings' growth was tempered by: (i) lower earnings' contribution from non-regulated hydroelectric generation operations due to loss of earnings subsequent to the expiration of the Rankine water rights in April 2009; (ii) lower contribution from Caribbean Regulated Electric Utilities associated with the unfavourable impact of foreign exchange translation, and earnings in the first quarter of 2009 including an approximate $1 million one-time gain; and (iii) higher preference share dividends.

December 2009/December 2008 - Net earnings attributable to common equity shareholders were $81 million, or $0.48 per common share, for the fourth quarter of 2009 compared to earnings of $76 million, or $0.48 per common share, for the fourth quarter of 2008. Fourth quarter results for 2009 were favourably impacted by a one-time $3 million adjustment to future income taxes related to prior periods at FortisOntario and were unfavourably impacted by a one-time $5 million after-tax provision for additional costs related to the conversion of Whistler customer appliances from propane to natural gas. Fourth quarter results for 2008 included two additional months of earnings' contribution from Caribbean Utilities (August and September 2008) of approximately $2 million due to a change in the utility's fiscal year end. Excluding the above one-time items, earnings increased $9 million quarter over quarter. The increase was driven by: (i) the approximate $10 million cumulative retroactive impact in the fourth quarter of 2009 associated with the increase in the allowed ROEs for 2009 for FortisAlberta and TGI, and an increase in the equity component at FortisAlberta; and (ii) a change in depreciation estimates at Fortis Turks and Caicos, which favourably impacted amortization expense for the fourth quarter of 2009. The increase was partially offset by lower earnings' contribution from non-regulated hydroelectric generation operations due to loss of earnings subsequent to the expiration of the Rankine water rights in April 2009.

September 2009/September 2008 - Net earnings attributable to common equity shareholders were $36 million, or $0.21 per common share, for the third quarter of 2009 compared to earnings of $49 million, or $0.31 per common share, for the third quarter of 2008. Third quarter 2008 results included a tax reduction of approximately $7.5 million associated with the settlement of historical corporate tax matters at Terasen and a $4.5 million recovery of future income taxes, which was previously expensed during the first half of 2008 at FortisAlberta. Earnings were $1 million lower quarter over quarter, excluding the above one-time tax reductions. The impact of lower effective corporate income taxes at the Terasen Gas companies and growth in electrical infrastructure investment and higher net transmission revenue at FortisAlberta was more than offset by lower earnings from non-regulated hydroelectric generation and lower earnings at Newfoundland Power. The decrease in earnings from non-regulated hydroelectric generation operations was primarily associated with the loss of earnings subsequent to the expiration of the Rankine water rights in April 2009. Lower earnings at Newfoundland Power were largely associated with higher operating expenses and amortization costs.

June 2009/June 2008 - Net earnings attributable to common equity shareholders were $53 million, or $0.31 per common share, for the second quarter of 2009 compared to earnings of $29 million, or $0.19 per common share, for the second quarter of 2008. Results for the second quarter of 2008 included one-time charges of approximately $15 million pertaining to Belize Electricity, associated with the June 2008 regulatory rate decision, and FortisOntario, associated with the repayment, during the second quarter of 2008, of an interconnection agreement-related refund received in the fourth quarter of 2007. Excluding these one-time charges, earnings increased $9 million quarter over quarter, driven by lower corporate income taxes and growth in electrical infrastructure investment at FortisAlberta, and lower corporate income taxes at the Terasen Gas companies. The increase was partially offset by lower earnings' contribution from non-regulated hydroelectric generation operations primarily associated with the loss of earnings subsequent to the expiration of the Rankine water rights in April 2009.

SUBSEQUENT EVENT

In April 2010, Terasen redeemed in full for cash its $125 million 8.0% Capital Securities with proceeds from borrowings under the Corporation's committed credit facility.

OUTLOOK

The Corporation's significant capital program, which is expected to be approximately $1.1 billion in 2010 and approach $5 billion over the five-year period from 2010 through 2014, should drive growth in earnings and dividends.

The Corporation continues to pursue acquisitions for profitable growth, focusing on strategic opportunities to acquire regulated electric and natural gas utilities in the United States, Canada and the Caribbean. Fortis will also pursue growth in its non-regulated businesses in support of its regulated utility growth strategy.

OUTSTANDING SHARE DATA

As at April 29, 2010, the Corporation had issued and outstanding 172.2 million common shares; 5.0 million First Preference Shares, Series C; 8.0 million First Preference Shares, Series E; 5.0 million First Preference Shares, Series F; 9.2 million First Preference Shares, Series G; and 10.0 million First Preference Shares, Series H. Only the common shares of the Corporation have voting rights.

The number of common shares of Fortis that would be issued if all outstanding stock options, convertible debt and First Preference Shares, Series C and E were converted as at April 29, 2010 is as follows:

Potential Conversion of Securities into Common Shares (Unaudited)
As at April 29, 2010

Security	**Number of Common Shares** *(millions)*
Stock Options	5.4
Convertible Debt	1.4
First Preference Shares, Series C	4.7
First Preference Shares, Series E	7.6
Total	19.1

Additional information, including the Fortis 2009 Annual Information Form, Management Information Circular and Annual Report, is available on SEDAR at www.sedar.com and on the Corporation's website at www.fortisinc.com.

FORTIS INC.

Interim Consolidated Financial Statements
For the three months ended March 31, 2010 and 2009
(Unaudited)

Fortis Inc.

Consolidated Balance Sheets (Unaudited)

As at

(in millions of Canadian dollars)

	March 31, 2010	December 31, 2009 (Note 2)
ASSETS		
Current assets		
Cash and cash equivalents	$ 92	$ 85
Accounts receivable	604	595
Prepaid expenses	19	16
Regulatory assets (Note 5)	304	223
Inventories (Note 6)	138	178
Future income taxes	13	29
	1,170	1,126
Other assets	170	174
Regulatory assets (Note 5)	764	743
Future income taxes	21	17
Utility capital assets	7,744	7,696
Income producing properties	560	559
Intangible assets	276	279
Goodwill	1,555	1,560
	$ 12,260	$ 12,154
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 19)	$ 233	$ 415
Accounts payable and accrued charges	889	852
Dividends payable	53	3
Income taxes payable	16	23
Regulatory liabilities (Note 5)	45	53
Current installments of long-term debt and capital lease obligations (Note 7)	336	224
Future income taxes	9	24
	1,581	1,594
Deferred credits	299	295
Regulatory liabilities (Note 5)	455	436
Future income taxes	587	570
Long-term debt and capital lease obligations (Note 7)	5,096	5,276
Preference shares	320	320
	8,338	8,491
Shareholders' equity		
Common shares (Note 8)	2,520	2,497
Preference shares (Note 9)	592	347
Contributed surplus	11	11
Equity portion of convertible debentures	5	5
Accumulated other comprehensive loss (Note 11)	(91)	(83)
Retained earnings	767	763
	3,804	3,540
Non-controlling interest	118	123
	3,922	3,663
	$ 12,260	$ 12,154

Contingent liabilities and commitments (Note 20)

See accompanying Notes to Interim Consolidated Financial Statements

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

	Quarter Ended 2010	2009 (Note 2)
Revenue	**$ 1,076**	$ 1,202
Expenses		
Energy supply costs	**552**	707
Operating	**202**	193
Amortization	**97**	91
	851	991
Operating income	**225**	211
Finance charges (Note 13)	**90**	88
Earnings before corporate taxes	**135**	123
Corporate taxes (Note 14)	**28**	25
Net earnings	**$ 107**	$ 98
Net earnings attributable to:		
Non-controlling interest	**$ 1**	$ 2
Preference equity shareholders	**6**	4
Common equity shareholders	**100**	92
	$ 107	$ 98
Earnings per common share (Note 8)		
Basic	**$ 0.58**	$ 0.54
Diluted	**$ 0.56**	$ 0.52

See accompanying Notes to Interim Consolidated Financial Statements

Fortis Inc.
Consolidated Statements of Retained Earnings (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars)

	Quarter Ended 2010	2009 (Note 2)
Balance at beginning of period	**$ 763**	$ 634
Net earnings attributable to common and preference equity shareholders	**106**	96
	869	730
Dividends on common shares	**(96)**	(44)
Dividends on preference shares classified as equity	**(6)**	(4)
Balance at end of period	**$ 767**	$ 682

See accompanying Notes to Interim Consolidated Financial Statements

Fortis Inc.

Consolidated Statements of Comprehensive Income (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars)

	Quarter Ended	
	2010	2009
		(Note 2)
Net earnings	**$ 107**	$ 98
Other comprehensive income (loss)		
Unrealized foreign currency translation (losses) gains on net investments in self-sustaining foreign operations	**(20)**	24
Gains (losses) on hedges of net investments in self-sustaining foreign operations	**14**	(18)
Corporate tax (expense) recovery	**(2)**	3
Change in unrealized foreign currency translation (losses) gains, net of hedging activities and tax (Note 11)	**(8)**	9
Comprehensive income	**$ 99**	$ 107
Comprehensive income attributable to:		
Non-controlling interest	**$ 1**	$ 2
Preference equity shareholders	**6**	4
Common equity shareholders	**92**	101
	$ 99	$ 107

See accompanying Notes to Interim Consolidated Financial Statements

Fortis Inc.

Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars)

	Quarter Ended 2010	Quarter Ended 2009
		(Note 2)
Operating activities		
Net earnings	**$ 107**	$ 98
Items not affecting cash:		
Amortization - utility capital assets and income producing properties	**86**	79
Amortization - intangible assets	**11**	11
Amortization - other	**-**	1
Future income taxes	**(3)**	3
Other	**(1)**	(3)
Change in long-term regulatory assets and liabilities	**4**	9
	204	198
Change in non-cash operating working capital	**45**	31
	249	229
Investing activities		
Change in other assets and deferred credits	**2**	(7)
Capital expenditures - utility capital assets	**(179)**	(210)
Capital expenditures - income producing properties	**(6)**	(5)
Capital expenditures - intangible assets	**(3)**	(4)
Contributions in aid of construction	**10**	16
	(176)	(210)
Financing activities		
Change in short-term borrowings	**(181)**	(150)
Proceeds from long-term debt, net of issue costs	**-**	198
Repayments of long-term debt and capital lease obligations	**(16)**	(6)
Net (repayments) borrowings under committed credit facilities	**(29)**	5
Issue of common shares, net of costs	**23**	13
Issue of preference shares, net of costs	**242**	-
Dividends		
Common shares	**(96)**	(44)
Preference shares	**(6)**	(4)
Subsidiary dividends paid to non-controlling interest	**(2)**	(3)
	(65)	9
Effect of exchange rate changes on cash and cash equivalents	**(1)**	-
Change in cash and cash equivalents	**7**	28
Cash and cash equivalents, beginning of period	**85**	66
Cash and cash equivalents, end of period	**$ 92**	$ 94

Supplementary information to Consolidated Statements of Cash Flows (Note 16)

See accompanying Notes to Interim Consolidated Financial Statements

1. DESCRIPTION OF THE BUSINESS

Nature of Operations

Fortis Inc. ("Fortis" or the "Corporation") is principally an international distribution 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 assets, and commercial office and retail space and hotels, which are treated as two separate segments. The Corporation's reporting 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 reporting segment operates as an autonomous unit, assumes profit and loss responsibility and is accountable for its own resource allocation.

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

REGULATED UTILITIES

The following summary describes the Corporation's interests in regulated gas and electric utilities in Canada and the Caribbean by utility:

Regulated Gas Utilities - Canadian

Terasen Gas Companies: Includes Terasen Gas Inc. ("TGI"), Terasen Gas (Vancouver Island) Inc. ("TGVI") and Terasen Gas (Whistler) Inc. ("TGWI").

TGI is the largest distributor of natural gas in British Columbia, serving primarily residential, commercial and industrial customers in a service area that extends from Vancouver to the Fraser Valley and the interior of British Columbia.

TGVI owns and operates the natural gas transmission pipeline from the Greater Vancouver area across the Georgia Strait to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia, serving primarily residential, commercial and industrial customers.

In addition to providing transmission and distribution services to customers, TGI and TGVI also obtain natural gas supplies on behalf of most residential and commercial customers. Gas supplies are sourced primarily from northeastern British Columbia and, through TGI's Southern Crossing Pipeline, from Alberta.

TGWI owns and operates the natural gas distribution system in the Resort Municipality of Whistler, British Columbia, which provides service mainly to residential and commercial customers.

Regulated Electric Utilities - Canadian

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 four hydroelectric generating facilities with a combined capacity of 223 megawatts ("MW"). Included with the FortisBC component of the Regulated Electric Utilities - Canadian segment are the operating, maintenance and management services relating to the 493-MW Waneta hydroelectric generating facility owned by Teck Cominco Metals Ltd., the 149-MW Brilliant hydroelectric plant and 120-MW Brilliant expansion plant, both 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.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Regulated Electric Utilities - Canadian (cont'd)

c. *Newfoundland Power:* Newfoundland Power is the principal distributor of electricity in Newfoundland. Newfoundland Power has an installed generating capacity of 140 MW, of which 97 MW is hydroelectric generation.

d. *Other Canadian:* Includes Maritime Electric and FortisOntario. Maritime Electric is the principal distributor of electricity on Prince Edward Island. Maritime Electric also maintains on-Island generating facilities with a combined capacity of 150 MW. FortisOntario provides integrated electric utility service to customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario's operations include Canadian Niagara Power Inc. ("Canadian Niagara Power"), Cornwall Street Railway, Light and Power Company, Limited and, as of October 2009, Algoma Power Inc. ("Algoma Power"). 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 ten-year lease agreement that expires in April 2012. FortisOntario also owns a 10 per cent interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies.

Regulated Electric Utilities - Caribbean

a. *Belize Electricity:* Belize Electricity is the principal distributor of electricity in Belize, Central America. The Company has an installed generating capacity of 34 MW. Fortis holds an approximate 70 per cent controlling ownership interest in Belize Electricity.

b. *Caribbean Utilities:* Caribbean Utilities is the sole provider of electricity on Grand Cayman, Cayman Islands. The Company has an installed generating capacity of 153 MW. Fortis holds an approximate 59 per cent controlling ownership interest in Caribbean Utilities. Caribbean Utilities is a public company traded on the Toronto Stock Exchange (TSX:CUP.U).

c. *Fortis Turks and Caicos:* Includes P.P.C. Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd. Fortis Turks and Caicos is the principal distributor of electricity in the Turks and Caicos Islands. The Company has a combined diesel-powered generating capacity of 54 MW.

NON-REGULATED - FORTIS GENERATION

a. *Belize:* Operations consist of the 25-MW Mollejon, the 7-MW Chalillo and, as of March 2010, the 19-MW Vaca hydroelectric generating facilities in Belize. All of the output of these facilities is sold to Belize Electricity under 50-year power purchase agreements expiring in 2055 and 2060. The hydroelectric generation operations in Belize are conducted through the Corporation's indirect wholly owned subsidiary Belize Electric Company Limited ("BECOL") under a franchise agreement with the Government of Belize.

b. *Ontario:* Includes six small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW and a 5-MW gas-fired cogeneration plant in Cornwall. The 75 MW of water-right entitlement associated with the Rankine hydroelectric generating facility at Niagara Falls expired on April 30, 2009, at the end of a 100-year term.

1. DESCRIPTION OF THE BUSINESS (cont'd)

NON-REGULATED - FORTIS GENERATION (cont'd)

c. *Central Newfoundland:* Through the Exploits River Hydro Partnership (the "Exploits Partnership"), a partnership between the Corporation, through its wholly owned subsidiary Fortis Properties, and AbitibiBowater Inc. ("Abitibi"), 36 MW of additional capacity was developed and installed at two of Abitibi's hydroelectric generating plants in central Newfoundland. Fortis Properties holds directly a 51 per cent interest in the Exploits Partnership and Abitibi holds the remaining 49 per cent interest. Effective February 12, 2009, Fortis discontinued the consolidation method of accounting for its investment in the Exploits Partnership due to the expropriation by the Government of Newfoundland and Labrador of Abitibi's hydroelectric assets and water rights in Newfoundland including those of the Exploits Partnership. The Exploits Partnership sold its output to Newfoundland and Labrador Hydro under a 30-year power purchase agreement expiring in 2033.

d. *British Columbia*: Includes the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. The plant sells its entire output to BC Hydro under a long-term contract expiring in 2013.

e. *Upper New York State*: Includes the operations of four hydroelectric generating stations in Upper New York State, with a combined capacity of approximately 23 MW, operating under licences from the U.S. 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 ("FortisUS Energy").

NON-REGULATED - FORTIS PROPERTIES

Fortis Properties owns and operates 21 hotels, comprised of more than 4,100 rooms, in eight Canadian provinces and approximately 2.8 million square feet of commercial office and retail space primarily in Atlantic Canada.

CORPORATE AND OTHER

The Corporate and Other segment captures expense and revenue items not specifically related to any reportable segment. This segment includes corporate finance charges, including interest on debt incurred directly by Fortis and Terasen Inc. ("Terasen") and dividends on preference shares classified as long-term liabilities; dividends on preference shares classified as equity; other corporate expenses, including Fortis and Terasen corporate operating costs, net of recoveries from subsidiaries; interest and miscellaneous revenue; and corporate income taxes.

Also included in the Corporate and Other segment are the financial results of CustomerWorks Limited Partnership ("CWLP"). CWLP is a non-regulated shared-services business in which Terasen holds a 30 per cent interest. CWLP operates in partnership with Enbridge Inc. and provides customer service contact, meter reading, billing, credit, support and collection services to the Terasen Gas companies and several smaller third parties. CWLP's financial results are recorded using the proportionate consolidation method of accounting. The financial results of Terasen Energy Services Inc. ("TES") are also reported in the Corporate and Other segment. TES is a non-regulated wholly owned subsidiary of Terasen that provides alternative energy solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Corporation's 2009 annual audited consolidated financial statements. Interim results will fluctuate due to the seasonal nature of gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Most of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters due to seasonality of the business. Given the diversified group of companies, seasonality may vary.

All amounts are presented in Canadian dollars unless otherwise stated.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements, following the same accounting policies and methods as those used in preparing the Corporation's 2009 annual audited consolidated financial statements, except as described below.

Effective January 1, 2010, as required by the regulator, FortisAlberta began capitalizing to utility capital assets a portion of the amortization of utility capital assets, such as tools and vehicles, used in the construction of other assets. During the three months ended March 31, 2010, amortization of $1 million was capitalized.

Effective January 1, 2010, as a result of the British Columbia Utilities Commission ("BCUC")-approved Negotiated Settlement Agreements ("NSAs") related to 2010 and 2011 revenue requirements, the Terasen Gas companies adopted the following new accounting policies:

(i) Asset removal costs are now recorded in operating expense on the consolidated statement of earnings. The annual amount of such costs approved for recovery in customer rates in 2010 is approximately $8 million. Actual costs incurred in excess of or below the approved amount are to be recorded in a regulatory deferral account for recovery from, or refund to, customers in future rates, beginning in 2012. Removal costs are direct costs incurred by the Terasen Gas Companies in taking assets out of service, whether through actual removal of the assets or through the disconnection of the assets from the transmission or distribution system. During the three months ended March 31, 2010, approximately $2 million of actual asset removal costs was recorded in operating expense. Prior to January 1, 2010, asset removal costs were recorded against accumulated amortization on the consolidated balance sheet.

(ii) Contributions in aid of construction ("CIACs") are now amortized to revenue. During the three months ended March 31, 2010, approximately $3 million of CIACs was amortized to revenue on the consolidated statement of earnings. Prior to January 1, 2010, amortization of CIACs was recorded against amortization expense on the consolidated statement of earnings.

(iii) Gains and losses on the sale or disposal of utility capital assets are now recorded in a regulatory deferral account on the consolidated balance sheet for recovery from, or refund to, customers in future rates, subject to regulatory approval. During the three months ended March 31, 2010, approximately $3 million of losses were deferred and recorded as a regulatory asset on the consolidated balance sheet. Prior to January 1, 2010, gains and losses on the sale or disposal of utility capital assets were recorded against accumulated amortization.

(iv) Amortization of utility capital and intangible assets now commences the month after the assets are available for use. Prior to January 1, 2010, amortization commenced the year following when the assets became available for use. During 2010, additional amortization expense of approximately $2 million is expected to be incurred, due to the change in commencement of amortization of utility capital and intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Effective January 1, 2010, the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Business Combinations
Effective January 1, 2010, the Corporation early adopted the new CICA Handbook Section 1582, *Business Combinations,* together with Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests.* As a result of adopting Section 1582, changes in the determination of the fair value of the assets and liabilities of an acquiree in a business combination results in a different calculation of goodwill with respect to acquisitions on or after January 1, 2010. Such changes include the expensing of acquisition-related costs incurred during a business acquisition, rather than recording them as a capital transaction, and the disallowance of recording restructuring accruals by the acquirer. The adoption of Section 1582 did not have a material impact on the Corporation's interim consolidated financial statements for the three months ended March 31, 2010.

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of Sections 1601 and 1602 resulted in non-controlling interests being presented as components of equity, rather than as liabilities, on the consolidated balance sheet. Also, net earnings and components of other comprehensive income attributable to the owners of the parent company and to non-controlling interests are now separately disclosed on the consolidated statement of earnings and consolidated statement of comprehensive income.

3. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards
In October 2009, the AcSB re-confirmed that publicly accountable enterprises in Canada will be required to apply International Financial Reporting Standards ("IFRS"), in full and without modification, beginning January 1, 2011. The Corporation's expected IFRS transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported on the Corporation's consolidated opening IFRS balance sheet as at January 1, 2010 and amounts reported by the Corporation for the year ended December 31, 2010.

Fortis is continuing to assess the financial reporting impacts of adopting IFRS. In July 2009, the International Accounting Standards Board ("IASB") issued the Exposure Draft - *Rate-Regulated Activities.* Based on the Exposure Draft as it currently exists, regulatory assets and liabilities arising from activities subject to cost of service regulation would be recognized under IFRS when certain conditions are met. The ability to record regulatory assets and liabilities, as proposed, should reduce the earnings' volatility at the Corporation's regulated utilities that may otherwise result under IFRS in the absence of an accounting standard for rate-regulated activities, but will result in the requirement to provide enhanced balance sheet presentation and note disclosures. Completion of the IASB's project on Rate-Regulated Activities has been delayed based on comments received in response to the Exposure Draft and a decision by the IASB to conduct further research. Project direction and timeline remain uncertain and may not be known for several months. The continued uncertainty has resulted in the Corporation being unable to reasonably estimate and conclude on the impact on its future consolidated financial position and results of operations with respect to the differences, if any, in accounting for rate-regulated activities under IFRS versus Canadian GAAP.

Fortis anticipates a change in the manner in which it will measure and recognize the value of its income producing properties and a significant increase in disclosure resulting from the adoption of IFRS. The Corporation is identifying and assessing the impact of this change in valuation and additional disclosure requirements, as well as implementing systems changes that will be necessary to compile the required disclosures.

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 judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances.

Additionally, certain estimates and judgments 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 and judgments 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 in the nature of the Corporation's critical accounting estimates, including those related to contingencies, during the three months ended March 31, 2010, except for that described below.

As a result of a recent depreciation study and BCUC-approved NSAs related to TGI and TGVI's 2010 and 2011 revenue requirements, amortization expense at the Terasen Gas companies is expected to increase in 2010, reflecting an increase in the composite depreciation rate to 2.79 per cent for 2010 from 2.63 per cent for 2009. The increase in amortization has been approved for recovery in current customer delivery rates.

5. REGULATORY ASSETS AND LIABILITIES

A summary of the Corporation's regulatory assets and liabilities is provided below. A full description of the nature of the regulatory assets and liabilities is provided in Note 4 to the Corporation's 2009 annual audited consolidated financial statements.

	As at	
($ millions)	**March 31, 2010**	December 31, 2009
Regulatory Assets		
Future income taxes (Note 22)	**559**	545
Rate stabilization accounts - Terasen Gas companies	**176**	82
Rate stabilization accounts - electric utilities	**60**	68
Alberta Electric System Operator ("AESO") charges deferral	**65**	80
Regulatory other post-employment benefit ("OPEB") plan asset	**60**	59
Point Lepreau (1) replacement energy deferral	**29**	23
Income taxes recoverable on OPEB plans	**18**	18
Energy management costs (2)	**15**	14
Deferred development costs for capital	**7**	7
Southern Crossing Pipeline tax reassessment	**7**	7
Deferred pension costs	**6**	6
Lease costs	**6**	6
Deferred capital asset amortization	**3**	4
Residential unbundling	**2**	3
Other regulatory assets	**55**	44
Total Regulatory Assets	**1,068**	966
Less: Current Portion	**(304)**	(223)
Long-Term Regulatory Assets	**764**	743

(1) New Brunswick Power Point Lepreau Nuclear Generating Station

(2) Relates to costs in providing energy management services to promote energy efficiency programs to customers at the Terasen Gas companies, FortisBC, Newfoundland Power and Maritime Electric

5. REGULATORY ASSETS AND LIABILITIES (cont'd)

	As at	
($ millions)	**March 31, 2010**	December 31, 2009
Regulatory Liabilities		
Future asset removal and site restoration provision	**328**	326
Future income taxes	**34**	35
Rate stabilization accounts - Terasen Gas companies	**45**	44
Rate stabilization accounts - electric utilities	**22**	21
Performance-based rate-setting incentive liabilities	**13**	15
Unbilled revenue liability	**9**	10
Unrecognized net gains on disposal of utility capital assets *(1)*	**8**	-
Southern Crossing Pipeline deferral	**7**	9
Deferred interest	**7**	7
Other regulatory liabilities	**27**	22
Total Regulatory Liabilities	**500**	489
Less: Current Portion	**(45)**	(53)
Long-Term Regulatory Liabilities	**455**	436

(1) Relates to amounts reallocated from accumulated amortization at the Terasen Gas companies, effective January 1, 2010 as approved by the regulator, for future settlement with customers

6. INVENTORIES

	As at	
($ millions)	**March 31, 2010**	December 31, 2009
Gas in storage	**118**	159
Materials and supplies	**20**	19
	138	178

During the quarter ended March 31, 2010, inventories of $305 million (quarter ended March 31, 2009 - $468 million) were expensed and reported in energy supply costs in the interim consolidated statement of earnings. Inventories expensed to operating expenses during the quarter ended March 31, 2010 were $3 million (quarter ended March 31, 2009 - $3 million), which included $2 million (quarter ended March 31, 2009 - $2 million) for food and beverage costs at Fortis Properties.

7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

	As at	
($ millions)	**March 31, 2010**	December 31, 2009
Long-term debt and capital lease obligations	**5,304**	5,331
Long-term classification of committed credit facilities (Note 19)	**166**	208
Deferred debt financing costs	**(38)**	(39)
Total long-term debt and capital lease obligations	**5,432**	5,500
Less: Current installments of long-term debt and capital lease obligations	**(336)**	(224)
	5,096	5,276

8. COMMON SHARES

Authorized: an unlimited number of common shares without nominal or par value

Issued and Outstanding	**As at March 31, 2010** Number of Shares *(in thousands)*	**Amount** *($ millions)*	December 31, 2009 Number of Shares *(in thousands)*	Amount *($ millions)*
Common shares	**172,169**	**2,520**	171,256	2,497

Common shares issued during the period were as follows:

	Quarter Ended March 31, 2010 Number of Shares *(in thousands)*	**Amount** *($ millions)*
Balance, beginning of period	**171,256**	**2,497**
Consumer Share Purchase Plan	**14**	**-**
Dividend Reinvestment Plan	**568**	**15**
Employee Share Purchase Plan	**128**	**4**
Stock Option Plans	**203**	**4**
Balance, end of period	**172,169**	**2,520**

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 was 171.6 million and 169.4 million for the quarters ended March 31, 2010 and March 31, 2009, 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 were as follows:

	Quarter Ended March 31 2010 Earnings *($ millions)*	**Weighted Average Shares** *(in millions)*	**Earnings per Common Share**	2009 Earnings *($ millions)*	Weighted Average Shares *(in millions)*	Earnings per Common Share
Basic Earnings per Common Share	**100**	**171.6**	**$0.58**	92	169.4	$0.54
Effect of potential dilutive securities:						
Stock options	**-**	**1.0**		-	0.7	
Preference shares (Note 13)	**4**	**11.9**		4	13.9	
Convertible debentures	**1**	**1.4**		1	1.4	
Diluted Earnings per Common Share	**105**	**185.9**	**$0.56**	97	185.4	$0.52

9. PREFERENCE SHARES

In January 2010, the Corporation issued 10 million Cumulative Five-Year Fixed Rate Reset First Preference Shares, Series H ("First Preference Shares, Series H"). The First Preference Shares, Series H were issued at $25.00 per share. The shares are entitled to receive fixed cumulative preferential cash dividends at a rate of $1.0625 per share per annum for each year up to but excluding June 1, 2015. For each five-year period after that date, the holders of First Preference Shares, Series H are entitled to receive reset fixed cumulative preferential cash dividends. The reset annual dividends per share will be determined by multiplying $25.00 per share by the annual fixed dividend rate, which is the sum of the five-year Government of Canada Bond Yield on the applicable reset date plus 1.45 per cent.

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

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

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

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

As the First Preference Shares, Series H are not redeemable at the option of the shareholder, they are classified as equity.

10. STOCK-BASED COMPENSATION PLANS

In January 2010, 24,426 Deferred Share Units were granted to the Corporation's Board of Directors, representing the equity component of the Directors' annual compensation and, where opted, their annual retainers in lieu of cash. Each Deferred Share Unit represents a unit with an underlying value equivalent to the value of one common share of the Corporation.

10. STOCK-BASED COMPENSATION PLANS (cont'd)

In March 2010, 60,000 Performance Share Units were granted to the President and Chief Executive Officer ("CEO") of the Corporation. Each Performance Share Unit ("PSU") represents a unit with an underlying value equivalent to the value of one common share of the Corporation. The maturation period of the March 2010 PSU grant is three years, at which time a cash payment may be made to the President and CEO after evaluation by the Human Resources Committee of the Board of Directors of Fortis of the achievement of payment requirements.

In March 2010, the Corporation granted 892,744 options to purchase common shares under its 2006 Stock Option Plan at the five-day volume weighted average trading price of $27.36 immediately preceding the date of grant. The options vest evenly over a four-year period on each anniversary of the date of grant. The options expire seven years after the date of grant. The fair value of each option granted was $4.41 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:

Dividend yield (%)	3.66
Expected volatility (%)	25.1
Risk-free interest rate (%)	2.54
Weighted average expected life (years)	4.5

As at March 31, 2010, 5.4 million stock options were outstanding and 2.9 million stock options were vested.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss includes unrealized foreign currency translation gains and losses, net of hedging activities, gains and losses on cash flow hedging activities and gains and losses on discontinued cash flow hedging activities as described in Note 2 to the Corporation's 2009 annual audited consolidated financial statements.

	Quarter Ended March 31					
	2010			2009		
($ millions)	**Opening balance January 1**	**Net change**	**Ending balance March 31**	Opening balance January 1	Net change	Ending balance March 31
Unrealized foreign currency translation (losses) gains, net of hedging activities and tax	**(78)**	**(8)**	**(86)**	(46)	9	(37)
Losses on derivative instruments designated as cash flow hedges, net of tax	**-**	**-**	**-**	(1)	-	(1)
Net losses on derivative instruments previously discontinued as cash flow hedges, net of tax	**(5)**	**-**	**(5)**	(5)	-	(5)
Accumulated Other Comprehensive (Loss) Income	**(83)**	**(8)**	**(91)**	(52)	9	(43)

12. EMPLOYEE FUTURE BENEFITS

The Corporation and its subsidiaries each maintain one or a combination of defined benefit pension plans, other post-employment benefit plans, defined contribution pension plans and group registered retirement savings plans ("RRSPs") for its employees. The cost of providing the defined benefit arrangements was $10 million for the quarter ended March 31, 2010 (quarter ended March 31, 2009 - $6 million). The cost of providing the defined contribution arrangements and group RRSPs for the quarter ended March 31, 2010 was $4 million (quarter ended March 31, 2009 - $4 million).

13. FINANCE CHARGES

	Quarter Ended March 31	
($ millions)	**2010**	2009
Interest - Long-term debt and capital lease obligations	**88**	84
- Short-term borrowings	**2**	4
Interest charged to construction	**(4)**	(4)
Dividends on preference shares classified as debt (Note 8)	**4**	4
	90	88

14. CORPORATE TAXES

Corporate taxes differ from the amount that would be expected to be generated by applying the enacted combined Canadian federal and provincial statutory tax rate to earnings before corporate taxes. The following is a reconciliation of consolidated statutory taxes to consolidated effective taxes.

	Quarter Ended March 31	
($ millions, except as noted)	**2010**	2009
Combined Canadian federal and provincial statutory income tax rate	**32.0%**	33.0%
Statutory income tax rate applied to earnings before corporate taxes	**43**	41
Preference share dividends	**1**	1
Difference between Canadian statutory rate and rates applicable to foreign subsidiaries	**(2)**	(3)
Difference in Canadian provincial statutory rates applicable to subsidiaries in different Canadian jurisdictions	**(4)**	(3)
Items capitalized for accounting but expensed for income tax purposes	**(12)**	(10)
Pension costs	**-**	(1)
Other	**2**	-
Corporate taxes	**28**	25
Effective tax rate	**20.7%**	20.3%

As at March 31, 2010, the Corporation had approximately $96 million (December 31, 2009 - $122 million) in non-capital and capital loss carryforwards, of which $16 million (December 31, 2009 - $16 million) has not been recognized in the consolidated financial statements. The non-capital loss carryforwards expire between 2014 and 2029.

15. SEGMENTED INFORMATION

Information by reportable segment is as follows:

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Quarter ended March 31, 2010 *($ millions)*	**Terasen Gas Companies - Canadian**	Fortis Alberta	Fortis BC	NF Power	Other Canadian [1]	**Total Electric Canadian**	**Electric Caribbean [2]**	**Fortis Generation [3]**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**529**	87	72	178	82	**419**	**76**	**5**	**49**	**7**	**(9)**	**1,076**
Energy supply costs	**305**	-	21	131	53	**205**	**45**	**-**	**-**	**-**	**(3)**	**552**
Operating expenses	**70**	35	17	16	11	**79**	**12**	**2**	**36**	**4**	**(1)**	**202**
Amortization	**30**	24	10	11	5	**50**	**9**	**1**	**4**	**3**	**-**	**97**
Operating income	**124**	28	24	20	13	**85**	**10**	**2**	**9**	**-**	**(5)**	**225**
Finance charges	**27**	14	8	9	6	**37**	**5**	**-**	**6**	**20**	**(5)**	**90**
Corporate taxes (recoveries)	**24**	-	2	4	2	**8**	**-**	**-**	**1**	**(5)**	**-**	**28**
Net earnings (loss)	**73**	14	14	7	5	**40**	**5**	**2**	**2**	**(15)**	**-**	**107**
Non-controlling interest	**-**	-	-	-	-	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**(6)**	**-**	**(6)**
Net earnings (loss) attributable to common equity shareholders	**73**	14	14	7	5	**40**	**4**	**2**	**2**	**(21)**	**-**	**100**
Goodwill	**908**	227	221	-	63	**511**	**136**	**-**	**-**	**-**	**-**	**1,555**
Identifiable assets	**4,130**	1,922	1,157	1,211	623	**4,913**	**784**	**183**	**607**	**107**	**(19)**	**10,705**
Total assets	**5,038**	2,149	1,378	1,211	686	**5,424**	**920**	**183**	**607**	**107**	**(19)**	**12,260**
Gross capital expenditures [4]	**50**	64	26	17	8	**115**	**17**	**1**	**5**	**-**	**-**	**188**
Quarter ended March 31, 2009												
Revenue	**669**	79	72	169	71	**391**	**83**	**16**	**47**	**7**	**(11)**	**1,202**
Energy supply costs	**468**	-	22	127	47	**196**	**46**	**1**	**-**	**-**	**(4)**	**707**
Operating expenses	**67**	34	17	14	8	**73**	**14**	**4**	**34**	**3**	**(2)**	**193**
Amortization	**25**	22	10	11	4	**47**	**11**	**2**	**4**	**2**	**-**	**91**
Operating income	**109**	23	23	17	12	**75**	**12**	**9**	**9**	**2**	**(5)**	**211**
Finance charges	**32**	11	7	8	5	**31**	**4**	**1**	**6**	**19**	**(5)**	**88**
Corporate taxes (recoveries)	**19**	-	2	3	2	**7**	**-**	**2**	**1**	**(4)**		**25**
Net earnings (loss)	**58**	12	14	6	5	**37**	**8**	**6**	**2**	**(13)**	**-**	**98**
Non-controlling interest	**-**	-	-	-	-	**-**	**(2)**	**-**	**-**	**-**	**-**	**(2)**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Net earnings (loss) attributable to common equity shareholders	**58**	12	14	6	5	**37**	**6**	**6**	**2**	**(17)**	**-**	**92**
Goodwill	**908**	227	221	-	63	**511**	**168**	**-**	**-**	**-**	**-**	**1,587**
Identifiable assets	**4,057**	1,661	1,079	1,166	519	**4,425**	**888**	**208**	**562**	**131**	**(10)**	**10,261**
Total assets	**4,965**	1,888	1,300	1,166	582	**4,936**	**1,056**	**208**	**562**	**131**	**(10)**	**11,848**
Gross capital expenditures [4]	**50**	90	22	13	12	**137**	**20**	**7**	**5**	**-**	**-**	**219**

[1] Includes Maritime Electric and FortisOntario. FortisOntario includes Algoma Power from October 8, 2009, the date of acquisition by FortisOntario.

[2] Includes Belize Electricity, Caribbean Utilities and Fortis Turks and Caicos

[3] Results reflect the expiry, on April 30, 2009, at the end of a 100-year term, of the 75 MW of water-right entitlement associated with the Rankine hydroelectric generating facility at Niagara Falls.

[4] Relates to utility capital assets, including amounts for AESO transmision capital projects, and to income producing properties and intangible assets, as reflected in the consolidated statement of cash flows

15. SEGMENTED INFORMATION (cont'd)

Inter-segment 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-segment transactions primarily related to the sale of energy from Fortis Generation to Belize Electricity, electricity sales from Newfoundland Power to Fortis Properties and finance charges on inter-segment borrowings. The significant inter-segment transactions for the three months ended March 31, 2010 and 2009 were as follows.

Significant Inter-Segment Transactions	**Quarter Ended March 31**	
($ millions)	**2010**	2009
Sales from Fortis Generation to Regulated Electric Utilities – Caribbean	**3**	4
Sales from Newfoundland Power to Fortis Properties	**1**	1
Inter-segment finance charges on borrowings from:		
Corporate to Regulated Electric Utilities – Caribbean	**2**	2
Corporate to Fortis Properties	**2**	2

16. SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter Ended March 31	
($ millions)	**2010**	2009
Interest paid	**90**	85
Income taxes paid	**24**	65

17. CAPITAL MANAGEMENT

The Corporation's principal businesses of regulated gas and electricity distribution require ongoing access to capital in order to allow the utilities to fund the maintenance and expansion of infrastructure. Fortis raises debt at the subsidiary level to ensure regulatory transparency, tax efficiency and financing flexibility. Fortis generally finances a significant portion of acquisitions with proceeds from common and preference share issuances. To help ensure access to capital, the Corporation targets a consolidated long-term capital structure containing approximately 40 per cent equity, including preference shares, and 60 per cent debt, as well as investment-grade credit ratings.

Each of the Corporation's regulated utilities maintains its own capital structure in line with the deemed capital structure reflected in the utilities' customer rates.

The consolidated capital structure of Fortis is presented in the following table.

	As at			
	March 31, 2010		December 31, 2009	
	($ millions)	***(%)***	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,573**	**57.5**	5,830	60.2
Preference shares [(2)]	**912**	**9.4**	667	6.9
Common shareholders' equity	**3,212**	**33.1**	3,193	32.9
Total [(3)]	**9,697**	**100.0**	9,690	100.0

(1) Includes long-term debt and capital lease obligations, including current portion, and short-term borrowings, net of cash
(2) Includes preference shares classified as both long-term liabilities and equity
(3) Excludes amounts related to non-controlling interests

17. CAPITAL MANAGEMENT (cont'd)

Certain of the Corporation's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 70 per cent of the Corporation's consolidated capital structure, as defined by the long-term debt agreements. As at March 31, 2010, the Corporation and its subsidiaries, except for certain debt at Belize Electricity and the Exploits Partnership, as described below, were in compliance with their debt covenants.

As a result of the regulator's Final Decision on Belize Electricity's 2008/2009 Rate Application in June 2008, Belize Electricity does not meet certain debt covenant financial ratios related to loans with the International Bank for Reconstruction and Development and the Caribbean Development Bank totalling $6 million (BZ$11 million) as at March 31, 2010.

As the hydroelectric assets and water rights of the Exploits Partnership had been provided as security for the Exploits Partnership term loan, the expropriation of such assets and rights by the Government of Newfoundland and Labrador constituted an event of default under the loan. The term loan is without recourse to Fortis and was approximately $59 million as at March 31, 2010 (December 31, 2009 - $59 million). The lenders of the term loan have not demanded accelerated repayment. The scheduled repayments under the term loan are being made by Nalcor, a Crown corporation, acting as agent for the Government of Newfoundland and Labrador with respect to the expropriation matters.

The Corporation's credit ratings and consolidated credit facilities are discussed further under "Liquidity Risk" in Note 19.

18. FINANCIAL INSTRUMENTS

Fair Values

There has been no change during the three months ended March 31, 2010 in the designation of the Corporation's financial instruments from that disclosed in the Corporation's 2009 annual audited consolidated financial statements. The carrying values of financial instruments included in current assets, current liabilities, other assets and deferred credits in the consolidated balance sheets of Fortis approximate their fair values, reflecting the short-term maturity, normal trade credit terms and/or the nature of these instruments. The carrying and fair values of the Corporation's consolidated long-term debt and preference shares were as follows:

	As at			
	March 31, 2010		December 31, 2009	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt, including current portion (1) (2)	**5,433**	**5,921**	5,502	5,906
Preference shares, classified as debt (1) (3)	**320**	**357**	320	348

(1) Carrying value is measured at amortized cost using the effective interest rate method.
(2) Carrying value as at March 31, 2010 excludes unamortized deferred financing costs of $38 million (December 31, 2009 - $39 million) and capital lease obligations of $37 million (December 31, 2009 - $37 million).
(3) Preference shares classified as equity are excluded from the requirements of the CICA Handbook Section 3855, *Financial Instrument, Recognition and Measurement*; however, the estimated fair value of the Corporation's $592 million preference shares classified as equity was $595 million as at March 31, 2010 (December 31, 2009 – carrying value $347 million; fair value $356 million).

The fair value of long-term debt is calculated using quoted market prices when available. When quoted market prices are not available, the fair value is determined by discounting the future cash flows of the specific debt instrument at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Corporation does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs. The fair value of the Corporation's preference shares is determined using quoted market prices.

18. FINANCIAL INSTRUMENTS (cont'd)

From time to time, the Corporation and its subsidiaries hedge exposures to fluctuations in interest rates, foreign exchange rates and natural gas prices through the use of derivative financial instruments. The Corporation and its subsidiaries do not hold or issue derivative financial instruments for trading purposes. The following table summarizes the valuation of the Corporation's consolidated derivative financial instruments.

	As at					
	March 31, 2010				December, 31, 2009	
Liability	**Term to Maturity *(years)***	**Number of Contracts**	**Carrying Value *($ millions)***	**Estimated Fair Value *($ millions)***	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swap *(1) (2)*	**< 1**	**1**	**-**	**-**	-	-
Foreign exchange forward contracts *(3) (4)*	**1 to 2**	**2**	**-**	**-**	-	-
Natural gas derivatives: *(3) (5)*						
Swaps and options	**Up to 5**	**186**	**(194)**	**(194)**	(119)	(119)
Gas purchase contract premiums	**Up to 2**	**24**	**(3)**	**(3)**	(3)	(3)

(1) Interest rate swap contract matures in October 2010. The contract has the effect of fixing the rate of interest on the non-revolving credit facilities of Fortis Properties at 5.32 per cent.
(2) The fair value measurements are Level 1, based on the three levels that distinguish the level of pricing observability utilized in measuring fair value.
(3) The fair value measurements are Level 2, based on the three levels that distinguish the level of pricing observability utilized in measuring fair value.
(4) The fair values of the foreign exchange forward contracts were recorded in accounts payable as at March 31, 2010 and accounts receivable as at December 31, 2009.
(5) The fair values of the natural gas derivatives were recorded in accounts payable as at March 31, 2010 and as at December 31, 2009.

The fair values of the Corporation's financial instruments, including derivatives, reflect point-in-time estimates based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Corporation's future consolidated earnings or cash flows.

19. FINANCIAL RISK MANAGEMENT

The Corporation is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments in the normal course of business.

Credit risk Risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument.

Liquidity risk Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Market risk Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Corporation is exposed to foreign exchange risk, interest rate risk and commodity price risk.

Credit Risk

For cash and cash equivalents, trade and other accounts receivable, and other receivables due from customers, the Corporation's credit risk is limited to the carrying value on the consolidated balance sheet. The Corporation generally has a large and diversified customer base, which minimizes the concentration of credit risk. The Corporation and its subsidiaries have various policies to minimize credit risk, which include requiring customer deposits and credit checks for certain customers and performing disconnections and/or using third-party collection agencies for overdue accounts.

19. FINANCIAL RISK MANAGEMENT (cont'd)

Credit Risk (cont'd)

FortisAlberta has a concentration of credit risk as a result of its distribution-service billings being to a relatively small group of retailers and, as at March 31, 2010, its gross credit risk exposure was approximately $93 million, representing the projected value of retailer billings over a 60-day period. The Company has reduced its exposure to approximately $3 million by obtaining from the retailers either a cash deposit, bond, letter of credit, an investment-grade credit rating from a major rating agency or by having the retailer obtain a financial guarantee from an entity with an investment-grade credit rating.

The Terasen Gas companies are exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments. The Terasen Gas companies are also exposed to credit risk on physical off-system sales. To help mitigate credit risk, the Terasen Gas companies deal with high credit-quality institutions in accordance with established credit-approval practices. The counterparties with which the Terasen Gas companies have significant transactions are A-rated entities or better. The Terasen Gas companies use netting arrangements to reduce credit risk and net settle payments with counterparties where net settlement provisions exist.

The aging analysis of the Corporation's consolidated trade and other accounts receivable, net of an allowance for doubtful accounts of $17 million as at March 31, 2010 (December 31, 2009 - $17 million; March 31, 2009 - $19 million), excluding derivative financial instruments recorded in accounts receivable, was as follows:

	As at		
($ millions)	**March 31, 2010**	December 31, 2009	March 31, 2009
Not past due	**518**	527	608
Past due 0-30 days	**63**	52	91
Past due 31-60 days	**14**	8	21
Past due 61 days and over	**9**	8	7
	604	595	727

As at March 31, 2010, other receivables due from customers of $7 million (included in other assets) will be received over the next five years and, thereafter, with $2 million expected to be received in year 1, $3 million over years 2 and 3, $1 million over years 4 and 5 and $1 million due after 5 years.

Liquidity Risk

The Corporation's consolidated financial position could be adversely affected if it, or one of its subsidiaries, fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. The ability to arrange sufficient and cost-effective financing is subject to numerous factors, including the consolidated results of operations and financial position of the Corporation and its subsidiaries, conditions in capital and bank credit markets, ratings assigned by rating agencies and general economic conditions.

To help mitigate liquidity risk, the Corporation and its larger regulated utilities have secured committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements.

The Corporation's committed credit facility is available for interim financing of acquisitions and for general corporate purposes. Depending on the timing of cash payments from the subsidiaries, borrowings under the Corporation's committed credit facility may be required from time to time to support the servicing of debt and payment of dividends. As at March 31, 2010, average annual consolidated long-term debt maturities and repayments over the next five years are expected to be approximately $280 million. The combination of available credit facilities and relatively low annual debt maturities and repayments provide the Corporation and its subsidiaries with flexibility in the timing of access to capital markets.

19. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk (cont'd)

As at March 31, 2010, the Corporation and subsidiaries had consolidated credit facilities of approximately $2.2 billion, of which $1.6 billion was unused. The credit facilities are syndicated almost entirely with the seven largest Canadian banks with no one bank holding more than 25 per cent of these facilities.

The following table outlines the credit facilities of the Corporation and its subsidiaries.

($ millions)	Corporate and Other	Regulated Utilities	Fortis Properties	As at March 31, 2010	As at December 31, 2009
Total credit facilities	645	1,493	13	**2,151**	2,153
Credit facilities utilized:					
Short-term borrowings	-	(233)	-	**(233)**	(415)
Long-term debt (including current portion) (Note 7)	(53)	(113)	-	**(166)**	(208)
Letters of credit outstanding	(1)	(115)	(1)	**(117)**	(100)
Credit facilities unused	591	1,032	12	**1,635**	1,430

As at March 31, 2010 and December 31, 2009, certain borrowings under the Corporation's and subsidiaries' credit facilities were classified as long-term debt. These borrowings are under long-term committed credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

In February 2010, Maritime Electric renewed its $50 million unsecured committed revolving credit facility, which matures annually in March.

In March 2010, FortisBC negotiated an extension of its $150 million unsecured committed revolving credit facility, of which $100 million now matures May 2013 and the remaining $50 million now matures May 2011. The amended credit facility agreement is expected to be finalized during the second quarter of 2010.

The following is an analysis of the contractual maturities of the Corporation's consolidated financial liabilities as at March 31, 2010.

Financial Liabilities ($ millions)	Due within 1 year	Due in years 2 and 3	Due in years 4 and 5	Due after 5 years	**Total**
Short-term borrowings	233	-	-	-	**233**
Trade and other accounts payable	692	-	-	-	**692**
Natural gas derivatives (1)	127	57	9	-	**193**
Foreign exchange forward contracts (2)	15	7	-	-	**22**
Dividends payable	53	-	-	-	**53**
Customer deposits (3)	2	2	1	2	**7**
Long-term debt, including current portion (4)	333	297	771	4,032	**5,433**
Interest obligations on long-term debt	331	643	616	4,629	**6,219**
Preference shares, classified as debt	-	-	123	197	**320**
Dividend obligations on preference shares classified as interest expense	17	33	22	14	**86**
	1,803	1,039	1,542	8,874	**13,258**

(1) Amounts disclosed are on a gross cash flow basis. The derivatives were recorded in accounts payable at fair value as at March 31, 2010 at $197 million.
(2) Amounts disclosed are on a gross cash flow basis. The contracts were recorded in accounts payable at fair value as at March 31, 2010 at $0.2 million.
(3) Customer deposits were recorded in deferred credits as at March 31, 2010.
(4) Excludes deferred financing costs of $38 million and capital lease obligations of $37 million

19. FINANCIAL RISK MANAGEMENT (cont'd)

Market Risk

Foreign Exchange Risk
The Corporation's earnings from, and net investment in, self-sustaining foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings at the corporate level. The foreign exchange gain or loss on the translation of US dollar-denominated interest expense partially offsets the foreign exchange loss or gain on the translation of the Corporation's foreign subsidiaries' earnings, which are denominated in US dollars or a currency pegged to the US dollar. Belize Electricity's reporting currency is the Belizean dollar while the reporting currency of Caribbean Utilities, Fortis Turks and Caicos, FortisUS Energy and BECOL is the US dollar. The Belizean dollar is pegged to the US dollar at BZ$2.00=US$1.00.

As at March 31, 2010, the Corporation's corporately held US$390 million (December 31, 2009 - US$390 million) long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. As at March 31, 2010, the Corporation had approximately US$179 million (December 31, 2009 – US$174 million) in foreign net investments remaining to be hedged. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's corporately held US dollar borrowings that are designated as hedges are recorded in other comprehensive income and serve to help offset unrealized foreign currency exchange gains and losses on the foreign net investments, which are also recorded in other comprehensive income.

TGI and TGVI's US dollar payments under contracts for the implementation of a customer information system and the construction of a liquefied natural gas storage facility, respectively, expose the utilities to fluctuations in the US dollar-to-Canadian dollar exchange rate. TGI and TGVI have entered into foreign exchange forward contracts to hedge this exposure and any increase or decrease in the fair value of the foreign exchange forward contracts is deferred for recovery from, or refund to, customers in future rates, subject to regulatory approval.

Interest Rate Risk
The Corporation and its subsidiaries are exposed to interest rate risk associated with short-term borrowings and floating-rate debt. The Corporation and its subsidiaries may enter into interest rate swap agreements to help reduce this risk.

As at March 31, 2010, Fortis Properties was party to one interest rate swap agreement that effectively fixed the interest rate on variable-rate borrowings.

The Terasen Gas companies and FortisBC have regulatory approval to defer any increase or decrease in interest expense resulting from fluctuations in interest rates associated with variable-rate debt for recovery from, or refund to, customers in future rates.

Commodity Price Risk
The Terasen Gas companies are exposed to commodity price risk associated with changes in the market price of natural gas. This risk is minimized by entering into natural gas derivatives that effectively fix the price of natural gas purchases. The price risk-management strategy of the Terasen Gas companies aims to improve the likelihood that natural gas prices remain competitive with electricity rates, temper gas price volatility on customer rates and reduce the risk of regional price discrepancies. The natural gas derivatives are recorded on the consolidated balance sheet at fair value and any change in the fair value is deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates.

20. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

The Corporation and its subsidiaries are subject to various legal proceedings and claims associated with ordinary course business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's consolidated financial position or results of operations. There were no material changes in the Corporation's contingencies from those disclosed in the Corporation's 2009 annual audited consolidated financial statements.

Commitments

There were no material changes in the nature and amount of the Corporation's commitments from the commitments disclosed in the Corporation's 2009 annual audited consolidated financial statements, except for that described below.

During the first quarter of 2010, FortisBC entered into a contract with Powerex Corp., a wholly owned subsidiary of BC Hydro, for fixed-price winter capacity purchases through to February 2016 in an aggregate amount of approximately US$16 million. If FortisBC brings any new resources, such as capital or contractual projects, on-line prior to the expiry of this agreement, FortisBC may terminate this contract any time after July 1, 2013 with a minimum of three-months written notice to Powerex Corp.

21. SUBSEQUENT EVENT

In April 2010, Terasen redeemed in full for cash its $125 million 8.0% Capital Securities with proceeds from borrowings under the Corporation's committed credit facility.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with current period classifications, the most significant of which was the reclassification of $15 million from long-term regulatory assets to utility capital assets ($9 million) and long-term future tax liabilities ($6 million) at the Terasen Gas companies.

Dates – Dividends* and Earnings

<u>Expected Earnings Release Dates</u>

August 4, 2010 November 5, 2010
February 3, 2011 April 29, 2011

<u>Dividend Record Dates</u>

May 7, 2010 August 6, 2010
November 5, 2010 February 4, 2011

<u>Dividend Payment Dates</u>

June 1, 2010 September 1, 2010
December 1, 2010 March, 1, 2011

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

<u>Registrar and Transfer Agent</u>

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/fortisinc

<u>Share Listings</u>

The Common Shares, First Preference Shares, Series C; First Preference Shares, Series E; First Preference Shares, Series F; First Preference Shares, Series G and First Preference Shares, Series H of Fortis Inc. are traded on the Toronto Stock Exchange under the symbols FTS, FTS.PR.C, FTS.PR.E, FTS.PR.F, FTS.PR.G and FTS.PR.H, respectively.

Fortis Common Shares ($) Quarter Ended March 31		
	2010	**2009**
High	**29.32**	25.06
Low	**26.45**	21.52
Close	**28.89**	22.14