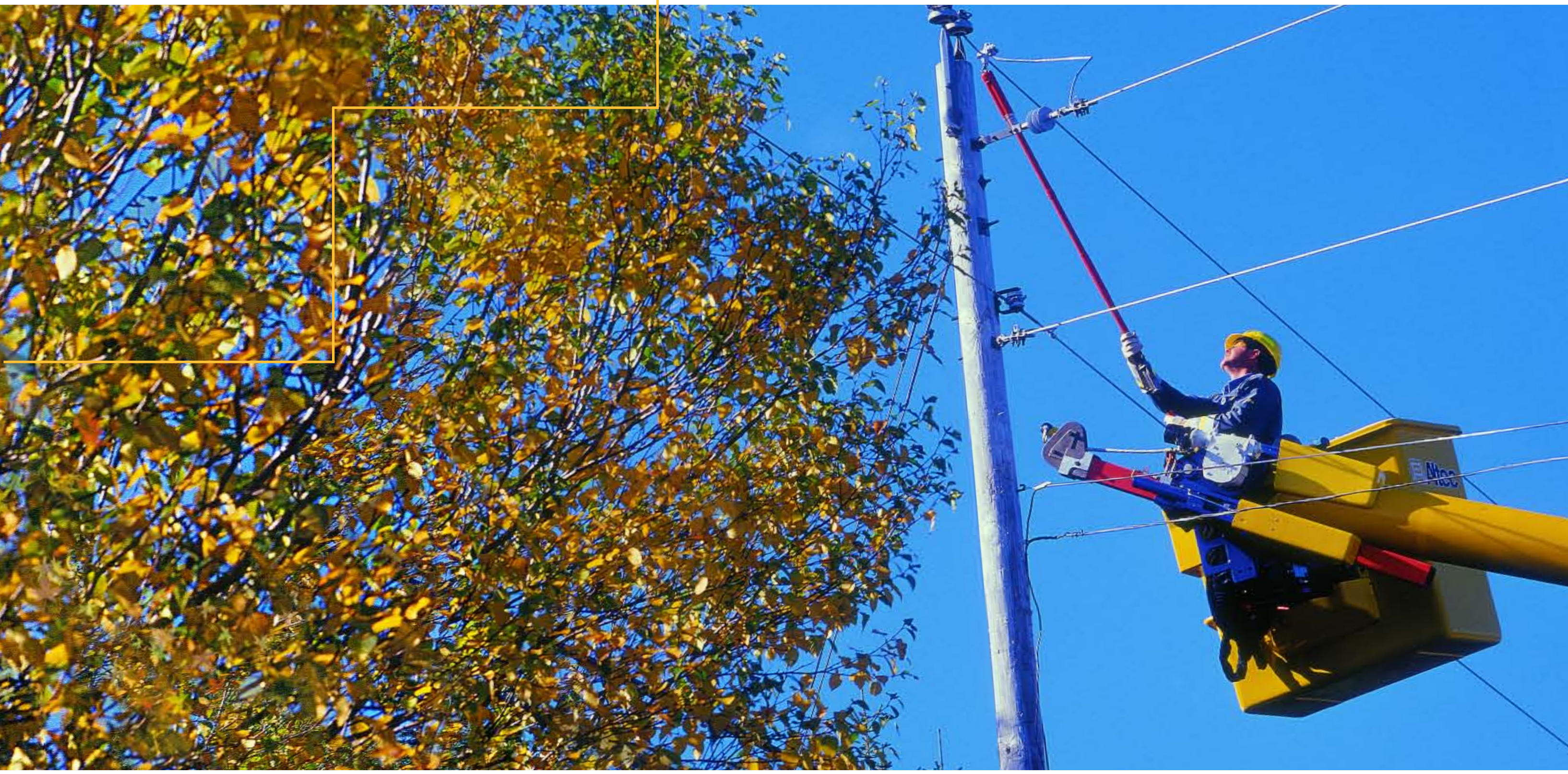
Third Quarter Report 2004



FORTIS INC.

Dear Shareholder:

Earnings applicable to common shares grew to $25.5 million from $18.1 million for the third quarter last year. Year-to-date earnings were $69.7 million, $10.8 million higher than earnings of $58.9 million for the same period in 2003. Earnings per common share were $1.07 compared to $1.05 for the third quarter last year. Year-to-date earnings per common share were $3.45 compared to $3.40 for the same period in 2003.

Results for our regulated electric utilities include the first full quarter of operations for FortisAlberta and FortisBC which contributed $13.9 million of earnings to our regulated electric utilities segment. Earnings for our non-regulated generation assets in Belize were impacted by a decline in production as a result of lower rainfall levels. Newfoundland Power and Fortis Properties continued to perform well.

In mid-September, shortly after Hurricane Ivan struck Grand Cayman, Fortis deployed operational crews and supplies from our utilities in Belize and Canada to help Caribbean Utilities with the restoration of electricity service to its customers. Fortis utilities have the expertise and resources to respond quickly to such natural disasters.

Investors continue to positively respond to our business strategy. In just over one year from the announcement of the acquisition of FortisAlberta and FortisBC, Fortis has secured approximately $1.2 billion or 87 per cent of the long-term financing related to the acquisition. During the third quarter, Fortis raised $144 million from the conversion of approximately 96 per cent of 8 million First Preference Units. Subsequent to quarter end, Fortis closed a private placement of US$150 million senior unsecured notes and FortisAlberta closed a $400 million public debenture offering.

As we move through the fourth quarter, we remain focused on the integration of FortisAlberta and FortisBC. We will continue to grow the business we know best, applying our expertise to deliver value to shareholders and quality service to customers.

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

INTERIM MANAGEMENT DISCUSSION & ANALYSIS

The following material should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in the Fortis Inc. 2003 Annual Report and Interim Consolidated Financial Statements. This material has been prepared in accordance with multilateral instrument 51-102F1 relating to Management Discussion and Analysis. Fortis Inc. ("Fortis" or the "Corporation") includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to inherent risks and uncertainties surrounding future expectations generally. Such events include, but are not limited to, general economic, market and business conditions, regulatory developments, weather and competition. Fortis cautions readers that should certain events or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. For additional information with respect to certain of these risks or factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian Securities Regulatory Authorities. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Fortis Inc.
Financial Highlights (Unaudited)
Period Ended September 30th

($ millions, except per common share amounts)	**Quarter**		**Year-to-date**	
	2004	**2003**	**2004**	**2003**
Revenue	**303.7**	191.4	**809.0**	632.5
Cash flow from operations	**114.4**	54.3	**188.9**	115.6
Earnings applicable to common shares	**25.5**	18.1	**69.7**	58.9
Basic earnings per common share ($)	**1.07**	1.05	**3.45**	3.40
Diluted earnings per common share ($)	**1.00**	0.99	**3.27**	3.28

	Segmented Earnings Contribution			
	Quarter		**Year-to-date**	
	2004	**2003**	**2004**	**2003**
Regulated Utilities – Canadian (1)	**22.4**	7.9	**54.8**	34.4
Regulated Utilities – Caribbean (2)	**4.6**	4.6	**12.2**	12.2
Non-regulated - Fortis Generation (3)	**2.0**	3.6	**8.1**	8.1
Non-regulated - Fortis Properties	**4.3**	4.2	**9.0**	8.5
Corporate	**(7.8)**	(2.2)	**(14.4)**	(4.3)
Earnings applicable to common shares	**25.5**	18.1	**69.7**	58.9

(1) Includes the operations of Newfoundland Power, Maritime Electric, FortisOntario (comprised of Canadian Niagara Power and Cornwall Electric), FortisAlberta and FortisBC

(2) Includes the operations of Belize Electricity and the Corporation's 38 per cent equity investment in Caribbean Utilities Company, Ltd.

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

Note: Financial information in this release is presented in Canadian dollars unless otherwise specified.

REGULATED UTILITIES – CANADIAN [1]

Regulated Utilities – Canadian Financial Highlights (Unaudited) Period Ended September 30th				
	Earnings			
	Quarter		Year-to-date	
($ millions)	**2004**	**2003**	**2004**	**2003**
Newfoundland Power	**5.0**	4.2	**27.8**	24.6
Maritime Electric	**2.3**	2.2	**6.4**	5.4
FortisOntario	**1.2**	1.5	**3.4**	4.4
FortisAlberta (1)	**8.7**	-	**11.1**	-
FortisBC (1)	**5.2**	-	**6.1**	-
Earnings	**22.4**	7.9	**54.8**	34.4

Earnings from Regulated Utilities in Canada were $22.4 million for the third quarter compared to $7.9 million for the same quarter last year. Year-to-date earnings were $54.8 million compared to $34.4 million for the same period last year. Quarterly earnings from Regulated Utilities in Canada represented approximately 88 per cent of consolidated quarterly earnings and 79 per cent of consolidated year-to-date earnings. The increase in earnings from Regulated Utilities in Canada related to the acquisition of the utilities in western Canada on May 31, 2004. Newfoundland Power and Maritime Electric also delivered improved financial results, partially offset by lower earnings at FortisOntario. The lower earnings at FortisOntario were primarily related to increased finance charges associated with the $52 million of long-term debt issued in August 2003.

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2004	**2003**	**2004**	**2003**
Electricity Sales (GWh)	**856**	845	**3,743**	3,701
($ millions)				
Revenue	**76.6**	71.4	**300.1**	289.8
Energy Supply Costs	**44.3**	39.2	**172.1**	165.2
Operating Expenses	**10.9**	12.1	**37.8**	38.8
Amortization	**6.0**	6.1	**24.6**	24.1
Finance Charges	**7.6**	7.4	**22.8**	22.4
Corporate Taxes	**2.6**	2.2	**14.6**	14.3
Non-controlling Interest	**0.2**	0.2	**0.4**	0.4
Earnings	**5.0**	4.2	**27.8**	24.6

Newfoundland Power's earnings for the third quarter were $5.0 million compared to $4.2 million for the same period last year. Year-to-date earnings were $27.8 million compared to $24.6 million for the same period last year. The increase in earnings was due to a combination of increased energy sales and continued focus on cost management.

[1] Regulated Utilities in Canada include the operations of Newfoundland Power, Maritime Electric, FortisOntario (comprised of Canadian Niagara Power and Cornwall Electric), FortisAlberta and FortisBC. On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Financial results for FortisAlberta and FortisBC are since June 1, 2004 only.

Electricity sales for the third quarter increased to 856 gigawatt hours ("GWh") from 845 GWh for the same quarter last year. Year-to-date electricity sales increased 1.1 per cent to 3,743 GWh from 3,701 GWh for the same period last year. Residential sales increased 1.3 per cent and commercial sales increased 0.9 per cent compared to the same period last year. The increase in residential energy sales was primarily due to higher average usage levels and an increase in the number of customers. The increase in commercial sales was attributed to growth in the service sector of the economy and activity related to the White Rose offshore oil project.

Revenue for the third quarter increased $5.2 million to $76.6 million over the same quarter last year. The primary reason for the increase was a 5.4 per cent increase in electricity rates charged to Newfoundland Power's customers effective July 1, 2004. This increase in electricity rates was due to the flow through to Newfoundland Power's customers of a 9.3 percent increase in the rate that Newfoundland and Labrador Hydro ("Newfoundland Hydro") charges to Newfoundland Power for purchased power. Increased energy sales and pole rental revenue also contributed to quarterly revenue growth.

Year-to-date revenue increased $10.3 million to $300.1 million over the same period last year. The increase was principally due to increased electricity sales, increased pole rental revenue and the July 1, 2004 increase in electricity rates.

Energy supply costs for the third quarter increased $5.1 million, or 13.0 per cent, compared to the same quarter last year. Year-to-date energy supply costs increased $6.9 million, or 4.2 per cent, compared to the same period last year. The increase primarily related to the 9.3 per cent increase in Newfoundland Hydro's rates effective July 1, 2004. Increased electricity sales also contributed to the increase in energy supply costs.

Operating expenses for the third quarter decreased $1.2 million compared to the same quarter last year. Year-to-date operating expenses decreased $1.0 million compared to the same period last year. The decrease in operating expenses reflects a combination of timing differences and a continued focus on cost management.

Corporate income taxes vary with the amount of pre-tax income. The slightly higher year-to-date corporate tax rate last year reflects the impacts of Newfoundland Power's 2003 general rate order and changes in the statutory tax rate.

Maritime Electric

Maritime Electric Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	**246**	243	**735**	723
($ millions)				
Revenue	**29.9**	24.3	**87.6**	71.3
Energy Supply Costs	**18.5**	13.6	**54.6**	39.7
Operating Expenses	**3.2**	2.5	**9.0**	8.4
Amortization	**2.3**	2.3	**6.9**	6.8
Finance Charges	**2.0**	2.2	**6.4**	6.9
Corporate Taxes	**1.6**	1.5	**4.3**	4.1
Earnings	**2.3**	2.2	**6.4**	5.4

Maritime Electric's earnings for the third quarter were $2.3 million compared to $2.2 million for the same quarter last year. Year-to-date earnings were $6.4 million compared to $5.4 million for the same period last year. The increase related to higher electricity sales and the 2.1 per cent basic rate increase implemented on April 1, 2003.

Electricity sales for the third quarter were 246 GWh, 1.2 per cent higher than the same quarter last year. Residential sales were up 2.8 per cent while commercial sales were comparable to the same quarter last year. Year-to-date electricity sales were 735 GWh, an increase of 1.7 per cent over the same period last year. The increase in residential sales was largely due to an expanding customer base and an increase in average use.

Revenue for the third quarter increased $5.6 million to $29.9 million over the same quarter last year. Year-to-date revenue increased $16.3 million to $87.6 million over the same period last year. Increased electricity sales and the 2.1 per cent increase in basic rates effective April 1, 2003, coupled with the changes associated with the new legislation effective January 1, 2004, contributed to higher revenues. As of December 31, 2003, Maritime Electric maintained an energy cost adjustment mechanism to adjust for the effect of variations in energy costs above or below $0.05 per kilowatt hour ("kWh"). The new legislation, effective January 1, 2004, allows Maritime Electric to fully collect these costs, thus increasing both energy supply costs and revenues.

Energy supply costs for the third quarter increased $4.9 million over the same quarter last year. Year-to-date energy supply costs increased $14.9 million over the same period last year. The increase related to higher electricity sales and changes to the legislation effective January 1, 2004 as discussed above.

Maritime Electric purchases the majority of its energy from New Brunswick Power Corporation ("NB Power") and Emera Inc. through several energy purchase agreements. Maritime Electric has received all necessary approvals for the construction of a 50-megawatt ("MW") generating facility on Prince Edward Island. This facility is designed to operate on light oil or natural gas and it will address submarine cable loading issues and will reduce the Company's reliance on imported electricity. The targeted in-service date is late 2005.

Operating expenses for the third quarter increased $0.7 million compared to the same quarter last year. On a year-to-date basis, operating expenses increased $0.6 million compared to the same period in 2003. The increase in operating expenses was primarily due to increased regulatory costs including the costs associated with the application for approval of the 50-MW generating facility and the application for rates.

FortisOntario

FortisOntario Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	**265**	277	**899**	917
($ millions)				
Revenue	**30.3**	32.9	**93.4**	91.3
Energy Supply Costs	**22.6**	25.3	**71.1**	69.2
Operating Expenses	**3.2**	2.9	**9.2**	8.7
Amortization	**1.2**	1.2	**3.7**	3.8
Finance Charges	**1.3**	1.1	**3.9**	2.6
Corporate Taxes	**0.8**	0.9	**2.1**	2.6
Earnings	**1.2**	1.5	**3.4**	4.4

FortisOntario's earnings for the third quarter were $1.2 million compared to $1.5 million for the same quarter last year. Year-to-date earnings were $3.4 million compared to $4.4 million for the same period last year. The primary reason for the decrease related to higher finance charges associated with the $52 million of long-term debt issued in August 2003.

Electricity sales for the third quarter were 265 GWh compared to 277 GWh for the same quarter last year. Year-to-date electricity sales were 899 GWh compared to 917 GWh for the same period last year. The decrease was primarily related to the loss of an industrial customer in Cornwall representing approximately 40 GWh in annual electricity sales. Cooler temperatures in Ontario also contributed to the decrease. This decrease was partially mitigated by sales from the Gananoque area associated with the acquisition of the operating subsidiaries of Granite Power Corporation ("Granite Power") in April 2003. Granite Power's operations are now amalgamated with Canadian Niagara Power Inc.

Revenue for the third quarter decreased $2.6 million to $30.3 million compared to the same quarter last year, primarily as a result of lower electricity sales. Year-to-date revenue increased $2.1 million compared to the same period last year. Year to date, the decline in electricity sales was more than offset by increases in Cornwall Electric rates effective July 2003 and July 2004.

Energy supply costs for the third quarter decreased $2.7 million compared to the same quarter last year. The decrease was primarily related to lower electricity sales. Year-to-date energy supply costs increased $1.9 million, which was mainly driven by the increased wholesale cost of power at Cornwall Electric.

Operating expenses for the quarter and year to date are slightly above the same periods last year. The increase in operating expenses associated with the acquisition of the operating subsidiaries of Granite Power in April 2003 was partially offset by operational efficiencies achieved from the ongoing integration of Cornwall Electric and Granite Power.

Year-to-date finance charges increased $1.3 million compared to the same period last year. The increase in finance charges was primarily related to issuance of long-term debt in August 2003.

FortisAlberta [2]

FortisAlberta Financial Highlights (Unaudited) Period Ended September 30th		
	Quarter	**Year-to-date**
	2004	**2004**
Electricity Sales (GWh)	**3,380**	**4,427**
($ millions)		
Revenue	**55.3**	**72.4**
Operating Expenses	**24.4**	**32.5**
Amortization	**13.3**	**17.6**
Finance Charges	**3.7**	**4.9**
Corporate Taxes	**5.2**	**6.3**
Earnings	**8.7**	**11.1**

On May 31, 2004, Fortis, through a wholly-owned subsidiary, acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed "FortisAlberta"). FortisAlberta owns and operates the electricity distribution system in a substantial portion of southern and central Alberta. The Company distributes electricity to more than 390,000 customers using approximately 103,000 kilometers of power lines. FortisAlberta is regulated by the Alberta Energy and Utilities Board ("AEUB") under traditional cost of service regulation. At September 30, 2004, the Company had a rate base of approximately $621 million.

FortisAlberta's earnings for the third quarter of 2004 were $8.7 million. Earnings for the 4 months ended September 30, 2004 were $11.1 million. The earnings were positively impacted by lower interest expense primarily related to more favorable short-term rates. Concurrently with the Company's purchase by Fortis, FortisAlberta borrowed $393 million from a syndicate of Canadian chartered banks. These funds were used to repay amounts owed to the Company's former parent. The interest rate on the new debt is substantially less than the interest rate paid by FortisAlberta on the debt owed to its former parent.

Electricity sales for the third quarter of 2004 were 3,380 GWh compared to 3,369 GWh for the same quarter last year. Electricity sales for the 4 months ended September 30, 2004 were 4,427 GWh compared to 4,413 GWh for the same period last year. FortisAlberta's electricity sales continue to benefit from a strong economy.

The AEUB issued its Generic Cost of Capital Decision on July 2, 2004. The regulated capital structure for FortisAlberta was set at 63 per cent debt and 37 per cent equity. The same order set FortisAlberta's regulated rate of return on equity for establishing electricity rates as 9.60 per cent based on a forecast long Canada bond of 5.68 per cent. Beginning in 2005, the rate of return on equity for setting rates will be adjusted by 75 per cent of the change in forecast long Canada bond rates. FortisAlberta will file a general rate application ("GRA") in 2004 to set rates for 2005.

Fortis continues to progress forward with plans to separate management and operations at FortisAlberta and FortisBC, as committed to stakeholders during the consultation process leading to the purchase of the businesses. The separation is expected to result in more effective and productive companies and will lend itself to improved customer service and reliable electricity service at reasonable costs. Upon completion of the separation into 2 stand-alone utilities, Fortis will be able to establish metrics to evaluate the operational and financial performance of each utility.

[2] On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Year-to-date financial results for FortisAlberta and FortisBC are since June 1, 2004 only.

FortisBC [3]

FortisBC Financial Highlights (Unaudited) Period Ended September 30th		
	Quarter	Year-to-date
	2004	2004
Electricity Sales (GWh)	661	873
($ millions)		
Revenue	42.0	54.4
Energy Supply Costs	13.1	16.8
Operating Expenses	13.6	18.0
Amortization	4.2	5.7
Finance Charges	4.1	5.4
Corporate Taxes	1.8	2.4
Earnings	5.2	6.1

On May 31, 2004, Fortis, through a wholly owned subsidiary, acquired all of the issued and outstanding shares of Aquila Networks Canada (British Columbia) Ltd. (renamed "FortisBC"). FortisBC is an integrated utility operating in the southern interior of British Columbia, serving directly and indirectly approximately 143,000 customers. FortisBC is regulated by the British Columbia Utilities Commission ("BCUC"). It has about 7,100 kilometers of transmission and distribution power lines and 4 hydroelectric generating plants with a combined capacity of 205 MW. The Company operates other power plants under contract with a combined capacity of 700 MW. FortisBC generates approximately 50 per cent of its power needs with the remaining requirements obtained through power purchase agreements. FortisBC has virtually no commodity exposure. At September 30, 2004, FortisBC had a rate base of approximately $510 million.

FortisBC's earnings for the third quarter of 2004 were $5.2 million. Earnings for the 4 months ended September 30, 2004 were $6.1 million. The 4.3 per cent general rate increase effective May 1, 2004 and lower finance charges as a result of more favorable short-term rates contributed to favorable earnings for the period. Concurrently with the Company's purchase by Fortis, FortisBC borrowed $155 million by way of demand note from Fortis. These funds were used to repay amounts owed to the Company's former parent. The interest rate on the new debt is substantially less than the interest rate paid by FortisBC on the debt owed to its former parent.

FortisBC's revenue and rates are based on traditional cost of service regulation. However, the Company is also subject to a performance based rate ("PBR") mechanism that is used in establishing annual rate adjustments. On April 26, 2004, the BCUC approved a 4.3 per cent rate increase, effective May 1, 2004. An interim rate increase of 3.6 per cent was put in place on January 1, 2004. FortisBC will file a GRA in 2004 to set rates for 2005.

Electricity sales for the third quarter 2004 were 661 GWh compared to 656 GWh for the same quarter last year. Electricity sales for the 4 months ended September 30, 2004 were 873 GWh compared to 859 GWh for the same period last year. The increase was primarily due to cooler weather and customer growth of 1.14 per cent compared to the same period last year. FortisBC's electricity sales are seasonal with the highest load occurring during the winter months.

As previously stated, Fortis continues to progress with plans to separate management and operations at FortisAlberta and FortisBC. FortisBC has committed to the BCUC that the Company will establish itself as a

[3] On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Year to date, financial results for FortisAlberta and FortisBC are since June 1, 2004 only.

stand-alone business by June 2006. By establishing itself as a separate business, the Company believes it will provide improved customer service, greater operational efficiency, and better regulatory transparency. The Corporation has appointed a management team located in British Columbia that is solely dedicated to managing the affairs of FortisBC. Some FortisBC functions, such as operations and regulatory affairs, have already been transitioned to British Columbia. Other functions such as customer service, finance, human resources and corporate services are currently being transferred. Most of the employees needed to carry out all of the functions of the Company will be located in British Columbia by June 2005.

REGULATED UTILITIES - CARIBBEAN [4]

Regulated Utilities – Caribbean Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Average US Exchange Rate	**1.31**	1.38	**1.33**	1.43
($ millions)				
Belize Electricity	**2.1**	1.9	**5.6**	4.9
Equity Income – Caribbean Utilities Company, Ltd.	**2.5**	2.7	**6.6**	7.3
Earnings	**4.6**	4.6	**12.2**	12.2

Earnings contribution of Regulated Utilities in the Caribbean for the third quarter was $4.6 million, consistent with the same quarter last year. Year-to-date earnings were $12.2 million, consistent with the same period last year. Increased earnings from Belize Electricity were partially offset by lower equity income from Caribbean Utilities Company, Ltd.

Belize Electricity

Belize Electricity Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	**89**	83	**246**	230
($ millions)				
Revenue	**18.9**	19.2	**54.8**	55.6
Energy Supply Costs	**10.2**	9.9	**28.6**	28.3
Operating Expenses	**2.5**	3.1	**8.2**	9.4
Amortization	**1.6**	1.7	**4.9**	5.5
Finance Charges	**1.3**	1.4	**4.2**	4.5
Corporate Taxes and Non-controlling Interest	**1.2**	1.2	**3.3**	3.0
Earnings	**2.1**	1.9	**5.6**	4.9

Belize Electricity's earnings contribution for the third quarter was $2.1 million (BZ$3.1 million) compared to $1.9 million (BZ$2.7 million) for the same period last year. Year-to-date earnings contribution was $5.6 million (BZ$8.2 million) compared to $4.9 million (BZ$6.8 million) for the same period last year. The increase in quarterly earnings was primarily related to the increase in electricity sales and reduced operating

[4] Regulated Utilities in the Caribbean include the operations of Belize Electricity and the Corporation's 38 per cent equity investment in Caribbean Utilities Company, Ltd.

expenses. The BZ$1.4 million increase in year-to-date earnings was the result of higher electricity sales as well as an increase in the foreign exchange gain recognized on the Company's euro-denominated debt. The increase in earnings was partially mitigated by the depreciation of the US dollar relative to the Canadian dollar compared to the same period last year.

Electricity sales for the third quarter were 89 GWh, 7.2 per cent higher than the same period last year. Year-to-date electricity sales were 246 GWh, 7.0 per cent higher than the same period last year. The increase was driven by growth in the residential and commercial segments as a result of expansion of electricity service to rural and new housing projects, as well as continued economic growth in the tourism and commercial sectors.

Revenue for the third quarter was $18.9 million (BZ$29.0 million) compared to $19.2 million (BZ$28.3 million) for the same period last year. Excluding foreign exchange impacts, revenue increased 2.5 per cent compared to last year. The increase related to higher electricity sales, partially offset by a final reduction in electricity rates of BZ$0.01 per kWh implemented in July 2004. Rates have been reduced by BZ$0.05 per kWh in total since Fortis acquired Belize Electricity in October 1999.

Energy supply costs for the third quarter were $10.2 million (BZ$15.6 million) compared to $9.9 million (BZ$14.6 million) for the same period last year. Year-to-date energy supply costs were $28.6 million (BZ$43.1 million) compared to $28.3 million (BZ$40.2 million) for the same period last year. The increase in energy costs was associated with higher electricity sales.

Operating expenses for the third quarter were $2.5 million (BZ$3.9 million) compared to $3.1 million (BZ$4.5 million) for the same quarter last year. Year-to-date operating expenses were $8.2 million (BZ$12.3 million) compared to $9.4 million (BZ$13.3 million) for the same period last year. The decrease in operating expenses for the quarter primarily related to a focus on cost management. The decrease in year-to-date operating expenses related to a BZ$1.0 million increase in the foreign exchange gain recognized on the Company's 2.6 million euro-denominated debt compared to last year.

Amortization expense for the third quarter was $1.6 million, comparable to the same quarter last year. Year-to-date amortization expense was $4.9 million compared to $5.5 million for the same period last year. During the fourth quarter of 2003, Belize Electricity completed a review of its amortization records and updated its annual amortization expense for assets previously retired. In 2004, Belize Electricity began applying an estimated annual rate of 3.44 per cent to depreciate its assets that is similar to the composite depreciation method adopted by the other Fortis regulated utilities.

Caribbean Utilities Company, Ltd.

Caribbean Utilities Company, Ltd. Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
($ millions)	2004	2003	2004	2003
Earnings	**2.5**	2.7	**6.6**	7.3

Fortis accounts for its 38 per cent interest in Caribbean Utilities Company, Ltd. on an equity basis. Equity earnings of Caribbean Utilities Company, Ltd. are recorded on a lag basis and, therefore, the quarterly earnings noted above represent Fortis' share of the Company's earnings for the quarter ended July 31, 2004. The $0.2 million decrease in quarterly earnings was the combined result of year-end audit adjustments recorded by Caribbean Utilities Company, Ltd as well as depreciation of the US dollar relative to the Canadian dollar compared to the same period last year. The decrease in earnings was partially mitigated by an increase in demand for energy which contributed to a 7.96 per cent increase in net generation over the same quarter last year.

The $0.7 million decrease in year-to-date earnings compared to the same period last year was a result of a 3 per cent rate reduction implemented November 2003 as well as the depreciation of the US dollar relative to the Canadian dollar compared to the same period last year.

Caribbean Utilities Company, Ltd. submitted a proposal to the Cayman Islands Government in July 2002 to extend its current license and replace the 15 per cent return on rate base mechanism for adjusting consumer rates with a price cap mechanism. The non-binding tentative agreement signed by Caribbean Utilities and the Government in June 2004 has expired following Hurricane Ivan. The Company will meet with Government at the appropriate time to assess the status of the license renewal negotiations. It continues to operate under its existing license which expires in 2011.

In mid-September 2004, Caribbean Utilities Company, Ltd. was impacted by Hurricane Ivan, a Category V hurricane that significantly affected Grand Cayman. Service has been restored to 45 per cent of customers and peak load is currently 31 MW compared to a pre-hurricane peak load of approximately 80 MW. Caribbean Utilities Company, Ltd. remains confident that it will meet its initial objective to complete the restoration process by mid-December.

Caribbean Utilities Company, Ltd.'s assessment of damages is still ongoing. The Company has US$100 million insurance that includes property coverage for its North Sound Road plant, remote substations and all transmission and distribution equipment within 1,000 feet of the main plant and substations; and includes US$55 million in business interruption insurance per annum with a 24-month indemnity period. Terms and coverages also include a maximum US$4 million deductible on property insurance and a 45-day deductible on business interruption insurance, as well as US$15 million of machinery breakdown insurance.

Preliminary estimates provided by Caribbean Utilities Company, Ltd. for damage claims caused by Hurricane Ivan are US$27 million for property and US$42 million in business interruption over the 24-month indemnity period. The initial estimate for transmission and distribution losses is approximately US$7 million. The Company has a Hurricane Fund with over US$4 million invested to cover deductibles and uninsured risks, as well as a US$7.5 million line of credit with Royal Bank of Canada to rebuild its network. Caribbean Utilities Company, Ltd. also has a US$10 million bridging loan facility from the Royal Bank of Canada for capital expenditures.

Caribbean Utilities Company, Ltd.'s cash flow has been severely impacted as the Company is still incurring capital expenditures in connection with the restoration process. In addition, the Company will be unable to determine its total Ivan-related costs until the restoration process is completed and the Company has filed its property and business interruption insurance claims. Given these uncertainties, the Board of Directors of Caribbean Utilities Company, Ltd. has elected not to declare a dividend for the current quarter.

NON-REGULATED – FORTIS GENERATION [5]

Non-regulated - Fortis Generation Financial Highlights (Unaudited) Period Ended September 30th				
	Quarter		Year-to-date	
Energy Sales (GWh)	**2004**	**2003**	**2004**	**2003**
Central Newfoundland	**29**	-	**89**	-
Ontario	**174**	170	**537**	520
Belize	**16**	21	**42**	35
British Columbia (5)	**9**	-	**15**	-
Upper New York State	**10**	4	**46**	56
Total	**238**	195	**729**	611
	Quarter		Year-to-date	
($ millions)	**2004**	**2003**	**2004**	**2003**
Revenue	**15.5**	12.4	**49.1**	41.3
Energy Supply Costs	**1.3**	0.6	**4.1**	2.0
Operating Expenses	**4.4**	2.4	**12.4**	10.4
Amortization	**2.6**	1.8	**7.5**	5.5
Finance Charges	**4.0**	3.0	**11.6**	9.7
Corporate Taxes	**1.2**	0.9	**5.2**	5.5
Non-controlling Interest	**-**	0.1	**0.2**	0.1
Earnings	**2.0**	3.6	**8.1**	8.1

The earnings contribution from the Corporation's non-regulated generation assets for the third quarter was $2.0 million compared to $3.6 million for the same quarter last year. The decrease in quarterly earnings was primarily related to decreased production in Belize associated with lower rainfall levels and timing of operating expenses in Ontario. Year-to-date earnings were $8.1 million, comparable to the same period last year. Increased earnings associated with higher production in Belize were offset by lower wholesale energy prices in Ontario.

Energy sales for the third quarter were 238 GWh compared to 195 GWh for the same quarter last year. Year-to-date energy sales were 729 GWh compared to 611 GWh for the same period last year. Increased sales in central Newfoundland were associated with the commencement of the Exploits River Hydro Partnership ("Exploits Partnership") Project in November 2003. Energy sales in Ontario increased as a result of the acquisition of the operating subsidiaries of Granite Power in April 2003. Higher energy sales in Belize were a direct result of higher rainfall levels compared to last year. The Corporation's acquisition of FortisBC, on May 1, 2004, included the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. This plant is a non-regulated operation that sells its entire output to BC Hydro under a long-term contract. These increases in energy sales were partially offset by a decrease in energy sales from the hydroelectric plants in Upper New York State due to the Dolgeville unit being out of service. Dolgeville returned to service on June 29, 2004. Over the first 6 months of 2003, Dolgeville contributed 11.4 GWh to energy sales.

---

5 Fortis Generation includes the operations of non-regulated generating assets in central Newfoundland, Ontario, British Columbia, Belize and Upper New York State. The British Columbia energy sales represent 4-month energy sales from the 16-MW run-of-river Walden hydroelectric power plant which was acquired on May 31, 2004 as part of FortisBC.

The Chalillo Project in Belize commenced construction in May 2003. The US$30 million development is an upstream storage and hydroelectric generating facility that is expected to increase average annual energy production from the Macal River by approximately 90 GWh. Construction is scheduled for completion by mid-2005.

Generation revenue for the third quarter was $15.5 million compared to $12.4 million for the same quarter last year. The primary reason for the $3.1 million increase related to commencement of production in central Newfoundland partially offset by lower rainfall levels in Belize. Year-to-date revenue was $49.1 million compared to $41.3 million for the same period last year. The $7.8 million increase in revenue related to the commencement of production in central Newfoundland and higher production in Belize. The increase was partially offset by a 12 per cent decline in market prices in Ontario associated with the energy provided by the Rankine Generating Plant. Year-to-date, the average market price in Ontario was $49.69 per megawatt hour ("MWh") compared to $56.35 per MWh for the same period last year.

Operating expenses for the third quarter were $4.4 million compared to $2.4 million for the same quarter last year. The primary reason for the $2.0 million increase related to commencement of production in central Newfoundland and timing of operating expenses in Ontario. Year-to-date operating expenses were $12.4 million compared to $10.4 million for the same period last year. The increase in operating expenses was primarily caused by the addition of generation in central Newfoundland and British Columbia.

Increases in amortization and finance charges were primarily associated with the start of production in central Newfoundland in November 2003.

NON-REGULATED - FORTIS PROPERTIES

Non-regulated - Fortis Properties Financial Highlights (Unaudited) Period Ended September 30th				
($ millions)	Quarter		Year-to-date	
	2004	2003	2004	2003
Real Estate Revenue	**12.9**	12.7	**39.2**	38.1
Hospitality Revenue	**23.4**	17.4	**62.0**	42.6
Total Revenue	**36.3**	30.1	**101.2**	80.7
Operating Expenses	**22.5**	17.5	**65.3**	50.1
Amortization	**2.4**	1.1	**7.1**	3.2
Finance Charges	**4.3**	4.1	**13.6**	12.2
Corporate Taxes	**2.8**	3.2	**6.2**	6.7
Earnings	**4.3**	4.2	**9.0**	8.5

Earnings for the third quarter were $4.3 million compared to $4.2 million for the same quarter last year. Year-to-date earnings were $9.0 million compared to $8.5 million for the same period last year. Higher earnings from operations, including contributions from the acquisition of 4 hotels in Ontario during 2003, were partially offset by increased amortization related to a change in amortization policy.

Real estate revenue for the third quarter was $12.9 million, up slightly over the same quarter last year primarily due to increased leasing activity. The occupancy level in the Real Estate Division was 95.0 per cent at September 30, 2004 compared to 94.2 per cent at September 30, 2003. Hospitality revenue for the third quarter was $23.4 million, up approximately 34 per cent over the same quarter last year. The growth was primarily attributable to the acquisition of the hotels in Ontario in October 2003. Revenue per available room ("REVPAR") for the third quarter was $86.70 compared to $92.99 for the same period last year. The 6.8 per cent decrease in REVPAR was attributable to a decrease in occupancy rates of 7.6 per cent partially offset by a 1.0 per cent increase in average room rate compared to last year.

Operating expenses for the third quarter were $22.5 million compared to $17.5 million for the same period last year. Year-to-date operating expenses were $65.3 million compared to $50.1 million for the same period last year. The increase primarily related to properties acquired in 2003.

Effective January 1, 2004, new recommendations by the Canadian Institute of Chartered Accountants ("CICA") effectively eliminated certain industry specific accounting practices which previously qualified as Canadian generally accepted accounting principles ("GAAP"). As a result, effective January 1, 2004, amortization of Fortis Properties' income producing properties is being recorded on a straight-line basis, whereas it was recorded based on the sinking fund method up to and including December 31, 2003. The impact of the amortization policy change for the quarter was approximately $0.7 million after tax and the annual after-tax impact is expected to be approximately $2.7 million.

Finance charges for the third quarter were $4.3 million compared to $4.1 million for the same quarter last year. Year-to-date finance charges were $13.6 million compared to $12.2 million for the same period last year. The increase primarily related to the properties acquired in 2003.

CORPORATE

Corporate Financial Highlights (Unaudited) Period Ended September 30th				
($ millions)	Quarter		Year-to-date	
	2004	2003	2004	2003
Total Revenue	**3.2**	2.6	**7.6**	9.0
Operating Expenses	**2.7**	0.6	**6.6**	2.7
Amortization	**0.5**	0.1	**0.9**	0.4
Finance Charges	**6.1**	2.8	**12.5**	10.0
Corporate Taxes	**(2.1)**	(0.4)	**(6.1)**	(1.9)
Preference Share Dividends	**3.8**	1.7	**8.2**	2.2
Non-controlling Interest	**-**	-	**(0.1)**	(0.1)
Net Corporate Expenses	**(7.8)**	(2.2)	**(14.4)**	(4.3)

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

Net corporate expenses for the third quarter totaled $7.8 million, $5.6 million higher than the same quarter last year. Year-to-date net corporate expenses increased $10.1 million compared to the same period last year. The increase primarily related to higher net finance charges (inter-company interest revenue less finance charges), operating expenses and preference share dividends.

The increase in net finance charges primarily related to higher finance charges associated with the acquisition of the utilities in western Canada. The increase in operating expenses primarily related to higher salary and pension costs. The increase in preference share dividends was associated with the issuance of the 5.45 per cent Series C First Preference Shares in June 2003, the 4.9 per cent First Preference Units issued in January 2004 and the subsequent conversion of the First Preference Units to the 4.9 per cent Series E First Preference Shares in July and September 2004.

The overall increase in net corporate expenses year-to-date was also partially offset by a $1.8 million corporate income tax recovery recorded in the first quarter related to the tax benefit associated with non-capital losses.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between September 30, 2004 and December 31, 2003.

Fortis Inc.
Significant Changes in the Consolidated Balance Sheets
between September 30th 2004 and December 31st 2003

($ millions)	Increase (Decrease)	Explanation
Cash and cash held in escrow	**(28.8)**	The decrease was primarily related to payment of costs associated with the acquisition of FortisAlberta and FortisBC and Chalillo Project construction costs, partially offset by cash positions of FortisAlberta and FortisBC as well as timing of borrowings at Newfoundland Power.
Accounts receivable and other receivables	**46.9**	The increase primarily related to accounts receivable balances acquired with the purchase of FortisAlberta and FortisBC in May 2004.
Materials and supplies	**12.0**	The increase primarily related to materials and supplies acquired with the purchase of FortisAlberta and FortisBC.
Deferred charges	**23.8**	Approximately $22 million related to deferred charges acquired with the purchase of FortisAlberta and FortisBC in May 2004. Deferred costs at Newfoundland Power also increased as a result of funding of the pension plan in excess of pension expense and deferral of operating expenses under Newfoundland Power's weather normalization account in accordance with PUB regulation. The increase was partially offset by a reduction in deferred charges at Fortis upon reallocation of acquisition related cost from deferred charges.
Utility capital assets – net regulatory tax base adjustment	**1,057.7**	Approximately $1,022.1 million related to capital assets acquired in the purchase of FortisAlberta and FortisBC and utility capital expenditures of $129.7 million offset by amortization for the period. There was also a decrease in the value of assets denominated in US dollars as a result of the depreciation of the US dollar since December 31, 2003.
Income producing properties	**4.7**	The increase primarily related to the ongoing capital expansion project at the Delta St. John's Hotel.
Intangibles	**(2.8)**	The decrease related to amortization of water rights associated with the Rankine Generating Station in Ontario.
Goodwill	**448.6**	The increase related to the purchase of FortisAlberta and FortisBC in May 2004.
Short-term borrowings	**746.4**	The majority of the increase related to the short-term borrowings associated with the acquisition of FortisAlberta and FortisBC.
Accounts payable, accruals and dividends payable	**86.6**	The increase primarily related to accounts payable and accrued charges acquired with the purchase of FortisAlberta and FortisBC in May 2004.
Regulatory liabilities	**28.3**	Under regulation in Alberta, FortisAlberta has regulatory liabilities associated with the deferral of excess or deficient transmission service costs.
Deferred Credits	**6.4**	The increase related to higher deferred pension costs at Fortis as well as recognition of a deferred gain on cancellation of the Corporation's foreign exchange swap agreement.
Long-term debt (including current portion)	**143.9**	The increase was primarily associated with approximately $154.0 million in long-term debt assumed with the acquisition of FortisBC further supplemented by the draw down of approximately $7.6 million on existing facilities and the $15.6 million financing of the Sheraton Four Points Halifax. This increase was partially offset by regular debt repayments of $26 million.
Future income taxes (including current portion)	**(18.3)**	Approximately $9.9 million related to a future income tax asset acquired with the purchase of FortisAlberta. The remainder of the decrease related to future income tax recorded on issuance costs associated with the First Preference Unit issue in January 2004 and Common Share issue upon conversion of Subscription Receipts in May 2004.
Shareholders' equity	**569.8**	The increase was primarily related to $335 million net proceeds from conversion of Subscription Receipts to Common Shares in May 2004 and $189.5 million net proceeds from the issuance of Series E, First Preference Shares.

LIQUIDITY AND CAPITAL RESOURCES

The following table outlines the summary of cash flow.

Fortis Inc. Summary of Cash Flow (Unaudited) Quarter Ended September 30th				
($ millions)	Quarter		Year-to-date	
	2004	2003	2004	2003
Cash, beginning of period	**51.1**	34.2	**65.1**	26.3
Cash provided by (used in)				
Operating activities	**114.4**	54.3	**188.9**	115.6
Investing activities	**(57.2)**	(60.3)	**(887.8)**	(214.2)
Financing activities	**(66.8)**	51.0	**674.3**	153.9
Foreign currency impact on cash balances	**(1.5)**	-	**(0.5)**	(2.4)
Cash, end of period	**40.0**	79.2	**40.0**	79.2

Operating Activities: Cash flow from operations for the third quarter, after working capital adjustments, was $114.4 million compared to $54.3 million for the same period last year. Year-to-date cash flow from operations, after working capital adjustments, was $188.9 million compared to $115.6 million for the same period last year. Operating cash flow from FortisAlberta and FortisBC, as well as improved operating earnings at most subsidiaries, contributed to this increase.

Investing Activities: Cash used in investing activities for the third quarter was $57.2 million compared to $60.3 million for the same period last year. Capital expenditures of $62.0 million during the third quarter were up $11.2 million over the same period last year. The increase in capital expenditures primarily related to capital spending at FortisAlberta as well as property expansion at the Delta St. John's Hotel. FortisBC's capital expenditures for the third quarter were reduced by the return of advance payments made to BC Hydro related to capital projects. These payments, previously recorded as capital expenditures, have now been replaced with letters of credit.

During the quarter, Fortis also settled the net purchase price with Aquila, Inc. and made adjustments to the purchase price allocation which resulted in a $1.6 million reduction in the purchase price. The remaining investing activities related to change in deferred charges.

Year to date, cash used in investing activities was $887.8 million, $673.6 million higher than the same period last year. Fortis acquired FortisAlberta and FortisBC for a net purchase price of $776.6 million (aggregate consideration of $1.476 billion less assumption of debt and cash). On May 20, 2004, Fortis also acquired the remaining 5 per cent interest in BECOL from the Social Security Board of the Government of Belize for $4.8 million (US$3.5 million), making it a wholly owned indirect subsidiary of the Corporation.

Financing Activities: Cash used in financing activities was $66.8 million compared to $51.0 million cash from financing activities for the same quarter last year. The decrease in cash from financing activities primarily related to repayment of short-term facilities which was partially offset by issuance of preference shares and long-term debt in the third quarter.

In January 2004, Fortis issued 8,000,000 First Preference Units of the Corporation. Each First Preference Unit consists of one Series D First Preference Share of the Corporation and one Series E First Preference Share Purchase Warrant. The purchase price of $6.25 per First Preference Share Unit resulted in initial gross proceeds of approximately $50 million in January 2004. During the quarter, Fortis received gross proceeds of approximately $144.6 million from the conversion of 7,708,960 of the First Preference Units. The proceeds were used to repay certain short-term indebtedness incurred by Fortis on closing of the transaction to acquire the utilities in western Canada.

The Series E First Preference Shares will yield 4.9 per cent per annum for a 12-year term. The quarterly cash dividend payable with respect to the Series D First Preference Shares that were not converted has been reduced to $0.01 per share, being equivalent to 0.64 per cent per annum per Series D First Preference Share. Holders of Series D First Preference Shares will have one final opportunity to convert each Series D First Preference Share into 0.25 of a Series E First Preference Share and to exercise a Warrant (in conjunction with the payment of $18.75) on December 1, 2004.

During the quarter, Fortis Properties completed a $15.6 million financing of the Four Points by Sheraton Halifax. The proceeds were used to partially repay a short-term loan to Fortis. Subsequently, Fortis used the proceeds to partially repay its short-term borrowings. Belize Electricity also drew down approximately $0.5 million on its existing facilities.

The remaining financing activities for the third quarter related to regular repayment of existing long-term debt and payment of common and preferred share dividends.

In August 2004, Fortis also entered into agreements to issue by way of private placement US$150 million of 10-year, 5.74% Senior Unsecured Notes due October 31, 2014. This transaction closed on October 28, 2004. As of September 30, 2004, Fortis had borrowed US$70 million on its short-term revolving facility. On October 29, 2004, the US$70 million was repaid using proceeds from the draw down on the US$150 million Note issue. As a result, Fortis cancelled its US dollar currency swap agreement under which the interest payments on the Corporation's existing $100 million Senior Unsecured Debentures were converted into US dollar interest payments. The cancellation of the swap agreement resulted in a gain of $4.7 million which will be amortized on a straight-line basis over the remaining life of the $100 million Senior Unsecured Debentures.

Year-to-date cash from financing activities was $674.3 million compared to $153.9 million for the same period last year. The increase in cash from financing activities primarily related to financing associated with the acquisition of FortisAlberta and FortisBC. Approximately $557.4 million was used to repay debt obligations of the acquired companies with the balance, together with proceeds from the conversion of Subscription Receipts, used to purchase the common shares of these utilities.

At close of the acquisition, the Subscription Receipts were automatically converted to common shares for net cash proceeds of $332.3 million. The remaining financing activities related to regular repayment of existing long-term debt and payment of common and preferred share dividends.

Foreign Currency Impact: The decrease in cash in the third quarter as a result of foreign currency impact was $1.5 million compared to the same period last year. The decrease was a direct result of the appreciation of the Canadian dollar relative to the US dollar.

Contractual Obligations: The consolidated contractual obligations over the next 5 years and for periods thereafter are outlined in the following table.

Fortis Inc. Contractual Obligations as at September 30th 2004					
($ millions)	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**> 5 years**
Long-term Debt	**1,207.7**	35.7	83.2	87.7	1,001.1
Capital Lease Obligations	**5.8**	1.5	2.6	1.7	-
Operating Lease Obligations	**42.1**	6.1	18.9	10.6	6.5
Office Lease – FortisBC (1)	**22.8**	0.2	2.6	2.5	17.5
Purchase of Joint-use Poles from Aliant Telecom Inc.	**4.8**	4.8	-	-	-
Power Purchases – take or pay (2)	**402.2**	32.3	73.2	43.9	252.8
Power Purchase Obligations - FortisBC (3)	**199.1**	9.6	116.5	73.0	-
Capital Cost (4)	**227.9**	16.2	46.0	29.9	135.8
Brilliant Terminal Station ("BTS") (5)	**70.6**	0.6	7.1	4.7	58.2
Other	**2.0**	0.3	0.2	0.1	1.4
Total	**2,185.0**	**107.3**	**350.3**	**254.1**	**1,473.3**

(1) Under a sale-leaseback agreement, on September 29, 1993 the utility in B.C. began leasing its Trail, BC office building for a term of 30 years. The terms of the agreement require future minimum aggregate lease payments of $25 million and grant the utility repurchase options at year 20 and year 30 of the lease term.

(2) Power purchases primarily include a long-term contract with Hydro Quebec Energy Marketing for the supply of electrical energy and capacity. The contract provides approximately 237 GWh of energy per year and up to 45 MW of capacity at any one time. The contract, which expires December 31, 2019, provides approximately one-third of Cornwall Electric's load.

(3) Power purchase obligations of FortisBC include the Brilliant Power Purchase Contract as well as firm power purchase contracts. On May 3, 1996, an Order was granted by the BCUC approving a 60-year power purchase contract for the output of the Brilliant hydroelectric plant located near Castlegar, BC. The contract requires fixed monthly payments based on specified natural flow take-or-pay amounts of energy. The contract includes a market-related price adjustment after 30 years of the 60-year term. FortisBC is accounting for the contract as an operating lease as directed by the BCUC. In addition, FortisBC has a long-term, minimum-payment, firm power purchase contract with BC Hydro. This contract includes a take-or-pay provision based on a 5-year rolling nomination of capacity requirements.

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

(5) On July 15, 2003, the utility in B.C. began leasing the BTS under a 30-year lease. The BTS is owned by the Brilliant Joint Venture, a joint venture between the Columbia Power Corporation and the Columbia Basin Trust. The lease provides that the utility in B.C. will pay the Brilliant Joint Venture a charge related to the recovery of the capital cost of the BTS and related operating costs.

CAPITAL RESOURCES

The Corporation's principal business of regulated electric utilities requires Fortis to have ongoing access to capital to allow it to build and maintain the electricity systems in its service territories. In addition, the Corporation must secure permanent financing to repay the bridge financing entered into to acquire FortisAlberta and FortisBC. In order to ensure that this access to capital is maintained, the Corporation targets a long-term capital structure that includes a minimum of 40 per cent equity and 60 per cent debt as well as investment grade credit ratings.

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

Fortis Inc. Capital Structure				
	September 30, 2004		December 31, 2003	
	($ millions)	**Per cent**	($ millions)	Per cent
Total Debt (net of cash)	**2,024.2**	**60.8**	1,105.1	60.0
Shareholders' Equity	**1,307.4**	**39.2**	737.7	40.0
Total	**3,331.6**	**100.0**	1,842.8	100.0

As at September 30, 2004, the Corporation's credit ratings were as follows:

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

On January 7, 2004, S&P lowered its corporate credit rating on the Corporation from A(-) to BBB(+). The rating change was consistent with other credit rating downgrades of Canadian utilities in 2003. S&P is maintaining a negative outlook on the Corporation, which is largely associated with the integration risks of FortisAlberta and FortisBC. DBRS continues to rate the Corporation's bonds at BBB(high). Fortis will continue to update both S&P and DBRS on the progress of the integration of these utilities.

2004 Capital Program: The Corporation's principal business of regulated electric utilities is capital intensive and consolidated capital expenditures for 2004, including FortisAlberta and FortisBC, are expected to be approximately $260 million, of which $129.9 million has been incurred to date. The cash needed to complete the 2004 capital program is expected to be supplied by a combination of long-term and short-term borrowings and internally generated funds. Fortis does not anticipate any issues with accessing the required capital.

Acquisition Financing: On May 31, 2004, Fortis completed the acquisition of FortisAlberta and FortisBC for gross proceeds of $1,476 million. At close, the acquisition was financed with the following short-term facilities, equity issuance and assumption of certain debt obligations at FortisBC.

Fortis Inc. Acquisition Financing		
Gross Purchase Price ($ millions)		**1,476**
Acquisition Financing		
Fortis Inc.		
Short-term acquisition facility [(1)]	**(588)**	
Net proceeds from conversion of Subscription Receipts	**(332)**	(920)
FortisAlberta		
Short-term acquisition facility – net finance fees	**(391)**	
Short-term revolving facility	**(11)**	(402)
Total Financing Required at Close		(1,322)
FortisBC		
Assumption of secured debentures and mortgage	**(154)**	(154)
		(1,476)

(1) *$155 million advanced to FortisBC to repay certain long-term debt obligations. FortisBC is required to secure long-term financing and repay this short-term advance from Fortis.*

As outlined above, Fortis was required to fund $1,322 million ($1,476 million less assumption of debt at FortisBC) of the purchase price at close. On May 31, 2004, a total of $990 million was drawn on the Corporation's short-term acquisition facilities and the remainder was financed with the net cash proceeds of $332 million from the conversion of Subscription Receipts to 6,310,000 common shares of the Corporation.

The short-term funds were borrowed under the credit facilities using banker acceptances at terms ranging from 30 days to 120 days at an interest rate of approximately 3.0 per cent. The short-term acquisition financing is expected to be substantially repaid with long-term financing prior to December 31, 2004.

Since the announcement of the acquisition of FortisAlberta and FortisBC, Fortis has secured approximately $1.2 billion or 87 per cent of the long-term financing related to the acquisition.

During the third quarter, Fortis raised $144 million from the conversion of approximately 96 per cent of 8,000,000 First Preference Units issued on January 29, 2004. On August 12, 2004, Fortis entered into agreements to issue by way of private placement to US-based institutional investors US$150 million of

10-year, 5.74% Senior Unsecured Notes due October 31, 2014. The US$150 million Senior Unsecured Notes were issued on October 28, 2004. On October 25, 2004, FortisAlberta closed its $400 million public debenture offering equally divided between 5.33% Senior Unsecured Debentures due October 31, 2014 and 6.22% Senior Unsecured Debentures due October 31, 2034. The net proceeds of the offering were used to repay short-term indebtedness incurred by FortisAlberta.

FortisBC is also advancing with plans to secure long-term debt and during the quarter received the BCUC's approval to proceed.

To reduce exposure to interest rate risk on the issuance of long-term debt associated with the acquisition, Fortis entered into a forward interest rate swap agreement in December 2003 that swapped 90-day banker acceptance interest rate payments on $200 million of long-term debt to 5.6 per cent. The swap agreement was designated as a hedge against the planned issuance of long-term acquisition financing. Subsequent to quarter end, as a result of the substantial completion of the long-term acquisition financing, the forward interest rate swap agreement was terminated and the cash payment of $14.1 million made upon termination of the swap will be amortized on a straight-line basis over 10-years.

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

As outlined in the Fortis Inc. 2003 Annual Report, Belize Electricity remains non-compliant with its debt service coverage ratio covenant. Both the International Bank for Reconstruction and Development and the Government of Belize have acknowledged this non-compliance and encouraged the Company to continue to improve its debt service ratio. Fortis does not expect any change in the regular debt repayment schedule relating to this BZ$13.0 million loan.

The acquisition of FortisBC also included the Walden Power Partnership, a wholly owned subsidiary of FortisBC, which has a secured mortgage over the non-regulated Walden generating plant. The Walden Power Partnership was not in compliance with its debt service ratio of 1.2 times as required by the loan covenant. As at December 31, 2003, Walden Power Partnership's debt service ratio was 0.22 times. A waiver was obtained for December 2003. Compliance with the debt service covenant is required at the end of each fiscal year. Fortis does not expect any change in the regular debt repayment schedule relating to this $7.0 million mortgage.

The Corporation and its subsidiaries had consolidated authorized lines of credit of $1,195.9 million of which $265.1 million was unused at September 30, 2004. The following summary outlines the short-term credit facilities by the Corporation's reporting segments.

Fortis Inc.
Short-term Credit Facilities

($ millions)	Acquisition Financing	Corporate	Regulated Utilities	Fortis Generation	Fortis Properties	Total
Total short-term facilities	981.0	145.0	373.4	12.0	12.5	1,523.9
Acquisition financing repaid	(328.0)	-	-	-	-	(328.0)
Utilized at September 30, 2004	(653.0)	(106.3)	(82.7)	(5.3)	(3.5)	(850.8)
Letters of Credit outstanding	-	(7.9)	(68.2)	(0.9)	(3.0)	(80.0)
Short-term facility available	-	30.8	222.5	5.8	6.0	265.1

OFF-BALANCE SHEET ARRANGEMENTS

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

BUSINESS RISK MANAGEMENT

The following is a summary of the Corporation's significant business risks. Details of all business risks are outlined in the MD&A section of the Fortis Inc. 2003 Annual Report.

Regulation: The Corporation's key business risk is regulation. With the acquisition of FortisAlberta and FortisBC, total regulated assets were approximately 80 per cent of total operating assets at September 30, 2004. Each of the Corporation's utilities is subject to some form of regulation which can impact future revenues and earnings. Management at each operating utility is responsible to work closely with the regulators and local governments to ensure both compliance with existing regulations and the proactive management of regulatory issues. The Corporation's regulated utilities currently have risks associated with pending regulatory proceedings, approvals and legislative changes. The following table provides a summary of the key regulatory highlights.

Fortis Inc. Regulatory Highlights		
Regulated Subsidiary	**Regulated Returns**	**Material Regulatory Decisions and Applications**
Newfoundland Power	9.75 per cent on equity up to 45 per cent	• GRA approved June 2003 for rates through 2004. Automatic adjustment formula for 2005 through 2007. • Application by Newfoundland Hydro, supplier of 90 per cent of energy requirement, for increase in rates was approved on July 11, 2004. The decision resulted in a 9.3 per cent increase in the rate Newfoundland Hydro charges Newfoundland Power for purchased power. The PUB subsequently approved an average 5.4 per cent increase in the rates Newfoundland Power charges its customers effective July 1, 2004. In addition, as a result of the review of Newfoundland Hydro's Rate Stabilization Plan, there was an increase in customer electricity rates of approximately 4.5 per cent on July 1, 2004. The combined effect of the 2 increases is that Newfoundland Power's customers experienced an average rate increase of approximately 9.9 per cent on July 1, 2004. Newfoundland Power will not gain any financial benefit nor suffer any direct financial detriment from the rate change. • The PUB's decision on Newfoundland Hydro's GRA also ordered the establishment of a demand-energy rate for the electricity Newfoundland Hydro sells to Newfoundland Power, effective January 1, 2005, as opposed to the energy-only rate that is currently utilized. The details and impacts of the new rate have not yet been determined.
Maritime Electric	N/A	• Change in legislation in 2003 resulted in a reversion to traditional cost of service regulation from price cap regulation effective January 1, 2004. • Interim rates effective January 1, 2004. • GRA filed May 2004 to set rates including the establishment of an appropriate capital structure and rate of return on equity. The regulator will conduct a written hearing with final submissions due December 10, 2004. • Maritime Electric received regulatory approval for the construction of a 50-MW generating facility on Prince Edward Island.
Canadian Niagara Power Cornwall Electric	9.88 per cent return on deemed equity up to 50 per cent N/A (Price Cap)	• Distribution rate freeze in effect to March 31, 2004 effectively reduced the regulated earnings associated with Port Colborne by 33 per cent. • Effective April 1, 2004, certain transition costs are allowed to be recovered in rates over a 4-year period and, effective April 1, 2005, rates can be further adjusted to provide for a full recovery of the market return on equity. • Cornwall Electric is granted an exemption under the Ontario Electricity Act. Cornwall Electric's rates are subject to an annual adjustment mechanism that flows through the actual cost of power and increases rates by an inflationary factor to cover other costs. • Cornwall Electric's rates were increased by 11.98 per cent effective July 1, 2004 as a result of rising wholesale supply costs from Hydro Quebec.
FortisAlberta	9.60 per cent return on 37 per cent deemed equity	• GRA and final rates were approved July 2003 and became effective August 2003. • The AEUB issued its Generic Cost of Capital Decision on July 2, 2004. The regulated capital structure for FortisAlberta was set at 63 per cent debt and 37 per cent equity. The same order set FortisAlberta's regulated rate of return on its equity for establishing electricity rates as 9.60 per cent based on a forecast long Canada bond of 5.68 per cent. Beginning in 2005, the rate of return on equity for setting rates will be adjusted by 75 per cent of the change in forecast long Canada bond rates. • FortisAlberta will file a GRA in 2004 to set rates for 2005.
FortisBC	9.55 per cent return on 40 per cent deemed equity	• On April 26, 2004, the BCUC approved a 4.3 per cent rate increase, effective May 1, 2004. An interim rate increase of 3.6 per cent was put in place on January 1, 2004. • FortisBC's revenue and rates are based on traditional cost of service regulation. However, the Company is also subject to a PBR mechanism that is used in establishing annual rate adjustments. • FortisBC will file a GRA application in 2004 to set rates for 2005. • In May 2004, FortisBC applied to the BCUC for approval to amend its electric tariff and terms and conditions of service for residential customers. The application sought to replace a prompt payment discount with a 1.5 per cent monthly charge for late-paying customers. The net impact of this change is a 1.45 per cent increase in rates to most residential customers and is neutral to the Company's revenues. In October 2004, the BCUC approved FortisBC's application as filed with an effective date of November 1, 2004.
Belize Electricity	N/A (Price Cap)	• Electricity rates are comprised of 2 components. The first, Value Added Delivery ("VAD"), is subject to price cap and the second is the cost of fuel and purchase power, including the variable cost of generation, which is a flow through in customer rates. • The current VAD is subject to a BZ$0.05 reduction over a 5-year transition period which ends July 2005. As of July 1, 2004, the BZ$0.05 rate reduction has been implemented. A new 4-year VAD tariff setting arrangement will be required by July 1, 2005.
Caribbean Utilities	15 per cent return on rate base New tentative agreement signed during the second quarter to change from 15 per cent return on rate base to price cap	• Caribbean Utilities Company, Ltd. submitted a proposal to the Cayman Islands Government in July 2002 to extend its current license and replace the 15 per cent return on rate base mechanism for adjusting consumer rates with a price cap mechanism. • On June 16, 2004, Caribbean Utilities Company, Ltd. and the Cayman Islands Government reached a tentative agreement to extend the operating license to 2024 from 2011. The license extension includes a change in the rate setting regulation that will now provide for a price cap based on an inflation index. The price of fuel and government levies will be a flow through in rates. Generation will be priced on a marginal price based on long-term competitively bid contracts for new energy increments. • The non-binding tentative agreement signed by Caribbean Utilities and the Government in June 2004 has expired following Hurricane Ivan. The Company will meet with Government at the appropriate time to assess the status of the license renewal negotiations. It continues to operate under its existing license which expires in 2011.

Integration of FortisAlberta and FortisBC: Fortis has appointed an executive team to lead the successful integration of FortisAlberta and FortisBC. Fortis is moving forward with plans to separate the management and operations at the two companies. The separation is expected to result in more efficient and productive organizations and will lend itself to improved customer service and more reliable electricity service at reasonable costs.

Hedging: The Corporation manages its financial exposures in accordance with its risk management policy and procedures. Derivative instruments are used only to manage risk and not for trading purposes. The derivative instruments currently in place are interest rate swaps. The Corporation designates each derivative instrument as a hedge of specific assets or liabilities on the balance sheet. The Corporation also assesses, both at the hedge's inception and on an ongoing basis, whether the hedging transactions are effective in offsetting changes in cash flows of the hedged items. Payments or receipts on derivative instruments that are designated and effective as hedges are recognized concurrently with, and in the same financial category as, the hedged item. If a derivative instrument is terminated or ceases to be effective as a hedge prior to maturity, the gain or loss at that date is deferred and recognized in income concurrently with the hedged item. Subsequent changes in the value of the financial instrument are reflected in income. If the designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, the gain or loss at that date on such derivative instrument is recognized in income.

The Corporation's foreign investments are exposed to changes in US exchange rates. The Corporation has effectively decreased its exposure to foreign currency exchange rate fluctuations on a substantial portion of its foreign investments through the use of US dollar debentures.

Including the US$150 million Notes which were issued on October 28, 2004, Fortis now has US$170 million in US-denominated debt. Approximately $US90 million has been designated as a hedge against the Corporation's net foreign investments. Net foreign investments of Fortis exclude its investment in Caribbean Utilities Company, Ltd. as the earnings of Caribbean Utilities, Company Ltd. are accounted for by the equity method of accounting and do not qualify for accounting purposes as a net foreign investment. As a result, the remaining $US80 million has not been designated as a hedge and the fluctuations in the carrying value of this debt as a result of foreign currency exchange rate fluctuations will be recorded in income each reporting period.

As a result of the Corporation's hedging strategy, the estimated annual sensitivity to each 2-cent change in the US exchange rate will result in a 1-cent change in the Corporation's earnings per common share.

Earnings of Fortis will also be impacted by foreign currency exchange rate fluctuations associated with the US$80 million long-term debt as discussed above. At the end of each reporting period, the estimated sensitivity to each 1-cent change in the US exchange rate will result in a 2-cent change in the Corporation's earnings per common share.

Fortis manages interest rate risk by locking in interest rates for long periods through fixed rate debt. The Corporation also utilizes interest rate swaps. Approximately 83 per cent of the Corporation's long-term debt facilities have maturities beyond 5 years. The Corporation's exposure to interest rate risk is associated with short-term debt. The amount of short-term debt at September 30, 2004 was $850.8 million, or 41.2 per cent of total debt. The increase in total short-term debt was associated with the acquisition of FortisAlberta and FortisBC. Subsequent to quarter-end, a substantial portion of the short-term acquisition financing was replaced with permanent financing.

Energy Prices: The Corporation's primary exposure to changes in energy prices relates to generation sales in Ontario. Electricity is sold to the Independent Market Operator at market prices. The sensitivity of the Corporation's earnings to each $1 per MWh change in the annual wholesale market price of electricity is expected to be $0.4 million in 2004. All other Fortis utilities flow through energy and fuel costs in their electricity rates. Energy sales from the non-regulated generation assets in central Newfoundland, British Columbia and Belize are sold under long-term, fixed-price contracts.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates. The Corporation's critical accounting estimates are discussed below.

Useful Life of Property, Plant and Equipment: Amortization, by its nature, is an estimate based primarily on the useful life of assets. The Corporation's consolidated capital assets represented approximately 70 per cent of total consolidated assets at September 30, 2004. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical life of the assets. The amortization periods used are reviewed on an ongoing basis to ensure they continue to be appropriate.

Goodwill Valuation: Goodwill represents the excess at the dates of acquisition of the purchase price over the fair values of the net amounts assigned to individual assets acquired and liabilities assumed relating to business acquisitions. The Corporation is required to perform an annual impairment test or if any event occurs or if circumstances change that would indicate that the fair value of a reporting unit was below its carrying value. In July of each year, the Corporation reviews for impairment which is based on current information of the reporting unit being reviewed. There was no impairment provision required on the $514 million in goodwill recorded on the Corporation's balance sheet at September 30, 2004.

Employee Future Benefits: The Corporation's pension expense is subject to judgments utilized in the actuarial determination of the expense. The main assumptions utilized by management in determining pension expense in the quarter were the discount rate for the accrued benefit obligation, expected long-term rate of return on plan assets, average rate of compensation increase, average remaining service life of the active employee group and employee and retiree mortality rates. Changes to the provisions of the plans may also affect current and future pension costs.

Contingencies: The Corporation is party to a number of disputes and lawsuits in the normal course of business as outlined in the 2003 Fortis Inc. Annual Consolidated Financial Statements. Contingent liabilities as of September 30, 2004 are consistent with disclosures in the annual audited financial statements except as noted below.

In a statement of claim filed on August 18, 2003 in the Court of the Queen's Bench of Alberta, EPCOR Energy Services (Alberta) Inc. is pursuing damages of $83 million against the utility in Alberta for alleged breaches of contract, common law duties and distribution tariff terms and conditions of service relating to the provision of the Regulated Rate Option to customers. Management has not, to date, made a definitive assessment of potential liability with respect to this claim; however, management believes that these allegations are without merit.

Revenue Recognition: Utility accounting policies of Fortis include both recognition of sales on a meter reading basis and on an accrual basis whereby the estimated amount of power consumed between the meter reading and the end of the reporting period is used to establish an accrual of unbilled revenue in the Corporation's financial statements.

Asset Retirement Obligations: Asset retirement obligations are to be recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. While some of the Corporation's utility long-lived tangible assets will have future legal retirement obligations, the asset retirement obligation has not been recognized as the final date of removal of the long-lived tangible assets that carry asset retirement obligations cannot be reasonably determined at this time. An asset retirement obligation and offsetting capital asset will be recognized when the timing and amount can be reasonably estimated.

Accounting for rate regulated operations: The Accounting Standards Board (the "AcSB") of the CICA is reviewing Canadian GAAP applicable to enterprises with rate-regulated operations. Potential future changes in this area could have a material impact on the Corporation's financial statements. The AcSB has released a draft guideline on disclosures as an interim measure pending completion of the full project. The final disclosure guideline is expected to be effective for interim periods beginning on or after April 1, 2005.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth the annual audited financial information for the years ended December 31, 2001, 2002 and 2003. The financial information has been prepared in accordance with Canadian GAAP and as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities. All amounts presented are in Canadian dollars unless otherwise stated.

Fortis Inc.
Selected Annual Financial Information
Year Ended December 31st

($ thousands except per share amounts)	**2003**	**2002**	**2001 (1)**
Operating revenue (2)	843,080	715,465	628,254
Earnings before non-controlling interest and discontinued operations	81,451	67,481	56,738
Earnings before discontinued operations (3)	73,630	63,252	52,876
Earnings applicable to common shares	73,630	63,252	53,597
Total assets	2,163,797	1,941,110	1,586,096
Long-term debt (net of current portion)	1,031,358	940,910	746,092
Non-controlling interest	36,770	39,955	36,419
Preference shares	122,992	- (4)	50,000
Common shareholders' equity	614,665	585,843	449,519
Earnings per common share before discontinued operations	4.25	3.89	3.55
Earnings per common share	4.25	3.89	3.60
Diluted earnings per common share before discontinued operations	4.10	3.85	3.54
Diluted earnings per common share	4.10	3.85	3.59
Dividends declared per common share	2.10	1.99	1.88
Dividends declared per First Preference Share, Series "B"	-	1.4916 (4)	1.4875
Dividends declared per First Preference Share, Series "C"	0.6766 (5)	-	-

(1) Comparative 2001 results have been restated to reflect the adoption of the CICA's recommendations on accounting for foreign exchange gains and losses.
(2) Operating revenue reflects weather-adjusted values related to Newfoundland Power's Weather Normalization Reserve.
(3) The discontinued operations in 2001 related to the sale of Fortis Trust.
(4) The $50 million First Preference Shares, Series "B" were redeemed December 2002.
(5) The $125 million First Preference Shares, Series "C" were issued June 2003.

Revenue and earnings in 2003 grew 17.8 per cent and 16.4 per cent, respectively, over 2002. Revenue and earnings in 2002 grew 13.9 per cent and 18.0 per cent, respectively, over 2001. The growth in both revenue and earnings was associated with the Corporation's acquisitions in Ontario as well as its increased investment in Caribbean Utilities Company, Ltd. The growth in total assets and long-term liabilities was also associated with the acquisitions as well as the completion of the $65 million Exploits Partnership Project in November 2003.

Dividends declared per common share have increased annually since the inception of Fortis in 1987. The Corporation's dividend payout ratio was 48.9 per cent in 2003 compared to 49.9 per cent in 2002. In December 2003, Fortis declared an increase in the regular quarterly dividend to $0.54 from $0.52, payable on March 1, 2004.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the 8 quarters ended December 31, 2002 through September 30, 2004. This information has been obtained from the Corporation's unaudited Interim Financial Statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP and as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance. All amounts presented are in Canadian dollars unless otherwise stated.

Fortis Inc.
Summary of Quarterly Results (Unaudited)

Quarter Ended	Revenue ($000's)	Earnings ($000's)	Earnings per Common Share Basic ($)	Earnings per Common Share Diluted ($)(1)
September 30, 2004	303,653	25,452	1.07	1.00
June 30, 2004	254,513	23,946	1.22	1.15
March 31, 2004	250,793	20,281	1.16	1.12
December 31, 2003	210,624	14,760	0.85	0.82
September 30, 2003	191,445	18,114	1.05	0.99
June 30, 2003	205,582	20,796	1.20	1.15
March 31, 2003	235,429	19,961	1.16	1.14
December 31, 2002	196,218	13,724	0.80	0.79

(1) The diluted earnings per common share for 2003 have been restated to reflect the issuance of convertible preference shares in June 2003.

A summary of the past 8 quarters reflects the Corporation's continued growth as well as the seasonality associated with its businesses. Most of the Corporation's utility investments produce their highest earnings in the first quarter. The June 2003 financial results were impacted by the 2003 general rate order at Newfoundland Power. The June 2004 and September 2004 financial results were impacted by the acquisition of FortisAlberta and FortisBC. The Corporation's non-utility investment, Fortis Properties, generally produces its highest earnings in the second and third quarters. Given the diversified group of companies, seasonality may vary. Each of the comparative quarterly earnings has increased as a result of both the Corporation's acquisition strategy as well as improved operating earnings at most subsidiaries.

September 2003/September 2004 – For the quarter ended September 2004, earnings applicable to common shares were 40.5 per cent higher than the same quarter last year. Earnings per common share increased 1.9 per cent over the same quarter last year. The increase in earnings was primarily associated with the acquisition of FortisAlberta and FortisBC as well as improved operating income at most subsidiaries. The increase was partially offset by lower production in Belize and timing of expenditures associated with production in Ontario.

June 2003/June 2004 – For the quarter ended June 2004, earnings applicable to common shares were 15.1 per cent higher than the same quarter in 2003. Earnings per common share increased 1.7 per cent over the same quarter in 2003. The increase in earnings was primarily associated with the acquisition of the utilities in western Canada as well as improved operating income at most subsidiaries. In particular, operations in Belize delivered improved results due to increased production associated with higher rainfall levels.

March 2003/March 2004 – For the quarter ended March 2004, earnings applicable to common shares were 1.6 per cent higher than the same quarter in 2003. Earnings per common share remained consistent with the same quarter last year. Newfoundland Power and Maritime Electric were the major drivers of performance compared to the same quarter last year. Operations in Belize also delivered improved results due to increased production associated with higher rainfall levels. The increased quarterly earnings from Newfoundland Power over the first quarter of 2003 largely resulted from timing differences related to the implementation of the decisions contained in the 2003 general rate order received in June 2003. The increase in quarterly earnings was partially mitigated by lower wholesale energy prices in Ontario.

December 2002/December 2003 – For the quarter ended December 2003, earnings applicable to common shares were 7.5 per cent higher than the same quarter in 2002. Earnings per common share increased 6.3 per cent over the same quarter in 2002. The Corporation's investments in Ontario and its increased investment in Caribbean Utilities Company, Ltd. were major contributors to the results. The increased earnings from the Ontario investments were primarily related to decreased operating expenses and a decrease in amortization expense associated with an adjustment to amortization of water rights in the fourth quarter of 2002. All utility operating companies reported improved results with the exception of Newfoundland Power where the quarterly earnings were impacted by regulatory adjustments related to the 2003 general rate order. Fortis Properties' growth in earnings was primarily attributable to the acquisition of the Delta St. John's Hotel in December 2002 and 4 hotels in Ontario in October 2003.

OUTLOOK

The Corporation's primary focus over the next 2 years will be the successful integration of FortisAlberta and FortisBC. Fortis will continue to pursue acquisition opportunities including carrying out strategic assessments of regulated utilities and non-regulated hydroelectric and property assets to identify and capitalize on opportunities to grow these businesses.

OUTSTANDING SHARE DATA

At November 2, 2004, the Corporation had issued and outstanding 23,855,417 common shares, 5,000,000 Series C First Preference Shares, 7,708,960 Series E First Preference Shares, and 291,040 First Preference Units.

Dated November 2, 2004

Fortis Inc.
Consolidated Balance Sheets (Unaudited)
As at September 30
(in thousands)

	September 30 2004	December 31 2003
ASSETS		
Current assets		
Cash and cash equivalents	$ 40,051	$ 65,094
Accounts receivable	147,666	100,666
Materials and supplies	28,459	16,470
	216,176	182,230
Corporate income tax deposit	6,949	6,949
Other receivables	29,442	29,585
Cash held in escrow	103	3,810
Deferred charges	146,972	123,204
Utility capital assets	2,286,773	1,229,089
Income producing properties	338,345	333,604
Investments	168,221	167,752
Intangibles, net of amortization	19,376	22,139
Goodwill	514,041	65,435
	$ 3,726,398	$ 2,163,797
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 850,833	$ 104,452
Accounts payable and accrued charges	225,999	143,613
Dividends payable	14,196	9,953
Regulatory liabilities	28,342	-
Current installments of long-term debt	37,151	38,197
Future income taxes	1,182	1,062
Subscription Receipts issue	-	350,205
Restricted cash-Subscription Receipts issue	-	(350,205)
	1,157,703	297,277
Long-term debt	1,176,343	1,031,358
Deferred credits	25,259	18,884
Future income taxes	23,401	41,851
Non-controlling interest	36,278	36,770
	2,418,984	1,426,140
Shareholders' equity		
Capital stock	987,526	452,652
Contributed surplus	1,560	862
Equity portion of convertible debentures	1,627	1,672
Foreign currency translation adjustment	(12,794)	(12,515)
Retained earnings	329,495	294,986
	1,307,414	737,657
	$ 3,726,398	$ 2,163,797

See accompanying notes to the financial statements.

Fortis Inc.
Consolidated Statements of Earnings (Unaudited)
For the period ended September 30
(in thousands, except per share amounts)

	Quarter Ended		Nine Months Ended	
	2004	2003	**2004**	2003
Revenues				
Operating	**$ 301,112**	$ 188,767	**$ 802,329**	$ 625,087
Equity income	**2,541**	2,678	**6,630**	7,369
	303,653	191,445	**808,959**	632,456
Expenses				
Operating	**193,540**	126,291	**535,411**	425,652
Amortization	**34,169**	14,395	**78,841**	49,341
	227,709	140,686	**614,252**	474,993
Operating income	**75,944**	50,759	**194,707**	157,463
Finance charges	**31,456**	21,358	**78,050**	61,630
Earnings before income taxes and non-controlling interest	**44,488**	29,401	**116,657**	95,833
Income taxes	**14,214**	8,500	**35,686**	31,993
Earnings before non-controlling interest	**30,274**	20,901	**80,971**	63,840
Non-controlling interest	**1,029**	1,099	**3,069**	2,722
Earnings	**29,245**	19,802	**77,902**	61,118
Dividends on preference shares	**3,793**	1,688	**8,223**	2,248
Earnings applicable to common shares	**$ 25,452**	$ 18,114	**$ 69,679**	$ 58,870
Average common shares outstanding	**23,832**	17,333	**20,221**	17,291
Earnings per common share				
Basic	**$ 1.07**	$ 1.05	**$ 3.45**	$ 3.40
Diluted	**$ 1.00**	$ 0.99	**$ 3.27**	$ 3.28

Consolidated Statements of Retained Earnings (Unaudited)
For the period ended September 30
(in thousands)

	2004	2003	**2004**	2003
Balance at beginning of period	**$ 316,904**	$ 280,593	**$ 294,986**	$ 257,776
Earnings applicable to common shares	**25,452**	18,114	**69,679**	58,870
	342,356	298,707	**364,665**	316,646
Dividends on common shares	**(12,861)**	(9,080)	**(35,170)**	(27,019)
Balance at end of period	**$ 329,495**	$ 289,627	**$ 329,495**	$ 289,627

See accompanying notes to the financial statements.

Fortis Inc.
Consolidated Statements of Cash Flows (Unaudited)
For the period ended September 30
(in thousands)

	Quarter Ended		Nine Months Ended	
	2004	2003	**2004**	2003
Operating Activities				
Earnings before non-controlling interest	**$ 30,274**	$ 20,901	**$ 80,971**	$ 63,840
Items not affecting cash				
Amortization-capital assets, net of contributions in aid of construction	**31,654**	13,051	**73,016**	45,849
Amortization-intangibles	**921**	641	**2,763**	2,483
Amortization-other	**1,594**	703	**3,062**	1,009
Future income taxes	**4,851**	2,715	**4,132**	3,210
Accrued employee future benefits	**(314)**	(1,335)	**(2,127)**	(3,868)
Equity income, net of dividends	**(543)**	(625)	**(543)**	(1,826)
Stock-based compensation	**260**	149	**698**	445
Change in regulatory deferrals	**(12,943)**	-	**(11,776)**	-
Other	**(447)**	(930)	**(2,315)**	1,167
	55,307	35,270	**147,881**	112,309
Change in non-cash operating working capital	**59,097**	19,058	**41,017**	3,268
	114,404	54,328	**188,898**	115,577
Investing Activities				
Change in deferred charges and credits	**3,131**	(9,609)	**5,968**	(17,321)
Purchase of utility capital assets	**(57,884)**	(50,002)	**(129,866)**	(115,060)
Purchase of income producing properties	**(4,047)**	(744)	**(11,201)**	(2,440)
Proceeds on sale of capital assets	**25**	3	**40**	505
Business acquisitions, net of cash	**1,618**	-	**(752,735)**	(8,830)
Increase in investments	**(4)**	-	**(8)**	(71,029)
	(57,161)	(60,352)	**(887,802)**	(214,175)
Financing Activities				
Change in short-term borrowings	**(205,211)**	(32,015)	**748,526**	(69,398)
Proceeds from long-term debt, net of cash held in escrow	**16,106**	115,640	**23,206**	155,666
Repayment of long-term debt	**(7,793)**	(26,779)	**(26,121)**	(36,517)
Repayment of assumed acquisition debt	**-**	-	**(557,381)**	-
Contributions in aid of construction	**969**	3,336	**2,826**	4,310
Advance (to) from non-controlling interest	**(10)**	601	**430**	895
Issue of common shares	**1,792**	1,432	**338,156**	7,671
Issue of preference shares	**144,458**	-	**189,394**	121,861
Dividends				
Common shares	**(12,861)**	(9,080)	**(35,170)**	(27,019)
Subsidiary dividends paid to non-controlling interest	**(431)**	(407)	**(1,273)**	(1,294)
Preference shares	**(3,793)**	(1,688)	**(8,223)**	(2,248)
	(66,774)	51,040	**674,370**	153,927
Effect of exchange rate changes on cash	**(1,530)**	(88)	**(509)**	(2,437)
Change in cash and cash equivalents	**(11,061)**	44,928	**(25,043)**	52,892
Cash and cash equivalents, beginning of period	**51,112**	34,222	**65,094**	26,258
Cash and cash equivalents, end of period	**$ 40,051**	$ 79,150	**$ 40,051**	$ 79,150

See accompanying notes to the financial statements.

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and do not include all of the disclosures normally found in the Fortis Inc. ("Fortis" or the "Corporation") annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2003.

Fortis is principally a diversified, international electric utility holding company. Fortis segments its utility operations by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis also holds investments in commercial real estate and hotel properties which are treated as a separate segment. The operating segments allow senior management to evaluate the operational performance and assess the overall contribution of each segment to the Corporation's long-term objectives.

Effective for the quarter ended June 30, 2004, the primary change in segmented reporting related to the reporting of non-regulated generating assets as one reportable segment. Prior to June 30, 2004, non-regulated generating assets were either combined with other regulated utility operations in the same jurisdiction or reported as stand-alone operations. The reportable segments for the prior periods have been restated to reflect this change in segmented reporting. The following summary briefly describes the operations included in each of the Corporation's operating and reportable segments.

Regulated Utilities - Canadian

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

a. *Newfoundland Power:* Newfoundland Power is the principal distributor of electricity in Newfoundland.

b. *FortisOntario*: FortisOntario includes the operations of Canadian Niagara Power Inc. ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company, Limited ("Cornwall Electric"). Included in Canadian Niagara Power's accounts is the operations of the electricity distribution business of Port Colborne Hydro Inc. which has been leased from the City of Port Colborne under a 10-year lease agreement entered into in April 2002. FortisOntario provides an integrated electric utility service to customers in Fort Erie, Cornwall, Gananoque and Port Colborne. FortisOntario also owns a 10 per cent interest in each of Westario Power and Rideau St. Lawrence, 2 regional electric distribution companies formed in 2000 that, together, serve over 27,000 customers.

c. *Maritime Electric:* Maritime Electric is the principal distributor of electricity on Prince Edward Island.

d. *FortisAlberta:* On May 31, 2004, Fortis, through its wholly owned subsidiaries, acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed "FortisAlberta"). FortisAlberta owns and operates the distribution system in a substantial portion of southern and central Alberta. It distributes electricity to more than 390,000 customers using approximately 103,000 kilometers of power lines. FortisAlberta is regulated by the Alberta Energy and Utilities Board ("AEUB").

e. *FortisBC*: On May 31, 2004, Fortis, through its wholly owned subsidiaries, acquired all of the issued and outstanding shares of Aquila Networks Canada (British Columbia) Ltd. (renamed "FortisBC"). FortisBC is an integrated utility operating in the southern interior of British Columbia, serving directly and indirectly approximately 143,000 customers. FortisBC is regulated by the British Columbia Utilities Commission ("BCUC").

Regulated Utilities - Caribbean

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

a. *Belize Electricity*: Belize Electricity is the principal distributor of electricity in Belize, Central America.

b. *Caribbean Utilities Company, Ltd:* Caribbean Utilities Company, Ltd. is the sole provider of electricity on Grand Cayman, Cayman Islands. The Corporation's 38 per cent interest in the Company is accounted for on the equity basis of accounting.

Non-regulated - Fortis Generation

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

a. *Ontario:* Operations include the 75-megawatt ("MW") Rankine Generating Station at Niagara Falls, the 5-MW Cornwall District Heating cogeneration plant and 6 small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW.

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

c. *Central Newfoundland:* Through the Exploits River Hydro Partnership ("Exploits Partnership"), a partnership between the Corporation and Abitibi-Consolidated Company of Canada ("Abitibi-Consolidated"), additional capacity was developed and installed at 2 of Abitibi-Consolidated's hydroelectric plants in central Newfoundland. The Corporation holds a 51 per cent interest in the Exploits Partnership and Abitibi-Consolidated holds the remaining 49 per cent interest. The Exploits Partnership commenced operations in November 2003.

d. *Upper New York State:* Includes the operations of 4 hydroelectric generating stations in Upper New York State with a combined capacity of 23 MW operating under a license from the U.S. Federal Energy Regulatory Commission.

e. *British Columbia:* Includes a 16-MW run-of-river hydroelectric power plant near Lillooet, British Columbia. This plant sells its entire output to B.C Hydro under a long-term contract.

Non-regulated - Fortis Properties

Fortis Properties includes the operations of the commercial real estate in Atlantic Canada and hotel properties in Atlantic Canada and Ontario.

Corporate

Corporate includes finance costs associated with corporate debt, preference securities and other corporate expenses net of recoveries from subsidiaries, interest and miscellaneous revenues and related income taxes.

2. Summary of Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP and as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities.

All amounts are presented in Canadian dollars unless otherwise stated.

Cash and Cash Equivalents
Cash and cash equivalents include cash and short-term deposits with maturities of 3 months or less.

Materials and Supplies
Materials and supplies are recorded at average cost.

Deferred Charges
Certain deferred charges are recorded at cost and are amortized over their estimated useful lives. Other revenues and costs are deferred and are amortized against earnings as ordered or agreed to by the regulators.

Utility Capital Assets and Income Producing Properties
Utility capital assets of Newfoundland Power are stated at values approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") as at June 30, 1966 with subsequent additions at cost. Capital assets of all other utility operations are stated at cost. The cost of utility capital assets retired, less net salvage, is charged to accumulated amortization. Maintenance and repairs are charged to operations while renewals and betterments are capitalized. On certain construction projects, interest is capitalized and included as a cost in the appropriate property accounts until the asset is available for use. Amortization on utility capital assets is provided on a straight-line method based on the estimated service life of capital assets.

Income producing properties, which include office buildings, shopping malls, hotels and land, are recorded at cost. For the year ended December 31, 2003, Fortis Properties amortized income producing buildings by the sinking fund method using an imputed interest rate of 6 per cent over the estimated useful life of 60 years from date of acquisition. Fortis Properties amortizes tenant inducements over the initial terms of the lease to which they relate, except where a write-down is required to reflect permanent impairment. The lease terms vary to a maximum of 20 years.

Effective January 1, 2004, new recommendations by the Canadian Institute of Chartered Accountants ("CICA") effectively eliminate certain industry-specific accounting practices, which previously qualified as GAAP. To comply with these new recommendations, the Corporation's non-utility investment, Fortis Properties, has changed from a sinking fund method of amortization to the straight-line method. This change, as required under the recommendations, has been adopted with no restatement of prior period amounts. It is expected that the change in accounting policy from the sinking fund method of depreciation to the straight-line method will negatively impact after-tax earnings by approximately $2.7 million in 2004.

Amortization of capital construction projects and related equipment commences when the project has been substantially completed. Equipment is recorded at cost and is amortized on a straight-line basis over a range of 1 to 15 years.

Investments
Portfolio investments are accounted for on the cost basis. Declines in value considered to be other than temporary are recorded in the period in which such determinations are made.

Effective January 30, 2003, the Corporation commenced accounting for its investment in Caribbean Utilities Company, Ltd. on the equity basis. Prior to January 30, 2003, the Corporation accounted for this investment on the cost basis of accounting, including in its results only dividend income received.

Intangibles
Intangibles represent the estimated fair value of water rights acquired upon the acquisition of the remaining 50 per cent of Canadian Niagara Power Company, Limited. Effective January 1, 2004, new recommendations by the Canadian Institute of Chartered Accountants ("CICA") effectively eliminate certain industry-specific accounting practices, which previously qualified as GAAP. To comply with these new recommendations, FortisOntario has changed from a sinking fund method of amortization to the straight-line method. This change, as required under the recommendations, has been adopted with no restatement of prior period amounts. It is expected that the change in accounting policy from the sinking fund method of depreciation to the straight-line method will have no material impact on the financial statements.

Goodwill
Goodwill represents the excess at the dates of acquisition of the purchase price over the fair values of the net amounts assigned to individual assets acquired and liabilities assumed relating to business acquisitions. In accordance with the CICA's recommendations, goodwill is no longer amortized. The Corporation is required to perform an annual impairment test and any impairment provision is charged to income. In addition to the annual impairment test, the Corporation also performs an impairment test if any event occurs or if circumstances change that would indicate that the fair value of a reporting unit was below its carrying value. No goodwill impairment provision has been determined for the 9 months ended September 30, 2004.

Employee Future Benefits
The Corporation maintains defined benefit and defined contribution pension plans and group Registered Retirement Savings Plans ("RRSPs") for its employees. The pension costs of the defined benefit plans are actuarially determined using the projected benefits method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement of employees. With the exception of Newfoundland Power, pension plan assets are valued at fair value. The excess of any cumulative net actuarial gain (loss) over 10 per cent of the greater of the benefit obligation and the fair value of plan assets is deferred and amortized over the average remaining service period of active employees, except for early retirement offerings at Newfoundland Power which are being amortized on a straight-line basis over 10 years in accordance with the requirements of the PUB. The costs of the defined contribution pension plans and group RRSPs are expensed as incurred.

At Newfoundland Power, the plan assets are valued using the market-related method for valuing assets.

At Newfoundland Power, with the adoption of the recommendations of Section 3461 of the CICA Handbook on January 1, 2000, a one-time transitional obligation of $23.2 million was created to record the difference between the surplus in the plan and the deferred pension asset recorded as of December 31, 1999. This transitional obligation is being amortized on a straight-line basis over 18 years.

The Corporation also offers other non-pension post-retirement benefits to employees through defined benefit plans. The costs associated with these other future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions, except for such costs incurred by Newfoundland Power and FortisBC which, in accordance with regulatory requirements, are expensed in the year incurred.

The cost of providing these pension arrangements for the quarter is $3.5 million ($2.3 million - 2003). For the 9 months ended September 30, 2004, the cost is $9.1 million ($6.2 million – 2003).

Contributions in Aid of Construction
Contributions in aid of construction represent the cost of utility capital assets contributed by customers and governments. These accounts are being reduced annually by an amount equal to the charge for amortization provided on the related assets. Contributions in aid of construction are recorded as a reduction in capital assets.

Stock-based Compensation
The Corporation accounts for its grants under such stock-based plans using the fair value method and the compensation expense is amortized over the vesting period of the options. Under the fair value method, $0.3 million and $0.7 million was recorded as compensation expense for the 3 months ended and 9 months ended September 30, 2004, respectively. Also, $0.2 million and $0.5 million were recorded as compensation expense for the 3 months ended and 9 months ended September 30, 2003, respectively.

Foreign Currency Translation
The assets and liabilities of foreign operations, all of which are self-sustaining, are translated at the exchange rates in effect at the balance sheet dates. The resulting unrealized translation gains and losses are accumulated as a separate component of common shareholders' equity under the foreign currency translation adjustment heading. Revenue and expense items are translated at the average exchange rate for the year.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing on the balance sheet date. Revenue and expense items denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the statement of earnings.

Hedging Relationships
Effective January 1, 2004, the Corporation implemented the recommendations of the CICA Accounting Guideline 13 which outlines the requirements for identification, designation, documentation and effectiveness testing of hedging relationships in order to meet the conditions for applying hedge accounting to certain financial instruments. Implementation of this guideline did not have an impact on the Corporation's earnings or financial position at September 30, 2004.

Income Taxes
Except as modified and described below for Newfoundland Power, FortisAlberta and FortisBC, the Corporation and its subsidiaries follow the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The future income tax assets and liabilities are measured using the enacted and substantively enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled. The effect of a change in income tax rates

on future income tax assets and liabilities is recognized in income in the period that the change occurs. Current income tax expense is recognized for the estimated income taxes payable in the current year.

The PUB specifies Newfoundland Power's method of accounting for income taxes. The PUB has disallowed the recognition of future income taxes on differences between the tax and accounting bases prior to January 1, 1981 relating to depreciable assets.

The AEUB and the BCUC specifies FortisAlberta's and FortisBC's method of accounting for income taxes, respectively. The regulated operations follow the taxes payable method of accounting for income taxes. Future income taxes are generally recognized only to the extent they will not be recoverable in future rates charged to customers.

Revenue Recognition
Revenue from the sale of electricity by Newfoundland Power and Belize Electricity is recognized on billings rendered to customers monthly as required by utility regulatory authorities. Revenue from the sale of electricity by Maritime Electric, FortisOntario, FortisAlberta, FortisBC and BECOL is recognized on the accrual basis.

FortisAlberta's revenues are recognized as customers are invoiced on a billing cycle basis at AEUB-approved rates. In addition, the Company accrues for unbilled revenue for power consumed by customers before the end of a reporting period. Transmission revenue and expenses are recorded on a net basis in revenue. FortisAlberta records regulated transmission and distribution revenues based on regulated tariffs approved by the AEUB and the monthly electricity load delivered to end-use customers connected to the Company's distribution network. As directed by the AEUB, FortisAlberta has been determining electricity load based on actual meter readings.

Real estate revenue is derived from leasing retail and office space to tenants for varying periods of time. The leases are primarily of a net nature with tenants paying basic rental plus a pro rata share of defined overhead expenses. Certain retail tenants pay additional rent based on a percentage of the tenants' sales. Expenses recovered from tenants are recorded as revenue. Hospitality revenue is recognized when the service is provided.

Regulatory Accounts
The PUB has ordered provision of a weather normalization account for Newfoundland Power to adjust for the effect of variations in weather and stream-flow when compared to long-term averages. The balance in the weather normalization account is subject to annual approval by the PUB and has been included in deferred charges.

Belize Electricity and the Public Utilities Commission ("PUC") have established a Cost of Power Rate Stabilization Account to allow recovery of excess energy costs over an established benchmark. These amounts are recovered as a surcharge on base rates over a 4-year period and have been included in other receivables.

Belize Electricity and the PUC have established a Hurricane Cost of Power Rate Stabilization Account ("HCRSA"). Through the HCRSA, Belize Electricity is allowed to recover hurricane reconstruction costs as a surcharge on base rates over a 3-year period. These amounts have been included in other receivables.

FortisOntario maintains variance accounts in its regulated subsidiaries to adjust for the effect of cost of power and related costs above or below associated amounts billed to consumers at approved rates. Rates are adjusted in subsequent periods to offset these variances. The variance accounts have been included in accounts receivable.

As of December 31, 2003, Maritime Electric maintained an energy cost adjustment mechanism to adjust for the effect of variations in energy costs above or below $0.05 per kilowatt hour. Maritime Electric also maintained a cost of capital adjustment account to adjust earnings based on a target return on average common equity. The new legislation effective January 1, 2004 allows Maritime Electric to collect these costs under the terms and conditions to be set out by the Island Regulatory and Appeals Commission and, as a result, these costs have been included in other receivables.

FortisAlberta maintains a regulatory tax basis adjustment account which represents the excess of the deemed tax basis of the Company's property, plant and equipment for regulatory rate making purposes as compared to the Company's tax basis for income tax purposes. The regulatory tax basis adjustment is being amortized over the estimated service lives of the Company's property, plant and equipment by a non-cash offset against the provision for amortization. The regulatory tax base adjustment is recorded as a reduction in capital assets.

FortisAlberta also has other regulatory liabilities associated with the deferral of excess or deficient transmission service costs. The AEUB has approved a rider which will refund to customers, between August and December 2004, the amounts related to the 2002 and 2003 transmission service deferral.

Use of Accounting Estimates
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they become known.

Asset Retirement Obligations
Effective January 1, 2004, the Corporation is required to retroactively adopt the recommendations of the CICA on accounting for asset retirement obligations. The recommendations require total retirement costs to be recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. The Corporation recognizes asset retirement obligations in the periods in which they are incurred if a reasonable estimate of a fair value can be determined.

The Corporation has assessed the impact of the adoption of the accounting recommendations and, while some of the Corporation's long-lived tangible assets will have future legal retirement obligations, the final date of removal of the Corporation's long-lived, tangible assets that carry asset retirement obligations cannot be reasonably determined at this time. No asset retirement obligations have been recognized upon adoption of the new recommendations. An asset retirement obligation and offsetting capital asset will be recognized when the timing and amount can be reasonably estimated.

Asset Impairment
Effective January 1, 2004, the Corporation prospectively adopted the recommendations of the CICA on accounting for asset impairment. The recommendations require an impairment of property, plant and equipment, intangible assets with finite lives, deferred operating costs and long-term prepaid expenses to be recognized in income when the asset's carrying value exceeds the total cash flows expected from its use and eventual disposition. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is determined using present value techniques. There has been no impact on the financial statements resulting from the adoption of the recommendations.

3. Seasonal Nature of Operations

Interim results will fluctuate due to the seasonal nature of electricity demand and water flows as well as the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

4. Capital Stock

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

a) **Issued and Outstanding**	**September 30, 2004** Number of Shares	**September 30, 2004** Amount *(in thousands)*	December 31, 2003 Number of Shares	December 31, 2003 Amount *(in thousands)*
Common Shares	**23,851,835**	**$ 673,311**	17,380,419	$ 329,660
First Preference Shares, Series "C"	**5,000,000**	**122,992**	5,000,000	122,992
First Preference Shares, Series "E"	**7,708,960**	**189,522**	-	-
First Preference Units	**291,040**	**1,701**	-	-
Total	**36,851,835**	**987,526**	22,380,419	452,652

Common shares were issued during the period for cash as follows:

	Quarter Ended September 30, 2004 Number of Shares	**Quarter Ended September 30, 2004** Amount *(in thousands)*	**Year-to-date September 30, 2004** Number of Shares	**Year-to-date September 30, 2004** Amount *(in thousands)*
Balance, beginning of period	**23,821,617**	**$ 671,519**	**17,380,419**	**$ 329,660**
Conversion of Subscription Receipts	**-**	**-**	**6,310,000**	**335,793**
Consumer Share Purchase Plan	**6,641**	**396**	**20,303**	**1,221**
Dividend Reinvestment Plan	**12,656**	**755**	**38,605**	**2,323**
Employee Share Purchase Plan	**10,328**	**615**	**28,490**	**1,717**
Directors' Stock Option Plan	**-**	**-**	**5,000**	**146**
Executive Stock Option Plan	**593**	**26**	**69,018**	**2,451**
	23,851,835	**$ 673,311**	**23,851,835**	**$ 673,311**

On May 31, 2004, upon closing of the acquisition of FortisAlberta and FortisBC, the Subscription Receipts were cancelled and automatically exchanged, without payment of additional consideration, for one common share of Fortis and a cash payment of $1.60 per common share, which is an amount equal to the dividends declared on a common share by Fortis during the period from the closing date of the Subscription Receipts offering to May 31, 2004. The net after-tax proceeds to Fortis upon conversion of the Subscription Receipts were $335.8 million.

b) Preference Shares

On January 29, 2004, Fortis issued 8,000,000 First Preference Units of the Corporation. Each First Preference Unit consists of one Series D First Preference Share of the Corporation and one Series E First Preference Share Purchase Warrant (a "Warrant"). Subject to close of the transaction to acquire FortisAlberta and FortisBC, which occurred May 31, 2004, each Warrant entitled the holder to acquire 0.75 of a Series E First Preference Share upon payment of $18.75 per Warrant. Holders of Series D First Preference Shares had the right to convert each Series D First Preference Share into 0.25 of a Series E

First Preference Share and to exercise a Warrant (in conjunction with the payment of $18.75) on July 15, 2004, September 1, 2004 and December 1, 2004.

The purchase price of $6.25 per First Preference Share Unit resulted in initial gross proceeds of approximately $50 million. On July 15, 2004, Fortis received gross proceeds of approximately $139.5 million from the conversion of 7,438,610 of the First Preference Units. On September 1, 2004, Fortis received gross proceeds of approximately $5.1 million from the conversion of 270,350 of the First Preference Units. The proceeds were used to repay certain short-term indebtedness incurred by Fortis on closing of the transaction to acquire FortisAlberta and FortisBC.

The Series E First Preference Shares will yield 4.9 per cent per annum for a 12-year term. The quarterly cash dividend payable with respect to the Series D First Preference Shares that were not converted has been reduced to $0.01 per share, being equivalent to 0.64 per cent per annum per Series D First Preference Share. Holders of Series D First Preference Shares will again have the right to convert each Series D First Preference Share into 0.25 of a Series E First Preference Share and to exercise a Warrant (in conjunction with the payment of $18.75) on December 1, 2004.

c) Earnings per Common Share

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The year-to-date weighted average common shares outstanding were 20,221,981 and 17,291,278 at September 30, 2004 and 2003, respectively.

The quarter ended weighted average common shares outstanding were 23,831,689 and 17,333,440 at September 30, 2004 and 2003, respectively. Diluted earnings per common share are calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

d) Stock Options

On March 10, 2004, the Corporation issued 182,699 options on common shares under its 2002 Stock Option Plan at the 5-day average trading price of $61.12. These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of each option granted was $8.20 per option.

On May 12, 2004, the Corporation issued 3,000 options on common shares under its 2002 Stock Option Plan at the 5-day average trading price of $60.91. These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of each option granted was $8.87 per option.

On July 7, 2004, the Corporation issued 23,540 options on common shares under its 2002 Stock Option Plan at the 5-day average trading price of $58.20. These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of each option granted was $8.41 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:

	March 10, 2004	May 12, 2004	July 7, 2004
Dividend yield (%)	3.48	3.55	3.71
Expected volatility (%)	14.0	13.8	14.8
Risk-free interest rate (%)	4.24	4.85	4.75
Weighted-average expected life (years)	7.5	7.5	7.5

The Corporation records compensation expense upon the issuance of stock options under its Stock Option Plans. Using the fair value method, the compensation expense is amortized over the 4-year vesting period of the options. Upon exercise, the proceeds of the option are credited to capital stock at the option price. Therefore, an exercise of options below the current market price has a dilutive effect on capital stock and shareholders' equity. Under the fair value method, $0.3 million and $0.7 million were recorded as compensation expense for the quarter ended and 9 months ended, September 30, 2004, respectively.

The Corporation is authorized to grant certain key employees and directors of Fortis and its subsidiaries options to purchase common shares of the Corporation. At September 30, 2004, the Corporation had the following stock-based compensation plans: Executive Stock Option Plan, Directors' Stock Option Plan, 2002 Stock Option Plan and Employee Share Purchase Plan. The 2002 Stock Option Plan was adopted at the Annual and Special General Meeting on May 15, 2002 to ultimately replace the Executive and Directors' Stock Option Plans. The Executive and Directors' Stock Options Plans will cease to exist when all outstanding options are exercised or expire in or before 2011. At September 30, 2004, 1,792,133 common shares remained in the reserve for issue under the terms of the above plans.

Number of Options	**Quarter Ended September 30, 2004**	**Year-to-date September 30, 2004**
Outstanding at beginning of period	706,953	602,213
Granted	23,540	209,239
Cancelled	0	(7,534)
Exercised	(593)	(74,018)
Outstanding at end of period	729,900	729,900
Options vested at end of period	257,318	
Weighted Average Exercise Prices:		
Outstanding at beginning of period	$ 44.67	
Granted	$ 60.79	
Cancelled	$ 47.12	
Exercised	$ 35.06	
Outstanding at end of period	$ 48.36	

Details of stock options outstanding are as follows:	Number of Options	Exercise Price	Expiry Date
	10,660	$ 29.15	2005
	15,000	$ 38.27	2006
	135,338	$ 38.27	2011
	174,813	$ 48.14	2012
	184,850	$ 51.24	2013
	182,699	$ 61.12	2014
	3,000	$ 60.91	2014
	23,540	$ 58.20	2014
	729,900		

5. Segmented Information

Information by reportable segment is as follows:

Quarter ended	Regulated Utilities							Non-Regulated			Inter-	
(in thousands of dollars)	Nfld Power	Maritime Electric	Fortis Ontario	Fortis Alberta	Fortis BC	**Total Canadian**	**Total Caribbean**	**Generation**	**Fortis Properties**	**Corporate**	**segment elimination**	**Consolidated**
September 30, 2004												
Operating revenues	76,587	29,849	30,348	55,255	42,061	**234,100**	**18,956**	**15,464**	**36,307**	**3,168**	**(6,883)**	**301,112**
Equity income	-	-	-	-	-	**-**	**2,541**	**-**	**-**	**-**	**-**	**2,541**
Energy supply costs	44,338	18,453	22,568	-	13,106	**98,465**	**10,185**	**1,329**	**-**	**-**	**(2,956)**	**107,023**
Operating expenses	10,922	3,213	3,213	24,419	13,541	**55,308**	**2,543**	**4,404**	**22,485**	**2,693**	**(916)**	**86,517**
Amortization	6,023	2,320	1,249	13,274	4,241	**27,107**	**1,588**	**2,557**	**2,413**	**504**	**-**	**34,169**
Operating income	15,304	5,863	3,318	17,562	11,173	**53,220**	**7,181**	**7,174**	**11,409**	**(29)**	**(3,011)**	**75,944**
Finance charges	7,570	2,049	1,342	3,664	4,055	**18,680**	**1,335**	**4,027**	**4,295**	**6,130**	**(3,011)**	**31,456**
Income taxes	2,631	1,557	758	5,200	1,834	**11,980**	**267**	**1,235**	**2,802**	**(2,070)**	**-**	**14,214**
Non-controlling interest	146	-	-	-	-	**146**	**972**	**(47)**	**-**	**(42)**	**-**	**1,029**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**3,793**	**-**	**3,793**
Earnings (Loss)	4,957	2,257	1,218	8,698	5,284	**22,414**	**4,607**	**1,959**	**4,312**	**(7,840)**	**-**	**25,452**
Goodwill	-	19,858	45,577	229,097	219,509	**514,041**	**-**	**-**	**-**	**-**	**-**	**514,041**
Identifiable assets	769,484	234,360	114,536	574,879	533,829	**2,227,088**	**211,808**	**260,699**	**351,647**	**25,247**	**(29,818)**	**3,046,671**
Equity investment assets	-	-	-	-	-	**-**	**165,686**	**-**	**-**	**-**	**-**	**165,686**
Capital expenditures	13,676	7,386	2,941	25,681	90	**49,774**	**3,574**	**4,445**	**4,047**	**91**	**-**	**61,931**
September 30, 2003												
Operating revenues	71,443	24,321	32,879	-	-	**128,643**	**19,256**	**12,384**	**30,081**	**2,586**	**(4,183)**	**188,767**
Equity income	-	-	-	-	-	**-**	**2,678**	**-**	**-**	**-**	**-**	**2,678**
Energy supply costs	39,182	13,570	25,313			**78,065**	**9,921**	**592**	**-**	**-**	**(3,262)**	**85,316**
Operating expenses	12,135	2,493	2,967	-	-	**17,595**	**3,125**	**2,399**	**17,539**	**612**	**(295)**	**40,975**
Amortization	6,141	2,296	1,183	-	-	**9,620**	**1,716**	**1,810**	**1,142**	**107**	**-**	**14,395**
Operating income	13,985	5,962	3,416	-	-	**23,363**	**7,172**	**7,583**	**11,400**	**1,867**	**(626)**	**50,759**
Finance charges	7,407	2,258	1,057	-	-	**10,722**	**1,427**	**2,972**	**4,096**	**2,767**	**(626)**	**21,358**
Income taxes	2,222	1,517	871	-	-	**4,610**	**261**	**924**	**3,075**	**(370)**	**-**	**8,500**
Non-controlling interest	147	-	7	-	-	**154**	**898**	**94**	**-**	**(47)**	**-**	**1,099**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**1,688**	**-**	**1,688**
Earnings (Loss)	4,209	2,187	1,481	-	-	**7,877**	**4,586**	**3,593**	**4,229**	**(2,171)**	**-**	**18,114**
Goodwill	-	19,858	45,577	-	-	**65,435**	**-**	**-**	**-**	**-**	**-**	**65,435**
Identifiable assets	720,806	219,678	105,973	-	-	**1,046,457**	**218,564**	**243,572**	**346,484**	**41,859**	**(20,342)**	**1,876,594**
Equity investment assets	-	-	-	-	-	**-**	**164,185**	**-**	**-**	**-**	**-**	**164,185**
Capital expenditures	17,161	3,683	2,538	-	-	**23,382**	**18,172**	**8,149**	**744**	**299**	**-**	**50,746**

5. Segmented Information (continued)

Information by reportable segment is as follows:

Year to date *(in thousands of dollars)*	Regulated Utilities							Non-Regulated			Inter-	
	Nfld Power	Maritime Electric	Fortis Ontario	Fortis Alberta	Fortis BC	Total Canadian	Total Caribbean	Generation	Fortis Properties	Corporate	segment elimination	Consolidated
September 30, 2004												
Operating revenues	300,067	87,582	93,415	72,422	54,411	607,897	54,819	49,137	101,164	7,591	(18,279)	802,329
Equity income	-	-	-	-	-	-	6,630	-	-	-	-	6,630
Energy supply costs	172,067	54,560	71,072	-	16,778	314,477	28,663	4,157	-	-	(8,087)	339,210
Operating expenses	37,760	9,009	9,223	32,447	18,040	106,479	8,219	12,446	65,327	6,603	(2,873)	196,201
Amortization	24,602	6,881	3,726	17,636	5,655	58,500	4,874	7,504	7,066	897	-	78,841
Operating income	65,638	17,132	9,394	22,339	13,938	128,441	19,693	25,030	28,771	91	(7,319)	194,707
Finance charges	22,801	6,424	3,942	4,917	5,448	43,532	4,163	11,585	13,599	12,490	(7,319)	78,050
Income taxes	14,588	4,323	2,059	6,328	2,393	29,691	747	5,236	6,154	(6,142)	-	35,686
Non-controlling interest	441	-	-	-	-	441	2,604	150	-	(126)	-	3,069
Preference share dividends	-	-	-	-	-	-	-	-	-	8,223		8,223
Earnings (Loss)	27,808	6,385	3,393	11,094	6,097	54,777	12,179	8,059	9,018	(14,354)	-	69,679
Goodwill	-	19,858	45,577	229,097	219,509	514,041	-	-	-	-	-	514,041
Identifiable assets	769,484	234,360	114,536	574,879	533,829	2,227,088	211,808	260,699	351,647	25,247	(29,818)	3,046,671
Equity investment assets	-	-	-	-	-	-	165,686	-	-	-	-	165,686
Capital expenditures	44,516	15,449	7,478	32,491	7,307	107,241	13,005	8,560	11,201	1,060	-	141,067
September 30, 2003												
Operating revenues	289,882	71,277	91,337	-	-	452,496	55,617	41,276	80,673	9,021	(13,996)	625,087
Equity income	-	-	-	-	-	-	7,369	-	-	-	-	7,369
Energy supply costs	165,192	39,718	69,241	-	-	274,151	28,313	1,975	-	-	(6,013)	298,426
Operating expenses	38,820	8,394	8,703	-	-	55,917	9,398	10,359	50,118	2,670	(1,236)	127,226
Amortization	24,137	6,784	3,792	-	-	34,713	5,491	5,462	3,278	397	-	49,341
Operating income	61,733	16,381	9,601	-	-	87,715	19,784	23,480	27,277	5,954	(6,747)	157,463
Finance charges	22,433	6,842	2,653	-	-	31,928	4,529	9,754	12,176	9,990	(6,747)	61,630
Income taxes	14,275	4,114	2,563	-	-	20,952	743	5,496	6,659	(1,857)	-	31,993
Non-controlling interest	453	-	11	-	-	464	2,277	88	-	(107)	-	2,722
Preference share dividends	-	-	-	-	-	-	-	-	-	2,248	-	2,248
Earnings (Loss)	24,572	5,425	4,374	-	-	34,371	12,235	8,142	8,442	(4,320)	-	58,870
Goodwill	-	19,858	45,577	-	-	65,435	-	-	-	-	-	65,435
Identifiable assets	720,806	219,678	105,973	-	-	1,046,457	218,564	243,572	346,484	41,859	(20,342)	1,876,594
Equity investment assets	-	-	-	-	-	-	164,185	-	-	-	-	164,185
Capital expenditures	43,760	9,952	5,921	-	-	59,633	31,563	22,622	2,440	1,242	-	117,500

6. Business Acquisitions

Acquisition of the Alberta and British Columbia Utilities

On May 31, 2004, Fortis, through its wholly owned subsidiary, Fortis West Inc., acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed "FortisAlberta") and Aquila Networks Canada (British Columbia) Ltd. (renamed "FortisBC") for aggregate consideration of $1,476 million. The net purchase price paid, including acquisition costs, was based on the estimated balance sheets of both utilities at May 31, 2004. During the third quarter of 2004, the balance sheets of both utilities at May 31, 2004 were finalized and the net purchase price adjustments were settled. The net settlement combined with adjustments to the purchase price allocation resulted in a $1.6 million reduction to the net purchase price. The purchase price allocation is still under review by management and is subject to final adjustments.

FortisAlberta owns and operates the distribution system in a substantial portion of southern and central Alberta. It distributes electricity to more than 390,000 customers using approximately 103,000 kilometers of power lines. FortisBC is an integrated utility operating in the southern interior of British Columbia, serving directly and indirectly approximately 143,000 customers. The utility has 4 hydroelectric generating plants with a combined capacity of 205 MW and 7,100 kilometers of transmission and distribution power lines.

The acquisition is accounted for using the purchase method, whereby the results of full operations have been included in the consolidated financial statements commencing May 31, 2004. The book value of these assets and liabilities has been assigned as fair value for purchase price allocation. FortisAlberta and FortisBC are regulated under traditional cost of service. The regulated nature of these businesses and the determination of revenues and earnings are based on the historic values and do not change with market conditions or change of ownership. Therefore no fair market value increments were recorded as part of purchase price on individual assets and liabilities because all economic benefits and obligations associated with them will accrue to the customers. The purchase price allocation to net assets based on their fair values is as follows:

(in thousands of dollars)	**FortisAlberta**	**FortisBC**	**Total**
Fair value assigned to net assets:			
Utility capital assets – net regulatory tax base adjustment	499,592	488,865	**988,457**
Current assets	82,680	38,243	**120,923**
Goodwill	229,097	219,509	**448,606**
Other assets	8,094	13,239	**21,333**
Current liabilities	(57,110)	(33,063)	**(90,173)**
Assumed long-term debt	-	(154,709)	**(154,709)**
Debt & accrued interest, subsequently refinanced (1)	(402,343)	(155,038)	**(557,381)**
Future income taxes	13,145	(1,600)	**11,545**
Other regulatory liabilities	(40,849)	-	**(40,849)**
	332,306	415,446	**747,752**
Cash	16,067	12,818	**28,885**
	348,373	428,264	**776,637**

(1) Subsequent to the close of the acquisition, the debt and accrued interest associated with the utility in Alberta were replaced with the FortisAlberta short-term debt facility and the debt and accrued interest associated with the utility in B.C. were replaced with a short-term advance from Fortis. Both short-term facilities are expected to be repaid with long-term financing.

Acquisition of Remaining 5 per cent Interest in BECOL

On May 20, 2004, Fortis acquired the remaining 5 per cent interest in BECOL from the Social Security Board of the Government of Belize for $4.8 million (US$3.5 million), making it a wholly owned indirect subsidiary of the Corporation. In January 2001, Fortis purchased Duke Energy Group, Inc.'s 95 per cent interest in BECOL for an aggregate purchase price of US$62 million.

The acquisition is accounted for using the purchase method, whereby the remaining 5 per cent interest in BECOL has been included in the consolidated financial statements commencing May 20, 2004. The $4.8 million purchase price has been allocated to the utility capital assets based on fair values as at May 20, 2004.

7. Long-term Debt

Belize Electricity
Year to date, Belize Electricity drew down approximately $3.9 million on its existing long-term debt facilities.

Exploits Partnership
Year to date, Exploits Partnership drew down approximately $3.7 million on its existing long-term debt facilities.

Fortis Properties
During the third quarter of 2004, Fortis Properties completed a $15.6 million financing of the Four Points by Sheraton Halifax. The proceeds were used to partially repay a short-term loan to Fortis. Subsequently, the Corporation used the proceeds to partially repay its short-term borrowings.

Fortis
On August 13, 2004, Fortis entered into agreements to issue by way of private placement US$150 million in Senior Unsecured Notes (the "Notes") to US-based institutional investors. As of September 30, 2004, Fortis had borrowed US$70 million on its short-term revolving facility. On October 29, 2004, the US$70 million was repaid using proceeds from the draw down on the US$150 million Note issue. As a result, Fortis cancelled its US dollar currency swap agreement under which the interest payments on the Corporation's existing $100 million Senior Unsecured Debentures were converted into US dollar interest payments. The cancellation of the swap agreement resulted in a gain of $4.7 million which will be amortized on a straight-line basis over the remaining life of the $100 million Senior Unsecured Debentures.

Short-term Acquisition Financing

Fortis
On May 31, 2004, Fortis drew down approximately $588 million on its short-term acquisition facility. This unsecured bridge facility provides for customary terms and conditions associated with such facilities. The proceeds from the short-term facility were used to repay the $155 million long-term debt and accrued interest obligations at FortisBC and the remainder was used to finance the acquisition of the FortisAlberta and FortisBC. At September 30, 2004, the outstanding balance on the Corporation's short-term acquisition facility was $260 million. The acquisition facility was reduced using proceeds from the Series E First Preference Share issue in July and September 2004. The acquisition facility was also reduced using a draw down under the Corporation's $145 million revolving short-term facility. At September 30, 2004, the outstanding balance on its revolving short-term facility was $106.3 million.

FortisAlberta
Immediately upon close of the acquisition, FortisAlberta repaid $402.3 million of its debt and accrued interest obligations using a $391.4 million short-term bridge facility and a $10.9 million revolving term credit facility. The revolving term credit facility was repaid in full in June 2004. The short-term bridge facility provides for customary terms and conditions associated with such.

FortisBC
Immediately upon close of the acquisition, FortisBC repaid $155 million of its long-term debt and accrued interest obligations with proceeds from a short-term advance from Fortis. The remaining debt at FortisBC, as at September 30, 2004, consists of the following:

(in $thousands)

Secured	
Series E 11% due December 1, 2009	$ 7,500
Series F 9.65% due October 16, 2012	15,000
Series G 8.8% due August 28, 2023	25,000
Series H 8.77% due February 1, 2016	25,000
Series I 7.81% due December 1, 2021	25,000
Series J 6.75% due July 31, 2009	50,000
Walden mortgage 9.44% due October 31, 2013	7,048
	$ 154,548

The secured debentures are collateralized by a fixed and floating first charge on the assets of FortisBC and are guaranteed by Fortis West, a wholly owned subsidiary of Fortis. The trust deed provides for sinking fund payments of $750,000 per year for Series E debentures.

The Walden mortgage is secured by a fixed and floating charge over the assets of FortisBC's wholly owned subsidiary, Walden Power Partnership. Blended amortization payments of principal and interest of $96,534.33 are payable at the end of each month. Walden Power Partnership was not in compliance with the debt service ratio of 1.2 times as required by the loan covenant. As at December 31, 2003, Walden Power Partnership's debt service ratio was 0.22 times. A waiver was obtained for December 2003. Compliance with the debt service covenant is measured at the end of each fiscal year.

8. Contingent Liabilities

Contingent liabilities as of September 30, 2004 are consistent with disclosures in the annual audited financial statements except as noted below.

FortisAlberta
FortisAlberta is subject to various legal proceedings and claims that arise in the ordinary course of business operations. FortisAlberta believes that the amount of liability, if any, from these actions would not have a material effect on the Company's financial position or results of operations.

In a statement of claim filed on August 18, 2003 in the Court of the Queen's Bench of Alberta, EPCOR Energy Services (Alberta) Inc. is pursuing damages of $83 million against FortisAlberta for alleged breaches of contract, common law duties and distribution tariff terms and conditions of service, relating to the provision of the Regulated Rate Option to customers. Management has not, to date, made a definitive assessment of potential liability with respect to this claim; however, management believes that these allegations are without merit.

9. Commitments

The Corporation's commitments over the next 5 years and for periods thereafter are outlined in the following table.

($ millions)	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**> 5 years**
Operating Lease Obligations	**42.1**	6.1	18.9	10.6	6.5
Purchase of Joint-use Poles from Aliant Telecom Inc. ("Aliant") (1)	**4.8**	4.8	-	-	-
Power Purchases – take or pay (2)	**402.2**	32.3	73.2	43.9	252.8
Capital Cost (3)	**227.9**	16.2	46.0	29.9	135.8
Brilliant Terminal Station ("BTS") Lease (4)	**70.6**	0.6	7.1	4.7	58.2
Office Lease – FortisBC (5)	**22.8**	0.2	2.6	2.5	17.5
Power Purchase Obligations - FortisBC (6)	**199.1**	9.6	116.5	73.0	-
Other	**2.0**	0.3	0.2	0.1	1.4
Total	**971.5**	70.1	264.5	164.7	472.2

(1) On September 13, 2001, Newfoundland Power and Fortis closed a $46 million transaction to purchase 102,000 poles and related infrastructure from Aliant in Newfoundland. On February 7, 2002, the Corporation closed a $2.2 million transaction to purchase 5,586 poles and related infrastructure from Aliant in Newfoundland. A final payment of $4.8 million is required in 2005 under the purchase agreements.

(2) Power purchases primarily include a long-term contract with Hydro Quebec Energy Marketing for the supply of electrical energy and capacity. The contract provides approximately 237 gigawatt hours of energy per year and up to 45 MW of capacity at any one time. The contract, which expires December 31, 2019, provides approximately one-third of Cornwall Electric's load.

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

(4) On July 15, 2003, the utility in B.C. began leasing the use of the BTS under a 30-year lease. The BTS is owned by the Brilliant Joint Venture, a joint venture between the Columbia Power Corporation and the Columbia Basin Trust. The lease provides that the utility will pay the Brilliant Joint Venture a charge related to the recovery of the capital cost of the BTS and related operating costs.

(5) Under a sale-leaseback agreement, on September 29, 1993, the utility in B.C. began leasing its Trail, BC office building for a term of 30 years. The terms of the agreement require future minimum aggregate lease payments of $25 million and grant the utility in B.C. repurchase options at year 20 and year 30 of the lease term. FortisBC is accounting for the lease as an operating lease, as directed by the BCUC.

(6) Power purchase obligations of FortisBC include the Brilliant Power Purchase Contract as well as Firm Power Purchase Contracts. On May 3, 1996, an Order was granted by the BCUC approving a 60-year power purchase contract for the output of the Brilliant hydroelectric plant located near Castlegar, BC. The contract requires fixed monthly payments based on specified natural flow take-or-pay amounts of energy. The contract includes a market-related price adjustment after 30 years of the 60-year term. FortisBC is accounting for the contract as an operating lease as directed by the BCUC. In addition, FortisBC has a long-term, minimum-payment, firm power purchase contract with BC Hydro. This contract includes a take-or-pay provision based on a 5-year rolling nomination of capacity requirements.

10. Comparative Figures

Certain comparative figures have been reclassified to comply with current year's classifications.

11. Subsequent Events

(a) On October 22, 2004, the Board of Directors of Caribbean Utilities Company, Ltd. elected not to declare a quarterly dividend as a result of Hurricane Ivan. Caribbean Utilities Company, Ltd.'s cash flow has been severely impacted as the Company is still incurring capital expenditures in connection with the restoration process and will be unable to determine its total Ivan-related costs until the restoration process is completed and the Company has filed its property and business interruption insurance.

(b) On October 25, 2004, FortisAlberta closed its $400 million public debenture offering equally divided between 5.33% senior unsecured debentures due October 31, 2014 and 6.22% senior unsecured debentures due October 31, 2034. The net proceeds of the offering were used to repay short-term indebtedness incurred by FortisAlberta.

(c) On October 28, 2004, Fortis issued by way of private placement US$150 million in Senior Unsecured Notes (the "Notes") to US-based institutional investors. The Notes were issued in a single tranche with a 10-year term maturing October 31, 2014 at a coupon rate of 5.74 per cent. Net proceeds from the sale of the Notes were used to refinance a portion of short-term indebtedness incurred to purchase FortisAlberta and FortisBC. The Notes rank pari passu with all current and future senior indebtedness of Fortis.

(d) In December 2003, Fortis entered into a forward interest rate swap agreement that swapped 90-day banker acceptance interest rate payments on $200 million of long-term debt to 5.6 per cent. The swap agreement was designated as a hedge against the planned issuance of long-term acquisition financing. As a result of the substantial completion of the long-term acquisition financing, the forward interest rate swap agreement was terminated and the cash payment of $14.1 million made upon termination of the swap will be amortized on a straight-line basis over 10-years.

(e) On October 29, 2004, FortisBC filed a preliminary prospectus to issue $125 million of Senior Unsecured Debentures. The funds will be used to repay a demand loan provided by Fortis on May 31, 2004.

CORPORATE INFORMATION

Fortis Inc. is a diversified, international electric utility holding company with assets of $3.7 billion and annual revenues of approximately $1.2 billion. The Corporation holds investments in regulated distribution utilities, non-regulated generation operations and a non-utility company with investments in real estate and hotels. The Common Shares, Series C First Preference Shares, Series E First Preference Shares and First Preference Units of Fortis Inc. are traded on the Toronto Stock Exchange under the symbols FTS, FTS.PR.C, FTS.PR.E and FTS.UN, respectively. Fortis Inc. information can be accessed at www.fortisinc.com.

Share Transfer Agent and Registrar:
Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1
T: 514.982.7270 or 1.866.586.7638
F: 416.263.9394 or 1.888.453.0330
W: www.computershare.com
E: service@computershare.com

For the quarter ended September 30, 2004, Fortis Inc. will be filing the Internal Certification of Interim Filings during Transition Period (Form 52-109FT2) on Sedar. Additional information including the Annual Information Form, Management Information Circular and Annual Report are available on Sedar at www.sedar.com.

For further information, please contact:
Mr. Barry V. Perry
Vice President Finance and Chief Financial Officer
Fortis Inc.
T: 709.737.2800

Dates – Dividends* and Earnings

Expected Earnings Release Dates

February 8, 2005	May 5, 2005
August 5, 2005	November 1, 2005

Expected Dividend Record Dates

November 5, 2004	February 4, 2005
May 6, 2005	August 5, 2005

Expected Dividend Payment Dates

December 1, 2004	March 1, 2005
June 1, 2005	September 1, 2005

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

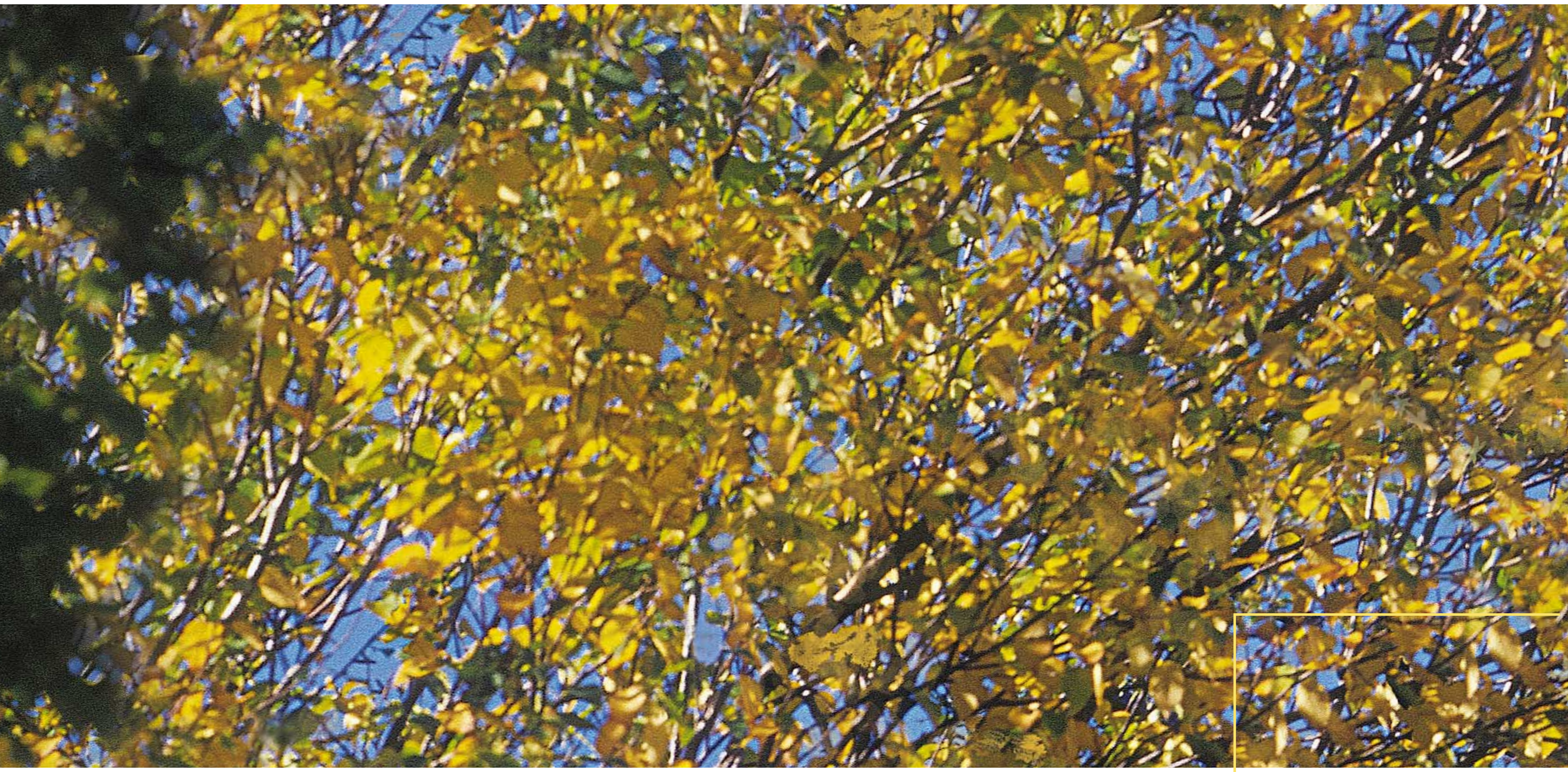
Registrar and Transfer Agent

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1
T: 514-982-7270 or 1-866-586-7638
F: 416-263-9394 or 1-888-453-0330
E: service@computershare.com
W: www.computershare.com

Share Listings

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

Fortis Common Shares ($) Quarter Ended September 30		
	2004	**2003**
High	**61.50**	60.95
Low	**56.90**	54.25
Close	**61.25**	55.50



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

T: 709.737.2800
F: 709.737.5307

www.fortisinc.com