

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and thereby only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800) and are also available electronically at [www.sedar.com](http://www.sedar.com). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Secretary of the issuer at the above-mentioned address and telephone number and is also available electronically at [www.sedar.com](http://www.sedar.com). The securities being offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and, except in limited circumstances, will not be offered or sold within the United States or for the account or benefit of United States persons. See "Plan of Distribution".

New Issue

September 20, 2006

**SHORT FORM PROSPECTUS**  
**FORTIS INC.**  
**FORTIS**

**\$125,000,000**

**5,000,000 FIRST PREFERENCE SHARES, SERIES F**

This short form prospectus (the "Prospectus") qualifies for distribution 5,000,000 Cumulative Redeemable First Preference Shares, Series F (the "Series F First Preference Shares") of Fortis Inc. ("Fortis" or the "Corporation") which are being offered and sold pursuant to the provisions of an underwriting agreement (the "Underwriting Agreement") dated September 13, 2006 between Fortis and BMO Nesbitt Burns Inc. ("BMO Nesbitt Burns"), CIBC World Markets Inc. ("CIBCWM"), RBC Dominion Securities Inc. ("RBCDS"), Scotia Capital Inc. ("Scotia Capital"), HSBC Securities (Canada) Inc. ("HSBC Securities"), National Bank Financial Inc. ("NB Financial"), TD Securities Inc. ("TD Securities"), Beacon Securities Limited and Canaccord Capital Corporation (collectively, the "Underwriters"). The Series F First Preference Shares will be issued and sold by Fortis to the Underwriters at the price of \$25.00 (the "Offering Price") per Series F First Preference Share. The Offering Price was determined by negotiation between the Corporation and the Underwriters.

The Series F First Preference Shares of the Corporation will be entitled to fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation at a rate of \$1.2250 per share per annum, to accrue from the date of original issue, payable in equal quarterly installments of \$0.3063 per share on the first day of March, June, September and December of each year. Assuming an issue date of September 28, 2006 the first dividend will be payable as of December 1, 2006 in the amount of \$0.2148 per Series F First Preference Share.

On or after December 1, 2011, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash the Series F First Preference Shares, in whole at any time or in part from time to time, at \$26.00 per share if redeemed before December 1, 2012, at \$25.75 per share if redeemed on or after December 1, 2012 but before December 1, 2013, at \$25.50 per share if redeemed on or after December 1, 2013 but before December 1, 2014, at \$25.25 per share if redeemed on or after December 1, 2014 but before December 1, 2015, and at \$25.00 per share if redeemed on or after December 1, 2015, plus in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption. See "Details of the Offering — Specific Provisions of Series F First Preference Shares".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series F First Preference Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before December 14, 2006, including distribution of the Series F First Preference Shares to a minimum number of public securityholders.

Investing in the Series F First Preference Shares involves risks, certain of which are described under the heading "Business Risk Management" in Management Discussion and Analysis of financial conditions and results of operations found on pages 62 to 67 of the Corporation's 2005 Annual Report and under the heading "Risk Factors" found on pages 44 to 48 of the Corporation's 2005 Annual Information Form. See "Documents Incorporated by Reference".

**Price: \$25.00 per Series F First Preference Share**

	<u>Price to the Public</u>	<u>Underwriters' Fee (1)</u>	<u>Net proceeds to Fortis (2)</u>
Per Series F First Preference Share . . . . .	\$25.00	\$0.75	\$24.25
Total . . . . .	<u>\$125,000,000</u>	<u>\$3,750,000</u>	<u>\$121,250,000</u>

- (1) The Underwriters' fee for the Series F First Preference Shares is \$0.25 per share for each such share sold to institutions and \$0.75 per share for all other Series F First Preference Shares purchased by the Underwriters. The Underwriters' fee indicated in the table assumes that no Series F First Preference Shares are sold to institutions.
- (2) Before deducting expenses of the offering estimated at \$550,000 which, together with the Underwriters' fees, will be paid out of the general funds of Fortis. See "Plan of Distribution".

**BMO Nesbitt Burns, CIBCWM, RBCDS, Scotia Capital, HSBC Securities, NB Financial and TD Securities are each subsidiaries of Canadian chartered banks that have, either solely or as a member of a syndicate of financial institutions, extended credit facilities to the Corporation and/or its subsidiaries. The net proceeds from this offering will be used in part to repay indebtedness under credit facilities owing by the Corporation to certain of such banks. Accordingly, the Corporation may be considered a “connected issuer” of such Underwriters under applicable securities legislation. See “Use of Proceeds” and “Plan of Distribution”.**

The Underwriters, as principals, conditionally offer the Series F First Preference Shares, subject to prior sale, if, as and when issued by Fortis and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of the Corporation by Davies Ward Phillips & Vineberg LLP, Toronto and McInnes Cooper, St. John’s and on behalf of the Underwriters by Stikeman Elliott LLP, Toronto. See “Plan of Distribution”.

Subscriptions for the Series F First Preference Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on or about September 28, 2006 (the “Closing Date”), or such other date as may be agreed upon by the Corporation and the Underwriters, but not later than November 2, 2006.

A book entry only certificate representing the Series F First Preference Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on the Closing Date. The Corporation understands that a purchaser of Series F First Preference Shares will receive only a customer confirmation from a registered dealer who is a CDS participant from or through whom the Series F First Preference Shares are purchased. See “Book Entry Only System”.

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### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus (the "Prospectus"), and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Corporation's management. Forward-looking statements involve significant risks, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements, including regulation, derivative instruments and hedging, energy prices, economic conditions, loss of service areas, environmental matters, insurance, labour relations, weather, liquidity risks and human resources. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in the Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Corporation cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the Prospectus, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

### DOCUMENTS INCORPORATED BY REFERENCE

The disclosure documents of the Corporation listed below and filed with the appropriate securities commissions or similar regulatory authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this Prospectus:

- (a) annual information form dated March 29, 2006 for the year ended December 31, 2005;
- (b) audited comparative consolidated financial statements for the years ended December 31, 2005 and 2004, together with notes thereto and the auditors' report thereon dated January 27, 2006 as contained in the Corporation's 2005 Annual Report;
- (c) management discussion and analysis of financial condition and results of operations for the year ended December 31, 2005 as contained in the Corporation's 2005 Annual Report;
- (d) unaudited interim consolidated financial statements as at June 30, 2006 and for the three and six month periods ended June 30, 2006 and 2005 and related management discussion and analysis of financial condition and results of operations for the three and six month periods ended June 30, 2006;
- (e) management information circular dated March 17, 2006 prepared in connection with the Corporation's annual meeting of shareholders held on May 2, 2006, excluding the portions that appear under the headings "Report on Corporate Governance", "Report on Executive Compensation" and "Performance Graph"; and
- (f) material change report dated September 15, 2006 describing the entering into of an agreement between the Corporation and a syndicate of underwriters led by BMO Nesbitt Burns in respect of this offering.

Any document of the type referred to in the preceding paragraph and any material change report (other than any confidential material change report) subsequently filed by the Corporation with such securities commissions or regulatory authorities after the date of the Prospectus, and prior to the termination of the offering, shall be deemed to be incorporated by reference into the Prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800). These documents are also available through the Internet on the Corporation's website at [www.fortisinc.com](http://www.fortisinc.com) or on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com). The information contained on, or accessible through, these websites is not incorporated by reference into the Prospectus and is not, and should not be considered to be, a part of the Prospectus, unless it is explicitly so incorporated.

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, the Series F First Preference Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or registered education savings plan.

*Unless otherwise indicated, dollar amounts in the Prospectus are expressed in Canadian dollars.*

## SUMMARY OF THE OFFERING

*This summary is qualified by the more detailed information appearing elsewhere in this Prospectus. Unless otherwise noted or the context otherwise indicates, the term "Corporation" refers to Fortis Inc.*

<b>Issue:</b>	5,000,000 Cumulative Redeemable First Preference Shares, Series F
<b>Amount:</b>	\$125,000,000
<b>Price:</b>	\$25.00 per Series F First Preference Share
<b>Use of Proceeds:</b>	The net proceeds of the offering will be approximately \$121 million, determined after deducting the underwriting commission and the estimated expenses of this offering payable by the Corporation. A portion of the net proceeds of this offering will be used to repay approximately \$72 million previously borrowed under the Corporation's credit facilities, which indebtedness was incurred: (i) to partially fund the acquisition by Fortis of certain electric utilities located in the Turks and Caicos Islands on August 28, 2006 (see "Recent Developments"); (ii) to fund equity injections into the Corporation's western Canadian regulated electric utilities and Belize Electricity Limited in support of their extensive capital expenditure programs; and (iii) for general corporate purposes. The balance of the net proceeds of the offering will be used to fund further equity injections into the Corporation's western Canadian regulated electric utilities in support of their extensive capital expenditure programs and for general corporate purposes.
<b>Dividends:</b>	The holders of the Series F First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount equal to \$1.2250 per share per annum, payable in equal quarterly installments of \$0.3063 per share on the first day of March, June, September and December of each year. Assuming an issue date of September 28, 2006, the first such dividend will be payable on December 1, 2006 in the amount of \$0.2148 per share.
<b>Redemption:</b>	The Series F First Preference Shares are not redeemable before December 1, 2011. On or after that date, the Series F First Preference Shares are redeemable by the Corporation in whole at any time or in part from time to time upon not less than 30 days and not more than 60 days prior written notice, at \$26.00 per share if redeemed before December 1, 2012, at \$25.75 per share if redeemed on or after December 1, 2012 but before December 1, 2013, at \$25.50 per share if redeemed on or after December 1, 2013 but before December 1, 2014, at \$25.25 per share if redeemed on or after December 1, 2014 but before December 1, 2015, and at \$25.00 per share thereafter, plus in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.
<b>Purchase for Cancellation:</b>	Subject to applicable law and any necessary regulatory approvals, the Corporation will be entitled to purchase Series F First Preference Shares for cancellation in the open market or by private agreement or otherwise at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable.
<b>Priority:</b>	The Series F First Preference Shares rank on a parity with any other series of First Preference Shares of the Corporation and senior to all other shares of the Corporation with respect to priority to the payment of dividends, return of capital and the distribution of assets on the dissolution, liquidation or winding-up of the Corporation.

**Voting Rights:**

The Series F First Preference Shares are non-voting unless the Corporation fails to pay eight quarterly dividends on the Series F First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In that event and for only so long as any such dividends remain in arrears, the holders of the Series F First Preference Shares will be entitled to receive notice of and to attend all shareholders' meetings, other than meetings at which only holders of another specified class or series are entitled to vote, and will be entitled to one vote for each Series F First Preference Share held.

**Ratings:**

Dominion Bond Rating Service Limited: pfd-3(high), Standard & Poor's: P-2(Low).

**Tax on Preference Share Dividends:**

The Corporation will elect, in the manner and within the time provided under subsection 191.2(1) of the Tax Act, to pay or cause payment of the tax under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series F First Preference Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares. See "Details of the Offering" and "Canadian Federal Income Tax Considerations".

**Listing:**

The TSX has conditionally approved the listing of the Series F First Preference Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before December 14, 2006, including distribution of the Series F First Preference Shares to a minimum number of public securityholders.

**Earnings Coverage:**

Earnings coverage information is provided in the Prospectus under the heading "Earnings Coverage Ratio".



## FORTIS

Fortis Inc. was incorporated as 81800 Canada Ltd. under the *Canada Business Corporations Act* on June 28, 1977. The Corporation was continued under the *Corporations Act* (Newfoundland) on August 28, 1987 and on October 12, 1987 the Corporation amended its articles to change its name to “Fortis Inc.” The address of the head office and principal place of business of the Corporation is The Fortis Building, Suite 1201, 139 Water Street, St. John’s, Newfoundland and Labrador A1B 3T2.

Fortis is principally a diversified, international electric utility holding company that owns subsidiaries engaged in the regulated distribution of electricity. Regulated utility assets comprise approximately 84% of the Corporation’s total assets, with the balance comprised primarily of non-regulated electricity generating assets, and commercial real estate and hotel investments owned and operated through its non-utility subsidiary. Fortis holds all the common shares of Newfoundland Power Inc. (“Newfoundland Power”) and, through Fortis Properties Corporation (“Fortis Properties”), holds all the common shares of Maritime Electric Company, Limited (“Maritime Electric”), which are the principal distributors of electricity in Newfoundland and Prince Edward Island, respectively. As well, through its wholly owned subsidiary FortisOntario Inc. (“FortisOntario”) and its subsidiaries, Canadian Niagara Power Inc. (“CNPI”) and Cornwall Street Railway, Light and Power Company, Limited (“Cornwall Electric”), Fortis distributes electricity to customers primarily in Fort Erie, Port Colborne, Gananoque and Cornwall, Ontario.

In May 2004, Fortis acquired, through an indirect wholly owned subsidiary, all of the issued and outstanding shares of FortisAlberta Inc. (formerly Aquila Networks Canada (Alberta) Inc.) (“FortisAlberta”) and FortisBC Inc. (formerly Aquila Networks Canada (British Columbia) Ltd.) (“FortisBC”). Fortis Alberta is a regulated electric utility that distributes electricity generated by other market participants in Alberta. FortisBC is a regulated electric utility that generates, transmits and distributes electricity in British Columbia.

The Corporation’s regulated electric utility assets in the Caribbean consist of its ownership, through wholly owned subsidiaries, of a 70.1% interest in Belize Electricity Limited (“Belize Electricity”), the primary distributor of electricity in Belize, and an approximate 37.4% interest in Caribbean Utilities Company Limited (“Caribbean Utilities”), the sole provider of electricity to the island of Grand Cayman, Cayman Islands. On August 28, 2006, Fortis acquired, through a wholly owned subsidiary, all of the outstanding shares of P.P.C. Limited (“PPC”) and Atlantic Equipment & Power (Turks and Caicos) Ltd. (“Atlantic”), which together generate and distribute electricity to 80% of electricity customers in the Turks and Caicos Islands. See “Recent Developments”.

The Corporation’s non-regulated electricity generation operations consist of its 100% interest in each of CNE Energy Inc. (“CNE Energy”), Belize Electric Company Limited (“BECOL”), FortisUS Energy Corporation (“FortisUS Energy”), and FortisOntario, as well as non-regulated electricity generation assets owned by FortisBC.

CNE Energy, a non-regulated indirect subsidiary, holds a 51% interest in the Exploits River Hydro Partnership (the “Exploits Partnership”). The Exploits Partnership was established with Abitibi-Consolidated Company of Canada (“Abitibi-Consolidated”), which holds the remaining 49% interest, to develop additional capacity at Abitibi-Consolidated’s hydroelectric plant at Grand Falls-Windsor and redevelop Abitibi-Consolidated’s hydroelectric plant at Bishop’s Falls, Newfoundland and Labrador. As of December 31, 2005, CNE Energy also included the non-regulated electricity generation operations of the former FortisOntario Generation Corporation (“FortisOntario Generation”), which consists of six small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 megawatts (“MW”).

BECOL owns and operates both the 25 MW Mollejon and 7 MW Chalillo hydroelectric facilities, located on the Macal River in Belize, Central America. Through FortisUS Energy, a wholly owned subsidiary of Fortis Properties, the Corporation owns and operates 4 hydroelectric generating stations in Upper New York State with a total combined capacity of 23 MW. FortisOntario includes 75 MW of water entitlement associated with the Rankine Generating Station at Niagara Falls and the operation of a 5 MW gas-fired cogeneration plant that provides district heating to 17 commercial customers in Cornwall. During 2005, the Rankine Generating Station assets were written down as a result of the implementation of a water and power exchange agreement with Ontario Power Generation Inc. (“OPGI”) (the “Niagara Exchange Agreement”). The Niagara Exchange Agreement assigns FortisOntario water rights on the Niagara River to OPGI and facilitates the irrevocable exchange of 75 MW of wholesale electric power supply to FortisOntario from OPGI until April 30, 2009 in exchange for FortisOntario’s agreement not to seek renewal of the water entitlement at that time. The non-regulated electricity generation operations of FortisBC conducted through

Walden, its wholly owned partnership, include the 16 MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia.

Through its wholly owned subsidiary, Fortis Properties, the Corporation owns and operates hotels in six provinces in Canada and commercial real estate in Atlantic Canada. Its holdings include 14 hotels with more than 2,800 rooms and approximately 2.7 million square feet of commercial real estate.

## **Regulated Utilities — Canadian**

### ***FortisAlberta***

On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of FortisAlberta (formerly Aquila Networks Canada (Alberta) Ltd.). FortisAlberta owns and operates the electricity distribution system in a substantial portion of southern and central Alberta. FortisAlberta distributes electricity to approximately 421,000 customers using approximately 104,000 kilometres of power lines. FortisAlberta's business is the ownership and operation of regulated electricity distribution facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers. FortisAlberta is not involved in the generation, transmission or direct sale of electricity.

### ***FortisBC***

On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of FortisBC (formerly Aquila Networks Canada (British Columbia Ltd.)). FortisBC is an integrated regulated electric utility that owns a network of generation, transmission and distribution assets located in the southern interior of British Columbia. FortisBC serves a diverse mix of approximately 150,000 customers, with residential customers representing the largest customer segment. FortisBC owns four regulated hydroelectric generating plants with an aggregate capacity of 235 MW that provide approximately 50% of the Corporation's energy and 30% of its capacity needs. FortisBC's remaining electricity supply is acquired through long-term power purchase contracts and short-term market purchases. FortisBC includes non-regulated operating, maintenance and management services relating to the 450 MW Waneta hydroelectric generation facility owned by Teck Cominco Metals Ltd., the 149 MW Brilliant Hydroelectric Plant and the 185 MW Arrow Lakes Hydroelectric Plant owned by Columbia Power Corporation and Columbia Basin Trust and the distribution system owned by the City of Kelowna.

Fortis also indirectly owns all of the outstanding shares of Princeton Light and Power Company, Limited ("PLP"), which was purchased on May 31, 2005 and is an electric utility that serves approximately 3,200 customers, mainly in Princeton, British Columbia. PLP presently purchases its wholesale power from FortisBC.

### ***Newfoundland Power***

Fortis holds all of the common shares of Newfoundland Power. Newfoundland Power is an electric utility that operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. Newfoundland Power serves over 227,000 customers, or 85% of electricity customers in the Province, in approximately 600 communities, and met a peak demand of 1,124 MW in 2005. Approximately 90% of the electricity that Newfoundland Power sells to its customers is purchased from Newfoundland and Labrador Hydro Corporation. Currently, Newfoundland Power has an installed generating capacity of 136 MW, of which 92 MW is hydroelectric generation.

### ***Maritime Electric***

Through its subsidiary, Fortis Properties, Fortis owns all of the common shares of Maritime Electric, which is the principal distributor of electricity on Prince Edward Island. Maritime Electric directly supplies approximately 70,300 customers, or approximately 90% of the electricity consumers on the Island, and met a peak demand of 209 MW in 2005. Maritime Electric purchases most of the energy it distributes to its customers from New Brunswick Power Corporation and maintains on-Island generating facilities at Charlottetown and Borden-Carleton with a combined total capacity of 150 MW.

### ***FortisOntario***

The Corporation's regulated utility investments in Ontario are comprised of CNPI, including the operations of Port Colborne Hydro, and Cornwall Electric, all of which are owned through FortisOntario. In total, its distribution



operations serve approximately 51,300 customers in the Fort Erie, Port Colborne, Cornwall and Gananoque areas of Ontario and met a combined peak demand of 249 MW in 2005. CNPI owns international transmission facilities at Fort Erie as well as a 10% interest in each of Westario Power Holdings Inc. and Rideau St. Lawrence Holdings Inc., two regional electric distribution companies formed in 2000 that, together, serve approximately 27,000 customers.

## **Regulated Utilities — Caribbean**

### ***Belize Electricity***

Fortis, through wholly owned subsidiaries incorporated under the laws of the Cayman Islands, holds a 70.1% interest in Belize Electricity. Belize Electricity is the primary distributor of electricity in the Central American country of Belize. Belize Electricity directly supplies approximately 69,000 customers in Belize and meets a peak demand of 64 MW.

### ***Caribbean Utilities***

Fortis, through a wholly owned subsidiary, holds an approximate 37.4% interest in Caribbean Utilities, the only public electric utility on Grand Cayman, Cayman Islands. Caribbean Utilities has the exclusive right to generate, distribute, transmit and supply electricity to the island of Grand Cayman, Cayman Islands, pursuant to a 25-year exclusive licence issued in 1986. Caribbean Utilities serves more than 21,600 customers and, by the end of July 2006, Caribbean Utilities' total owned generating capacity reached 120 MW compared to 123 MW pre-Hurricane Ivan. Hurricane Ivan was a Category V hurricane that struck Grand Cayman in September 2004.

The Class A Ordinary Shares of Caribbean Utilities are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol CUP.U. The Corporation's investment in Caribbean Utilities resulted from a series of transactions from March 2000 through June 2006. Following these transactions, Fortis beneficially owns 9,452,395 Class A Ordinary Shares, or approximately 37.4% of the outstanding Class A Ordinary Shares.

## **Non-Regulated — Fortis Generation**

### ***Ontario***

Non-regulated generation assets in Ontario include the operations of FortisOntario and the former FortisOntario Generation. On December 14, 2005, FortisOntario Generation was transferred from FortisOntario to Fortis Properties and, subsequently, on January 1, 2006, FortisOntario Generation was amalgamated with CNE Energy and continues to operate as CNE Energy. CNE Energy's operations in Ontario consist of six small hydroelectric generating stations, which were originally acquired as Granite Power Distribution and Rideau Falls, with a combined capacity of approximately 8 MW. FortisOntario's assets include 75 MW of water entitlement associated with the Rankine Generating Station at Niagara Falls and the operation of a 5-MW gas-fired cogeneration plant that provides district heating to 17 commercial customers in Cornwall. During 2005, the Rankine Generating Station assets were written down as a result of the implementation of the Niagara Exchange Agreement. The Niagara Exchange Agreement assigns FortisOntario's water rights on the Niagara River to OPGI and facilitates the irrevocable exchange of 75 MW of wholesale electric power supply to FortisOntario from OPGI until April 30, 2009 in exchange for FortisOntario's agreement not to seek renewal of the water entitlement at that time.

### ***Belize***

Non-regulated generation operations in Belize are conducted through the Corporation's wholly owned indirect subsidiary, BECOL, under a franchise agreement with the Government of Belize. Fortis acquired a 95% interest in BECOL in 2001 for total consideration of approximately \$103 million. On May 20, 2004, Fortis acquired the remaining five per cent interest in BECOL from the Social Security Board of the Government of Belize for \$4.8 million, making it a wholly owned indirect subsidiary of the Corporation. BECOL owns and operates the 25 MW Mollejon hydroelectric facility and the 7-MW Chalillo hydroelectric facility, which was inaugurated on November 15, 2005. Both facilities are located on the Macal River in Belize. These generating plants have the capability of delivering average annual energy production of approximately 160 gigawatt hours ("GWh"). BECOL sells its entire output to Belize Electricity under a 50 year power purchase agreement.

### ***Central Newfoundland***

Non-regulated generation operations in central Newfoundland are conducted through the Corporation's indirect 51% interest in the Exploits Partnership. The Exploits Partnership is a partnership with Abitibi-Consolidated that constructed, installed and operates additional capacity at Abitibi-Consolidated's hydroelectric plant at Grand Falls-Windsor and redeveloped the forestry company's hydroelectric plant at Bishop Falls, Newfoundland and Labrador. The 51% interest in the partnership is owned through CNE Energy, a wholly owned subsidiary of Fortis Properties, which was transferred from the Corporation's direct control on December 1, 2005. On December 1, 2005, the name of CNE Energy replaced the previous name of Central Newfoundland Energy Inc. On January 1, 2006, CNE Energy and FortisOntario Generation amalgamated and continue to operate as CNE Energy. The project undertaken by the Exploits Partnership was completed in November 2003. Abitibi-Consolidated continues to utilize the historical annual generation of approximately 450 GWh while the additional energy produced from the new facilities, approximately 140 GWh, is sold to Newfoundland Hydro under a 30-year take-or-pay power purchase agreement, which is exempt from regulation.

### ***Upper New York State***

Non-regulated generation operations in upper New York State are conducted through the Corporation's wholly owned indirect subsidiary FortisUS Energy, which became a direct subsidiary of Fortis Properties on January 1, 2005 by way of a transfer from its subsidiary, Maritime Electric. Generating operations in upper New York State include the operations of four hydroelectric generating stations with a combined generating capacity of 23 MW operating under licences from the United States Federal Energy Regulatory Commission.

### ***British Columbia***

Non-regulated generation operations in British Columbia were acquired as part of FortisBC in May 2004. Generating assets in British Columbia consist of the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. This plant sells its entire output to BC Hydro under a power purchase agreement.

### **Non-Regulated — Fortis Properties**

Fortis has owned all of the issued and outstanding shares of Fortis Properties since its inception in 1989. Fortis Properties owns and operates hotels in six provinces in Canada and commercial real estate in Atlantic Canada. Its holdings include 14 hotels with more than 2,800 rooms and approximately 2.7 million square feet of commercial real estate.

## **RECENT DEVELOPMENTS**

On August 28, 2006, the Corporation acquired, through its wholly owned subsidiary Fortis Energy (Bermuda) Ltd., all of the outstanding shares of PPC and Atlantic. The aggregate purchase price, including assumed debt of approximately US\$20,000,000, was approximately US\$90,000,000.

Together, PPC and Atlantic serve almost 7,500 customers, or approximately 80% of electricity customers in the Turks and Caicos Islands. PPC is the sole provider of electricity in Providenciales, North Caicos and Middle Caicos pursuant to an exclusive 50-year licence that expires in 2037. Atlantic is the sole provider of electricity in South Caicos pursuant to an exclusive 50-year licence that expires in 2036. The utilities have a combined diesel-fired generating capacity of approximately 35 MW and meet a peak demand of approximately 20 MW.

Each utility is regulated under a traditional rate of return on rate base approach, with a fixed rate of return of 17.5% on a defined asset base. The combined defined asset base of the two utilities as at June 30, 2006 was approximately US\$50,000,000.

Following the closing of the purchase of PPC and Atlantic, the Premier of the Turks and Caicos Islands questioned whether the consent of the Government of the Turks and Caicos Islands was required in connection with the transaction and referred the matter to the Attorney General for review. Fortis is of the view that no such consent was required.

## SHARE CAPITAL OF FORTIS

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of First Preference Shares issuable in series and an unlimited number of Second Preference Shares issuable in series, in each case without nominal or par value. As at September 20, 2006, 103,706,175 Common Shares, 5,000,000 First Preference Shares Series C and 7,993,500 First Preference Shares Series E were issued and outstanding.

Holders of Common Shares are entitled to dividends on a *pro rata* basis if, as and when declared by the board of directors of Fortis. Subject to the rights of the holders of the First Preference Shares and Second Preference Shares and any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the board of directors of Fortis may declare dividends on the Common Shares to the exclusion of any other class of shares of the Corporation. On the liquidation, dissolution or winding-up of Fortis, holders of Common Shares are entitled to participate rateably in any distribution of assets of Fortis, subject to the rights of holders of First Preference Shares and Second Preference Shares and any other class of shares of the Corporation entitled to receive the assets of the Corporation on such a distribution in priority to or rateably with the holders of the Common Shares. Holders of the Common Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of Fortis, other than separate meetings of holders of any class or series of shares, and to one vote in respect of each Common Share held at such meetings.

## EARNINGS COVERAGE RATIO

The Corporation's dividend requirements on all of its First Preference Shares after giving effect to the issue of 5,000,000 Series F First Preference Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 32.9%, amounted to \$34 million for each of the 12 months ended December 31, 2005 and the 12 months ended June 30, 2006. The Corporation's interest requirements for the 12 months ended December 31, 2005 and 12 months ended June 30, 2006, respectively, amounted to \$187 million and \$186 million. The Corporation's earnings before interest and income tax for the 12 months ended December 31, 2005 and 12 months ended June 30, 2006, were \$364 million and \$340 million, respectively, which is 1.95 times and 1.83 times the Corporation's aggregate dividend and interest requirements for the periods, respectively.

## RATINGS

The Series F First Preference Shares are rated pfd-3(high) by Dominion Bond Rating Service Limited ("DBRS"). The Series F First Preference Shares are rated P-2(Low) by Standard & Poor's ("S&P").

The DBRS rating of pfd-3(high) is the highest of three sub-categories within the third highest rating of the six standard categories of ratings utilized by DBRS for preferred shares. A P-2(Low) rating by S&P is the lowest of the three sub-categories within the second highest rating of the eight standard categories of ratings utilized by S&P for preferred shares.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings accorded to the Series F First Preference Shares by these rating agencies are not recommendations to purchase, hold or sell the Series F First Preference Shares, as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

## DETAILS OF THE OFFERING

### Specific Provisions of First Preference Shares

The following is a summary of the material rights, privileges, conditions and restrictions attached to the First Preference Shares as a class.

#### *Issuance in Series*

The board of directors of the Corporation may from time to time issue First Preference Shares in one or more series. Prior to issuing shares in a series, the board of directors is required to fix the number of shares in the series and determine the designation, rights, privileges, restrictions and conditions attaching to that series of First Preference Shares.

***Priority***

The First Preference Shares rank on a parity with the First Preference Shares of every other series and in priority to all other shares of the Corporation as to the payment of dividends, return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. Each series of First Preference Shares participates rateably with every other series of First Preference Shares in respect of accumulated cumulative dividends and return of capital if any amount of cumulative dividends, whether or not declared, or amount payable on the return of capital in respect of a series of First Preference Shares, is not paid in full.

***Voting***

The holders of the First Preference Shares are not entitled to any voting rights as a class except to the extent that voting rights may from time to time be attached to any series of First Preference Shares, and except as provided by law or as described below under “Modification”. At any meeting of the holders of the First Preference Shares, each holder shall have one vote in respect of each First Preference Share held.

***Modification***

The class provisions attached to the First Preference Shares may only be amended with the prior approval of the holders of the First Preference Shares in addition to any other approvals required by the *Corporations Act* (Newfoundland and Labrador) or any other statutory provisions of like or similar effect in force from time to time. The approval of the holders of the First Preference Shares with respect to any and all matters may be given by at least two-thirds of the votes cast at a meeting of the holders of the First Preference Shares duly called for that purpose.

***Specific Provisions of Series F First Preference Shares***

The following is a summary of the material rights, privileges, restrictions and conditions attached to the Series F First Preference Shares.

***Issue Price***

The Series F First Preference Shares will have an issue price of \$25.00 per share.

***Priority***

The Series F First Preference Shares rank on a parity with any other series of First Preference Shares of the Corporation and senior to all other shares of the Corporation with respect to priority to the payment of dividends, return of capital and the distribution of assets on the dissolution, liquidation or winding-up of the Corporation.

***Dividends***

The holders of the Series F First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount equal to \$1.2250 per share per annum, accruing from the date of original issue, payable in equal quarterly installments on the first day of March, June, September and December of each year. Assuming an issue date of September 28, 2006, the first such dividend will be payable on December 1, 2006 and will be \$0.2148 per share and thereafter the quarterly dividend will be \$0.3063 per share.

***Redemption***

The Series F First Preference Shares are not redeemable before December 1, 2011. On or after this date, subject to the terms of any shares of the Corporation ranking prior to the Series F First Preference Shares, to applicable law and to the provisions described under “Restrictions on Dividends and Retirement and Issue of Shares” below, the Corporation may, at its option, at any time redeem all, or from time to time any part, of the outstanding Series F First Preference Shares by the payment of an amount in cash for each such share so redeemed of \$26.00 if redeemed before December 1, 2012, \$25.75 on or after December 1, 2012 but if redeemed before December 1, 2013, of \$25.50 if redeemed on or after December 1, 2013 but before December 1, 2014, of \$25.25 if redeemed on or after December 1, 2014 but before December 1, 2015, and of \$25.00 if redeemed on or after December 1, 2015, plus in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Notice of any redemption will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Series F First Preference Shares are at any time to be redeemed, the shares will be redeemed on a *pro rata* basis.

### ***Purchase for Cancellation***

Subject to applicable law, any necessary regulatory approvals and the provisions described under “Restrictions on Dividends and Retirement and Issue of Shares” below, the Corporation may, at any time, purchase for cancellation the whole or any part of the Series F First Preference Shares in the open market or by private agreement or otherwise at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable.

### ***Liquidation, Dissolution and Winding-Up***

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series F First Preference Shares will be entitled to payment of an amount equal to \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted and withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of the Common Shares or any other shares ranking junior as to capital to the Series F First Preference Shares. The holders of the Series F First Preference Shares will not be entitled to share in any further distribution of the assets of the Corporation.

### ***Restrictions on Dividends and Retirement and Issue of Shares***

So long as any of the Series F First Preference Shares are outstanding, the Corporation will not, without the approval of the holders of the Series F First Preference Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series F First Preference Shares) on any shares of the Corporation ranking as to dividends junior to the Series F First Preference Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Series F First Preference Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series F First Preference Shares;
- (c) redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series F First Preference Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any First Preference Shares, ranking as to dividends or capital on a parity with the Series F First Preference Shares; or
- (e) issue any additional Series F First Preference Shares or any shares ranking as to dividends or capital prior to or on a parity with the Series F First Preference Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series F First Preference Shares and on all other shares of the Corporation ranking as to dividends prior to or on a parity with the Series F First Preference Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

### ***Shareholder Approvals***

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series F First Preference Shares as a series and any other approval to be given by the holders of the Series F First Preference Shares may be given by a resolution carried by an affirmative vote of at least two-thirds of the votes cast at a meeting at which the holders of not less than a majority of the outstanding Series F First Preference Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series F First Preference Shares then present would form the necessary quorum. At any meeting of holders of Series F First Preference Shares as a series, each such holder shall be entitled to one vote in respect of each Series F First Preference Share held.



### *Voting Rights*

The holders of the Series F First Preference Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of First Preference Shares as a class and meetings of the holders of Series F First Preference Shares as a series) to receive notice of, attend at, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation fails to pay eight quarterly dividends on the Series F First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series F First Preference Shares will have the right to receive notice of and to attend each meeting of shareholders of the Corporation which takes place more than 60 days after the date on which the failure first occurs (other than a separate meeting of the holders of another series or class of shares) and such holders shall have the right, at any such meeting, to one vote for each Series F First Preference Share held. Subject to applicable law, no other voting rights shall attach to the Series F First Preference Shares in any circumstances. The voting rights of the holders of the Series F First Preference Shares shall forthwith cease upon payment by the Corporation of any and all such dividends in arrears on the Series F First Preference Shares to which the holders are entitled, until such time as the Corporation may again fail to pay eight quarterly dividends on the Series F First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends, in which event such voting rights shall become effective again and so on from time to time.

### *Tax on Dividends*

The Corporation will elect, in the manner and within the time provided under subsection 191.2(1) of the Tax Act, to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series F First Preference Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Davies Ward Phillips & Vineberg LLP and Stikeman Elliott LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Series F First Preference Shares who purchases the Series F First Preference Shares pursuant to this Prospectus (a “Holder”) and who, at all relevant times for purposes of the Tax Act, is a resident of Canada, deals at arm’s length with the Corporation, holds the Series F First Preference Shares as capital property and is not affiliated with the Corporation. Generally, the Series F First Preference Shares will be considered capital property of a Holder provided the Holder does not hold such shares in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure in the nature of trade. A Holder whose Series F First Preference Shares do not otherwise qualify as capital property may make, in certain circumstances, an irrevocable election under subsection 39(4) of the Tax Act to have such shares and every “Canadian security” (as defined in the Tax Act) owned by such Holder in the taxation year of the election and all subsequent taxation years deemed to be capital property.

This summary does not take into account the “mark-to-market” rules applicable to a “financial institution” within the meaning of section 142.2 of the Tax Act and such institutions are advised to consult with their own tax advisors.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.**

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsel’s understanding of the current published administrative practices of the Canada Revenue Agency (“CRA”). This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations.



## ***Dividends***

Dividends (including deemed dividends) received on the Series F First Preference Shares by an individual must be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by an individual from taxable Canadian corporations. Draft legislation released by the Minister of Finance (Canada) on June 29, 2006 proposes to enhance such gross-up and dividend tax credit for "eligible dividends" paid after 2005. Under the draft legislation, a dividend will be eligible for the enhanced gross-up and dividend tax credit if the dividend recipient receives written notice from the paying corporation designating the dividend as an eligible dividend. Assuming the legislation is enacted in the form proposed, Fortis anticipates that it will provide such written notice of such designation. There may be limitations on the ability of a corporation to designate dividends as eligible dividends.

Dividends (including deemed dividends) received on the Series F First Preference Shares by a corporation must be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

The Series F First Preference Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series F First Preference Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series F First Preference Shares. Thus, provided that such election is made, dividends on the Series F First Preferred Shares received (or deemed to be received) by a corporation will not be subject to the 10% tax payable under Part IV.1 of the Tax Act.

A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 $\frac{1}{3}$ % on dividends received (or deemed to be received) on the Series F First Preference Shares to the extent such dividends are deductible in computing its taxable income.

## ***Redemption***

If the Corporation redeems or otherwise acquires a Series F First Preference Share (otherwise than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital (as determined for purposes of the Tax Act) of such share at such time. Generally, the difference between the amount paid by the Corporation and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such share. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not a dividend.

## ***Dispositions***

A Holder who disposes of or is deemed to dispose of the Series F First Preference Shares (either on redemption or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Corporation of Series F First Preference Shares will not generally be included in computing the proceeds of disposition for the Series F First Preference Shares. If the Holder is a corporation, any capital loss arising on the disposition of a Series F First Preference Share may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series F First Preference Shares. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

One-half of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year must be included in the Holder's income in that year and one-half of any capital loss (an "allowable capital loss") sustained by a Holder in a taxation year will be deducted from the Holder's taxable capital gains in that year. Allowable capital losses in excess of taxable capital gains generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

Capital gains realized by an individual may give rise to a liability for minimum tax under the Tax Act. A Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on investment income (including taxable capital gains).

### **BOOK ENTRY ONLY SYSTEM**

Except as otherwise provided below, the Series F First Preference Shares will be issued in a “book-entry only” form and must be purchased or transferred through participants (“Participants”) in the depository service of CDS or its nominee which include securities brokers and dealers, banks and trust companies. On the date of closing, the Corporation will cause a global certificate representing the Series F First Preference Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as otherwise provided below, no purchaser of Series F First Preference Shares will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that purchaser’s ownership, and no purchaser will be shown on the records maintained by CDS except through a book entry account of a Participant acting on behalf of the purchaser. Each purchaser of Series F First Preference Shares will receive a customer confirmation of purchase from the registered dealer from which the Series F First Preference Shares are purchased in accordance with the practices and procedures of the dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book entry accounts for its Participants having interests in the Series F First Preference Shares. Physical certificates evidencing the Series F First Preference Shares will not be issued to purchasers, except in limited circumstances, and registration will be made through the depository service of CDS.

Neither the Corporation nor the Underwriters will assume any liability for (a) any aspect of the records relating to the beneficial ownership of the Series F First Preference Shares held by CDS or the payments relating thereto, (b) maintaining, supervising or reviewing any records relating to the Series F First Preference Shares, or (c) any advice or representation made by or with respect to CDS and those contained in this prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Series F First Preference Shares must look solely to Participants for payments made by or on behalf of the Corporation to CDS in respect of the Series F First Preference Shares.

If (i) required by applicable law, (ii) the book entry system ceases to exist, (iii) CDS advises the Corporation that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series F First Preference Shares and the Corporation is unable to locate a qualified successor, or (iv) the Corporation, at its option, decides to terminate the book entry system, then certificates representing the Series F First Preference Shares will be made available.

#### ***Manner of Effecting Transfer or Redemption***

A transfer or redemption of Series F First Preference Shares will be effected through records maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of Series F First Preference Shares who are not Participants, but who wish to purchase, sell or otherwise transfer ownership of or other interests in Series F First Preference Shares, may do so only through Participants.

### **CHANGES IN SHARE AND LOAN CAPITAL STRUCTURE**

The following describes the changes in the share and loan capital structure of Fortis since June 30, 2006:

- During the period from June 30, 2006 up to and including September 20, 2006, Fortis issued an aggregate of 217,095 Common Shares pursuant to the Corporation’s Consumer Share Purchase Plan, Dividend Reinvestment Plan, Employee Share Purchase Plan and upon the exercise of options granted pursuant to the 2002 Stock Option Plan and the Executive Stock Option Plan for an aggregate consideration of \$3,280,379.
- On August 25, 2006, Fortis made draw downs under its credit facilities of an aggregate amount of approximately \$75 million for the purpose of funding the acquisition of PPC and Atlantic. See “Recent Developments”. As at September 8, 2006, there was an aggregate of approximately \$120 million outstanding under the Corporation’s credit facilities.

## USE OF PROCEEDS

The estimated net proceeds from the sale of the Series F First Preference Shares will be approximately \$121 million, after deducting the Underwriters' fee and the estimated expenses of this offering. A portion of the net proceeds of this offering will be used to repay approximately \$72 million previously borrowed under the Corporation's credit facilities, which indebtedness was incurred: (i) to partially fund the acquisition by Fortis of PPC and Atlantic on August 28, 2006 (see "Recent Developments"); (ii) to fund equity injections into the Corporation's western Canadian regulated electric utilities and Belize Electricity Limited in support of their extensive capital expenditure programs; and (iii) for general corporate purposes. The balance of the net proceeds of the offering will be used to fund further equity injections into the Corporation's western Canadian regulated electric utilities in support of their extensive capital expenditure programs and for general corporate purposes.

## PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of September 13, 2006 (the "Underwriting Agreement") between Fortis and the Underwriters, Fortis has agreed to issue and sell, and the Underwriters have agreed to purchase, as principals, on the Closing Date or on such later date as may be agreed upon, but in any event not later than November 2, 2006, 5,000,000 Series F First Preference Shares offered hereby at a price of \$25.00 per Series F First Preference Share subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Corporation has agreed to pay fees to the Underwriters in the amount of \$0.25 per Series F First Preference Share sold to institutions and \$0.75 per Series F First Preference Share for all other Series F First Preference Shares purchased by the Underwriters in consideration of services rendered by the Underwriters in connection with the offering. The Offering Price and other terms of the offering for the Series F First Preference Shares were determined by negotiation between the Corporation and the Underwriters. The total price to the public will be \$125,000,000, the Underwriters' fee will be \$3,750,000 (assuming that no Series F First Preference Shares are sold to institutions) and the net proceeds to Fortis will be \$121,250,000.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Series F First Preference Shares ends and all stabilization arrangements relating to the Series F First Preference Shares are terminated, bid for or purchase Series F First Preference Shares. The foregoing restrictions are subject to certain exceptions including (a) a bid for or purchase of Series F First Preference Shares if the bid or purchase is made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules of Market Regulation Services Inc., (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period, and (c) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. The Underwriters may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Series F First Preference Shares is for the purpose of maintaining a fair and orderly market in the Series F First Preference Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Series F First Preference Shares have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended (the "1933 Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell the Series F First Preference Shares within the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the 1933 Act), except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. In addition, until 40 days after the commencement of the offering of the Series F First Preference Shares pursuant to this Prospectus, an offer or sale of Series F First Preference Shares within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in reliance on Rule 144A.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion in certain circumstances including upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series F First Preference Shares if any are purchased under the

Underwriting Agreement. Under the terms of the Underwriting Agreement, the Underwriters may be entitled to indemnification by the Corporation against certain liabilities, including liabilities for misrepresentation in this Prospectus.

BMO Nesbitt Burns, CIBCWM, RBCDS, Scotia Capital, HSBC Securities, NB Financial and TD Securities are each subsidiaries of Canadian chartered banks that have, either solely or as a member of a syndicate of financial institutions, extended credit facilities to the Corporation and/or its subsidiaries. The net proceeds from this offering will be used in part to repay indebtedness under credit facilities owing by the Corporation to certain of such banks. Accordingly, the Corporation may be considered a “connected issuer” of such Underwriters under applicable securities legislation. Fortis is currently in compliance with the terms of its credit facilities with such banks. Since the execution of such credit facilities, no breach thereunder has been waived by such banks. The Underwriters will not receive any direct benefit from the offering other than the underwriting commission relating to this offering. The decision to distribute the Series F First Preference Shares hereunder and the determination of the terms of this offering were made through negotiation between the Corporation and the Underwriters. No bank had any involvement in such decision or determination. See “Use of Proceeds”.

The TSX has conditionally approved the listing of the Series F First Preference Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before December 14, 2006, including distribution of the Series F First Preference Shares to a minimum number of public securityholders.

## **RISK FACTORS**

A prospective purchaser of Series F First Preference Shares should carefully consider the information contained under the heading “Business Risk Management” in the Management Discussion and Analysis of financial conditions and results of operations found on pages 62 to 67 of the Corporation’s 2005 Annual Report and under the heading “Risk Factors” found on pages 44 to 48 of the Corporation’s 2005 Annual Information Form, each of which is incorporated by reference in this Prospectus, as well as the other information contained in this Prospectus (including the documents incorporated by reference herein).

## **LEGAL MATTERS**

Certain legal matters relating to this offering will be passed upon on behalf of the Corporation by Davies Ward Phillips & Vineberg LLP, Toronto, and McInnes Cooper, St. John’s and on behalf of the Underwriters by Stikeman Elliott LLP, Toronto. At the date hereof, partners and associates of each of Davies Ward Phillips & Vineberg LLP, McInnes Cooper and Stikeman Elliott LLP own beneficially, directly or indirectly, less than one per cent of any securities of the Corporation or any associate or affiliate of the Corporation.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Ernst & Young LLP, The Fortis Building, 7th Floor, 139 Water Street, St. John’s, Newfoundland and Labrador A1C 1B2, are the auditors of the Corporation. The transfer agent and registrar for the Series F First Preference Shares is Computershare Trust Company of Canada in Toronto and Montréal.

## **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for recession or, in some jurisdictions, damages if the prospectus and any amendments contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

## AUDITOR'S CONSENT

We have read the short form prospectus of Fortis Inc. (the "Corporation") dated September 20, 2006 relating to the issue and sale of 5,000,000 First Preference Shares, Series F of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference, in the above-mentioned prospectus, of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. Our report is dated January 27, 2006.

St. John's, Canada  
September 20, 2006

(signed) ERNST & YOUNG LLP  
Chartered Accountants

**CERTIFICATE OF FORTIS INC.**

Dated: September 20, 2006

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) H. STANLEY MARSHALL  
President and  
Chief Executive Officer

(Signed) BARRY V. PERRY  
Vice-President, Finance and  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) BRUCE CHAFE  
Director

(Signed) DAVID G. NORRIS  
Director



**CERTIFICATE OF THE UNDERWRITERS**

Dated: September 20, 2006

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, together with the documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

**BMO NESBITT BURNS INC.**

(Signed) JAMES A. TOWER

**CIBC WORLD MARKETS INC.**

(Signed) DAVID H. WILLIAMS

**RBC DOMINION SECURITIES INC.**

(Signed) DAVID DAL BELLO

**SCOTIA CAPITAL INC.**

(Signed) JOHN MATOVICH

**HSBC SECURITIES (CANADA) INC.**

(Signed) ROD A. McISAAC

**NATIONAL BANK FINANCIAL INC.**

(Signed) MARTIN L. JURAVSKY

**TD SECURITIES INC.**

(Signed) HAROLD HOLLOWAY

**BEACON SECURITIES LIMITED**

(Signed) ROBERT MACKAY

**CANACCORD CAPITAL CORPORATION**

(Signed) RONALD A. RIMER

**FORTIS**