FOR IMMEDIATE RELEASE

St. John’s, NL (February 5, 2009):

Fortis Earns Record $245 Million in 2008
Annual Capital Program Reaches $904 Million
Annual Cash Flow from Operations Climbs to $663 Million

Fortis Inc. (“Fortis” or the “Corporation”) (TSX:FTS) delivered net earnings applicable to common shares of $245 million in 2008, 27 per cent higher than earnings of $193 million in 2007. Earnings per common share were $1.56, 16 cents higher than earnings per common share of $1.40 in 2007.

“Fortis delivered earnings of $245 million in 2008, which marks the ninth consecutive year the Corporation has delivered record earnings to our shareholders. Results were driven by a full year of earnings from Terasen and increased contributions from hydroelectric generation,” says Stan Marshall, President and Chief Executive Officer, Fortis Inc. “In 2008, Fortis completed its largest ever capital program, with approximately $900 million being invested in energy infrastructure to enhance reliability of service to our customers and to meet their growing energy requirements,” he explains.

Earnings for the fourth quarter were $76 million, or $0.48 per common share, compared to $79 million, or $0.51 per common share, for the same quarter in 2007. Fourth quarter results for 2007 were favourably impacted by one-time items totalling approximately $13 million related to the sale of surplus land at Terasen Gas Inc., the reduction of future income tax liability balances at Fortis Properties related to lower enacted corporate income tax rates and an interconnection agreement-related refund at FortisOntario. Excluding these one-time items, earnings were $10 million higher quarter over quarter. The increase was driven by stronger performance and lower corporate taxes at FortisAlberta, lower corporate expenses, and $1 million of additional earnings from Caribbean Utilities related to a change in the utility’s fiscal year end. The increase was partially offset by the impact of a lower allowed rate of return on rate base assets (“ROA”) at Belize Electricity, effective July 1, 2008; an approximate $1 million loss of revenue at Fortis Turks and Caicos related to Hurricane Ike; and an approximate $2 million reduction in fourth quarter earnings at Newfoundland Power associated with a shift in the quarterly distribution of the utility’s annual purchased power expense. Newfoundland Power’s annual earnings were not impacted by the shift in the quarterly distribution of annual purchased power expense.

Dividends paid per common share grew to $1.00 in 2008, up 22 per cent from 82 cents paid per common share in the previous year. Fortis increased its quarterly common share dividend 4 per cent to 26 cents from 25 cents, commencing with the first quarter dividend payable on March 1, 2009. The increase extends the Corporation’s record of annual common share dividend increases to 36 consecutive years, the longest record of any public corporation in Canada.

Fortis and its utilities raised almost $1.2 billion in equity and 30-year debt in 2008, including $230 million in preference equity and $300 million in common equity at Fortis Inc.; $250 million 5.80% debentures at Terasen Gas Inc.; $250 million 6.05% debentures at Terasen Gas (Vancouver Island) Inc.; $100 million 5.85% debentures at FortisAlberta; and $60 million 6.05% bonds at Maritime Electric.

In December, Fortis issued 11.7 million common shares, under a bought deal agreement with underwriters, for gross proceeds of approximately $300 million. Net proceeds from the common equity offering were used to repay short-term debt incurred to retire $200 million of debt at Terasen Inc. (“Terasen”) that matured on December 1, 2008 and for general corporate purposes.

The Terasen Gas companies delivered earnings of $118 million for the full year in 2008 compared to $50 million for the 7½ months of ownership in 2007. Results for 2007 reflected a $7 million after-tax gain on the sale of surplus land. Results for 2008 were favourably impacted by an approximate $5.5 million tax reduction related to the settlement of historical corporate tax matters and a higher allowed rate of return on common shareholder’s equity (“ROE”) as compared to 2007.

Earnings at Canadian Regulated Electric Utilities were $126 million compared to $125 million for 2007. Results for 2007 included a one-time after-tax gain of approximately $2 million related to the receipt of an interconnection agreement-related refund at FortisOntario; however, results for 2008 were reduced by that amount to reflect the regulatory-required repayment of the refund. Excluding these one-time items, earnings' growth of $5 million year over year was driven by rate base growth and higher allowed ROEs at FortisAlberta, FortisBC and Newfoundland Power, partially offset by lower corporate tax recoveries at FortisAlberta.

Customer rates for 2009 have been approved for the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power. The allowed ROEs for 2009 have been set for Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and FortisBC, decreasing slightly to 8.47 per cent, 9.17 per cent and 8.87 per cent, respectively. Newfoundland Power's allowed ROE for 2009 remains unchanged at 8.95 per cent. FortisAlberta is currently engaged in a Generic Cost of Capital Proceeding with its regulator to review, among other things, 2009 ROE calculations and capital structures for regulated gas, electric and pipeline utilities in Alberta. In the interim, as directed by its regulator, customer rates for 2009 at FortisAlberta have been set using the utility's 2007 allowed ROE of 8.51 per cent.

Earnings at Caribbean Regulated Electric Utilities were $17 million compared to $31 million in 2007. Earnings in 2008 were negatively impacted by a one-time $13 million loss related to a June 2008 regulatory decision at Belize Electricity. The decision disallowed previously incurred energy supply costs and is being legally contested. Excluding the above one-time $13 million loss in 2008 and a one-time $2 million loss in 2007 associated with the disposal of steam-turbine assets at Caribbean Utilities, earnings were $3 million lower year over year. Overall electricity sales growth and two additional months of earnings from Caribbean Utilities, related to a change in the utility's fiscal year end, were more than offset by the impact of a 3.25 per cent reduction in basic electricity rates at Caribbean Utilities, effective January 1, 2008; a lower allowed ROA at Belize Electricity, associated with the June 2008 regulatory decision; and an approximate $2 million loss of revenue at Fortis Turks and Caicos associated with Hurricane Ike.

Earnings at Non-Regulated Fortis Generation were $30 million, $6 million higher than in 2007, driven by increased hydroelectric production at central Newfoundland, Belize and upper New York State as a result of higher rainfall, and higher average wholesale energy prices in upper New York State and Ontario. Total energy sales were up 8.5 per cent from 2007.

Earnings at Fortis Properties were $23 million compared to $24 million in 2007. Excluding a $2 million favourable tax adjustment in 2007, earnings were $1 million higher year over year, mainly due to a full year of earnings from the Delta Regina hotel which was acquired in August 2007.

Corporate and other expenses were $69 million compared to $61 million in 2007. The increase was primarily driven by a full year of Terasen acquisition-related finance charges and other Terasen corporate-related expenses, higher preference share dividends associated with the $230 million preference share issue in the second quarter of 2008 and higher business development costs. The increase was partially offset by a higher corporate tax recovery, which reflected the impact of a $2 million tax reduction in 2008 associated with the settlement of historical corporate tax matters at Terasen.

Cash flow from operating activities was $663 million in 2008, up $290 million from 2007. The increase primarily reflected a full year of contributions from the Terasen Gas companies in 2008.

Consolidated capital expenditures, before customer contributions, were $904 million in 2008, including capital expenditures of approximately $220 million at the Terasen Gas companies. Major capital projects in progress include the $200 million liquefied natural gas storage facility on Vancouver Island, the US$53 million Vaca hydroelectric generating facility in Belize and the $124 million installation of automated meters at FortisAlberta.

During the fourth quarter, Standard & Poor's and DBRS confirmed the Corporation's unsecured debt credit ratings which remain unchanged at A- and BBB(high), respectively.

At December 31, 2008, Fortis had consolidated credit facilities of $2.2 billion, of which approximately $1.5 billion was unused, including $568 million unused under the Corporation's $600 million committed revolving credit facility. Approximately $2 billion of the total credit facilities are committed multi-year facilities, the majority of which having maturities between 2011 and 2013.

Debt as a percentage of the total consolidated capital structure of Fortis improved to 59.5 per cent as at December 31, 2008, in line with the Corporation's long-term target of 60 per cent, and compares to 64.3 per cent as at December 31, 2007. Management expects consolidated long-term debt maturities and repayments to be approximately $240 million in 2009 and to average approximately $180 million annually over the next five years.

"With its substantial credit facilities and conservative capital structure, we believe Fortis has the financial flexibility to respond to the global economic downturn and volatility in the capital markets anticipated to continue in 2009," says Marshall. "Fortis is focused on executing its 2009 consolidated capital expenditure program, estimated at approximately $1 billion, to ensure we continue to meet increased energy demand and enhance reliability of service to customers," concludes Marshall.

FINANCIAL HIGHLIGHTS

For the three and twelve months ended December 31, 2008
Dated February 5, 2009

The following fourth quarter 2008 media release should be read in conjunction with the Fortis Inc. ("Fortis" or the "Corporation") Management Discussion and Analysis ("MD&A") and audited consolidated financial statements for the year ended December 31, 2007 included in the Corporation's 2007 Annual Report. Financial information in this fourth quarter 2008 media release has been prepared in accordance with Canadian generally accepted accounting principles and is presented in Canadian dollars unless otherwise specified.

Fortis includes forward-looking information in this fourth quarter 2008 media release within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation's management. The forward-looking information in this release includes, but is not limited to, statements regarding: the expected long-term debt maturities and repayments in 2009 and on average, annually, over the next five years; the expected timing of receipt of regulatory decisions (see "Regulatory Highlights" section of this fourth quarter 2008 media release); the expected amount of the Corporation's 2009 consolidated capital expenditure program and total consolidated capital expenditures over the next five years; the expected timing and amount of specific capital expenditure projects; and the expected impacts on the Corporation and its subsidiaries of the global economic downturn. The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major events; the continued ability to maintain the gas and electricity systems to ensure their continued performance; no severe and prolonged downturn in economic conditions; sufficient liquidity and capital resources; the continuation of regulatory-approved mechanisms to flow through the commodity cost of natural gas and energy supply costs in customer rates; the continued ability to hedge exposures to fluctuations in interest rates, foreign exchange rates and natural gas commodity prices; no significant variability in interest rates; no significant counterparty defaults; the continued competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the continued availability of natural gas supply; the continued ability to fund defined benefit pension plans; the absence of significant changes in government energy plans and environmental laws that may materially impact the operations and cash flows of the Corporation and its subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; no material decrease in market energy sales prices; favourable relations with First Nations; favourable labour relations; and sufficient human resources to deliver service and execute the capital program. The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory risk; operating and maintenance risks; economic conditions; capital resources and liquidity risk; weather and seasonality; commodity price risk; derivative financial instruments and hedging; interest rate risk; counterparty risk; competitiveness of natural gas; natural gas supply; defined benefit pension plan performance and funding requirements; risks related to Terasen Gas (Vancouver Island) Inc.; the British Columbia provincial government energy plan; environmental risk; insurance coverage risk; licences and permits; loss of service area; market energy sales prices; transition to International Financial Reporting Standards; changes in tax legislation; First Nations Lands; labour relations and human resources. For additional information with respect to the Corporation's risk factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and to the heading "Business Risk Management" in the MD&A for the year ended December 31, 2007 and for the three and nine months ended September 30, 2008, and as otherwise disclosed in this fourth quarter 2008 media release.

All forward-looking information in this fourth quarter 2008 media release is qualified in its entirety by the above cautionary statements and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

COMPANY OVERVIEW AND FINANCIAL HIGHLIGHTS

Fortis is the largest investor-owned distribution utility in Canada serving more than 2,000,000 gas and electricity customers. Its regulated holdings include electric utilities in five Canadian provinces and three Caribbean countries and a natural gas utility in British Columbia. Fortis owns non-regulated generation assets across Canada and in Belize and upper New York State and hotels and commercial real estate in Canada. In 2008, the Corporation's electricity distribution systems met a combined peak electricity demand of more than 5,700 megawatts ("MW") and its gas distribution systems met a peak day demand of 1,402 terajoules ("TJ"). For additional information on the Corporation's business segments, refer to Note 1 to the Corporation's interim unaudited consolidated financial statements for the three and nine months ended September 30, 2008 and to the Corporation's audited consolidated financial statements for the year ended December 31, 2007 included in the Corporation's 2007 Annual Report.

The key goals of the Corporation's regulated utilities are to operate sound gas and electricity distribution systems, deliver gas and electricity safely and reliably to customers at reasonable rates, and conduct business in an environmentally responsible manner. The Corporation's main business, utility operations, is highly regulated. It is segmented by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis has adopted a strategy of profitable growth with earnings per common share as the primary measure of performance. Key financial highlights, including earnings by reportable segment, for the fourth quarters and years ended December 31, 2008 and December 31, 2007, are provided in the table below.

Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			**Annual**		
($ millions, except earnings per common share and common shares outstanding)	**2008**	2007	Variance	**2008**	2007	Variance
Revenue	**1,182**	1,018	164	**3,903**	2,718	1,185
Cash flow from operating activities	**214**	152	62	**663**	373	290
Net earnings applicable to common shares	**76**	79	(3)	**245**	193	52
Basic earnings per common share *($)*	**0.48**	0.51	(0.03)	**1.56**	1.40	0.16
Diluted earnings per common share *($)*	**0.46**	0.49	(0.03)	**1.52**	1.32	0.20
Weighted average number of common shares outstanding *(millions)*	**158.9**	155.4	3.5	**157.4**	137.6	19.8
	Segmented Net Earnings					
	Quarter			**Annual**		
	2008	2007	Variance	**2008**	2007	Variance
Regulated Gas Utilities - Canadian						
Terasen Gas Companies [(1)]	**47**	52	(5)	**118**	50	68
Regulated Electric Utilities - Canadian						
FortisAlberta	*11*	*6*	*5*	*46*	*48*	*(2)*
FortisBC [(2)]	*7*	*7*	-	*34*	*31*	*3*
Newfoundland Power	*8*	*9*	*(1)*	*32*	*30*	*2*
Other Canadian [(3)]	*3*	*3*	-	*14*	*16*	*(2)*
	29	25	4	**126**	125	1
Regulated Electric Utilities - Caribbean [(4)]	**8**	9	(1)	**17**	31	(14)
Non-Regulated - Fortis Generation [(5)]	**8**	7	1	**30**	24	6
Non-Regulated - Fortis Properties [(6)]	**4**	8	(4)	**23**	24	(1)
Corporate and Other [(7)]	**(20)**	(22)	2	**(69)**	(61)	(8)
Net Earnings Applicable to Common Shares	**76**	79	(3)	**245**	193	52

(1) Comprised of Terasen Gas Inc. ("TGI"), Terasen Gas (Vancouver Island) Inc. ("TGVI") and Terasen Gas (Whistler) Inc. ("TGWI"). Financial results are reported from May 17, 2007, the date of acquisition.

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

(3) Includes Maritime Electric and FortisOntario. FortisOntario includes Canadian Niagara Power and Cornwall Electric.

(4) Includes Belize Electricity, in which Fortis holds an approximate 70 per cent controlling interest; Caribbean Utilities on Grand Cayman, Cayman Islands, in which Fortis holds an approximate 57 per cent controlling interest; and wholly owned Fortis Turks and Caicos. Caribbean Utilities previously had an April 30 fiscal year end whereby, up to and including the third quarter of 2008, Caribbean Utilities' financial statements were consolidated in the financial statements of Fortis on a two-month lag basis. Caribbean Utilities changed its fiscal year end to December 31 which has resulted in the Corporation consolidating five months of financial results of Caribbean Utilities for the fourth quarter of 2008 and 14 months of financial results for the year. Going forward, this will eliminate the previous two-month lag in consolidating Caribbean Utilities' financial results.

(5) Includes the operations of non-regulated generation assets in Belize, Ontario, central Newfoundland, British Columbia and upper New York State, with a combined generating capacity of 195 MW, mainly hydroelectric.

(6) Includes 20 hotels with more than 3,800 rooms in eight Canadian provinces and approximately 2.8 million square feet of commercial real estate primarily in Atlantic Canada.

(7) Includes Fortis net corporate expenses and, from May 17, 2007, the net expenses of non-regulated Terasen Inc. ("Terasen") corporate-related activities and the financial results of Terasen's 30 per cent ownership interest in CustomerWorks Limited Partnership ("CWLP") and of Terasen's non-regulated wholly owned subsidiary Terasen Energy Services Inc. ("TES").

SEGMENTED RESULTS OF OPERATIONS

REGULATED GAS UTILITIES - CANADIAN

Terasen Gas Companies

Terasen Gas Companies Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2008	2007 [(1)]	Variance	**2008**	2007 [(1)]	Variance
Gas Volumes (TJ)	**66,816**	69,108	(2,292)	**221,122**	118,309	102,813
($ millions)						
Revenue	**606**	548	58	**1,902**	905	997
Energy Supply Costs	**418**	367	51	**1,268**	559	709
Operating Expenses	**71**	66	5	**253**	150	103
Amortization	**24**	24	-	**97**	58	39
Finance Charges	**33**	33	-	**129**	80	49
Gain on Sale of Property	**-**	(8)	8	**-**	(8)	8
Corporate Taxes	**13**	14	(1)	**37**	16	21
Earnings	**47**	52	(5)	**118**	50	68
[(1)] Results are reported from May 17, 2007, the date of acquisition.						

On May 17, 2007, Fortis acquired all of the issued and outstanding common shares of Terasen Inc. (“Terasen”). Terasen owns and operates a gas distribution business carried on by Terasen Gas Inc. (“TGI”), Terasen Gas (Vancouver Island) Inc. (“TGVI”) and Terasen Gas Whistler Inc, collectively referred to as the Terasen Gas companies, and is the principal distributor of natural gas in British Columbia.

Gas volumes: Gas volumes at the Terasen Gas companies decreased 2,292 TJ, or 3.3 per cent, quarter over quarter. The decrease was primarily due to lower transportation volumes to customers sourcing their own gas supplies, partially offset by higher sales volumes to residential customers as a result of increased consumption due to cooler weather compared to the same period for the previous year. Gas volumes were 221,122 TJ for 2008 compared to 220,977 TJ reported by the Terasen Gas companies for the full year in 2007. Increased sales volumes to residential customers, for the reason described above for the quarter, and to customers under fixed price contracts, was largely offset by lower transportation volumes to customers sourcing their own gas supplies. The Terasen Gas companies earn approximately the same margin regardless of whether a customer contracts for the purchase of natural gas or only for the transportation of natural gas.

As a result of the operation of British Columbia Utilities Commission (“BCUC”)-approved regulatory deferral mechanisms, changes in consumption levels and energy supply costs, from those forecasted to set gas distribution rates, do not materially impact earnings.

During 2008, net customer additions at TGI and TGVI totalled approximately 12,800, bringing the total customer count at TGI and TGVI to approximately 929,000 at December 31, 2008. During 2007, net customer additions at TGI and TGVI totaled approximately 13,900. Net customer additions in 2008 were lower than expected, reflecting weakening housing and construction markets and growth in multi-family housing where natural gas use is less prevalent compared to single-family housing.

Revenue: Revenue was $58 million higher quarter over quarter mainly due to: (i) the higher commodity cost of gas charged to customers; (ii) increased residential customer consumption; and (iii) an increase in gas distribution rates, effective January 1, 2008, which included the impact of an increase in the 2008 allowed rate of return on common shareholder’s equity (“ROE”) for TGI and TGVI to 8.62 per cent and 9.32 per cent, respectively, from 8.37 per cent and 9.07 per cent, respectively.

Revenue was approximately $1.9 billion for 2008 compared to $905 million for the partial year in 2007. In addition to the impact of revenue contribution for the full year of 2008, revenue also increased year over year due to the same factors described above for the quarter.

Earnings: Earnings were $5 million lower quarter over quarter. Earnings for the fourth quarter of 2007 included a $7 million after-tax gain on the sale of surplus land. Excluding the after-tax gain, earnings were $2 million higher quarter over quarter, primarily due to the increase in gas distribution rates, effective January 1, 2008 reflecting a higher allowed ROE, partially offset by higher operating expenses driven by increased labour costs.

Earnings were $118 million for 2008 compared to $50 million for the partial year in 2007. Earnings for 2007 were favourably impacted by the $7 million after-tax gain on the sale of surplus land. Earnings for 2008 included an approximate $5.5 million tax reduction associated with the settlement of historical corporate tax matters. During the third quarter of 2008, Terasen reached a settlement with Revenu Québec and Canada Revenue Agency related to amounts owing as a result of amended Québec tax legislation. The legislation was passed in 2006 for the purpose of challenging certain inter-provincial Canadian tax structures.

In addition to earnings' contribution for a full year in 2008 and the one-time tax reduction described above, earnings for 2008 were favourably impacted by the increase in gas distribution rates, effective January 1, 2008 reflecting a higher allowed ROE, partially offset by: (i) higher operating expenses, for the reason described above for the quarter; (ii) higher amortization costs associated with the continued investment in capital assets; and (iii) higher finance charges reflective of higher borrowing rates.

Seasonality materially impacts the earnings of the Terasen Gas companies as a major portion of the gas distributed is used for space heating. Virtually all of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters.

For an update on material regulatory decisions and applications pertaining to the Terasen Gas companies for the fourth quarter of 2008, refer to "Regulatory Highlights".

REGULATED ELECTRIC UTILITIES - CANADIAN

FortisAlberta

FortisAlberta Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2008	2007	Variance	**2008**	2007	Variance
Energy Deliveries (GWh)	**4,068**	4,002	66	**15,722**	15,378	344
($ millions)						
Revenue	**78**	68	10	**300**	270	30
Operating Expenses	**34**	32	2	**130**	122	8
Amortization	**22**	19	3	**85**	75	10
Finance Charges	**12**	10	2	**42**	36	6
Corporate Tax (Recoveries) Expenses	**(1)**	1	(2)	**(3)**	(11)	8
Earnings	**11**	6	5	**46**	48	(2)

Energy Deliveries: Energy deliveries at FortisAlberta increased 66 gigawatt hours ("GWh"), or 1.6 per cent, quarter over quarter and increased 344 GWh, or 2.2 per cent, year over year, mainly due to customer growth. During 2008, the number of customers at FortisAlberta increased by approximately 12,700, bringing the total number of customers at Fortis Alberta to approximately 460,700 at the end of 2008.

As a significant portion of the Company's distribution revenue is derived from fixed or largely fixed billing determinants, changes in energy deliveries are not directly correlated with changes in revenue.

Revenue: Revenue was $10 million higher quarter over quarter and $30 million higher year over year. The increases were mainly due to: (i) a 6.8 per cent increase in customer distribution rates, effective January 1, 2008; (ii) the impact of customer and load growth; (iii) the accrual of the impact for collection in future customer distribution rates of the increase in the 2008 allowed ROE to 8.75 per cent from 8.51 per cent, effective January 1, 2008; and (iv) increased franchise fee revenue.

Earnings: Earnings were $5 million higher quarter over quarter, primarily due to higher revenue and lower future income tax expenses primarily associated with the regulator-approved Alberta Electric System Operator ("AESO") charges deferral account. The increase was partially offset by: (i) higher operating expenses due to increased labour and employee benefit costs associated with increased salaries and number of employees, and higher general operating expenses; (ii) increased amortization costs associated with continued investment in capital assets and higher amortization rates provided for in the 2008/2009 Negotiated Settlement Agreement ("NSA"); and (iii) increased finance charges driven by higher debt levels in support of the Company's significant capital expenditure program.

Annual earnings were $2 million lower than the previous year, driven by lower future income tax recoveries primarily associated with the regulator-approved AESO charges deferral account. Additionally, higher revenue was partially offset by: (i) higher operating expenses due to increased contracted manpower costs, higher labour and employee-benefit costs associated with increased salaries and number of employees, and higher general operating expenses; and (ii) increased amortization costs and finance charges for the reasons described above for the quarter.

FortisAlberta's AESO charges deferral account captures variances between amounts charged by the AESO to FortisAlberta for transmission tariffs and amounts collected by FortisAlberta from customers through the transmission tariff component of basic customer rates. Subject to regulatory approval, amounts charged by the AESO in excess of amounts collected from customers are deferred as a regulatory asset for future recovery from customers, and amounts collected from customers in excess of amounts charged are deferred as a regulatory liability for future refund to customers. Generally, there is a two-year lag between the deferral of amounts in the AESO charges deferral account and their collection from, or refund to, customers in rates.

FortisAlberta records income taxes on the cash taxes payable method, as approved by its regulator, except for certain deferral accounts, including the AESO charges deferral account, whereby income taxes are recorded using the liability method. During the third quarter of 2008, FortisAlberta identified that taxable income from operations, before considering impacts associated with the AESO charges deferral account, could be fully offset by utilizing capital cost allowance deductions. Then, by applying the tax deductions related to transmission tariff payments made to the AESO, a tax loss carryforward could be created and a future income tax recovery could be recorded. Under the liability method of recording income taxes, a future income tax asset associated with the tax loss carryforward is not recorded unless there is certainty of recovery. The transmission tariff payments made to the AESO are recoverable from customers in the future; therefore, a future income tax asset and future income tax recovery were recorded in each of the third and fourth quarters of 2008, which offset the future income tax liability and future income tax expense created by the AESO charges deferral as it was incurred.

Prior to the third quarter of 2008, FortisAlberta was not deducting transmission tariff payments made to the AESO to create tax loss carryforwards and was not recording the associated future income tax recoveries. This accounting treatment, in effect, resulted in a two-year lag of recording the future income tax impacts between the payments of transmission tariff amounts to the AESO and the timing of their collection from customers. Going forward, fluctuations in corporate income taxes associated with the operation of the AESO charges deferral account are not expected to occur.

During 2007, net future income tax recoveries of approximately $9 million were recorded primarily due to the sale of amounts deferred to the AESO charges deferral account. In September 2007 and December 2007, the 2006 deferred AESO charges receivable balance of $28 million and approximately $38 million of the 2007 deferred AESO charges receivable balance, respectively, were sold to a Canadian chartered bank and, as a result, the proceeds were recognized in 2007. In the fourth quarter of 2007, approximately $3 million of future income tax expense was recorded related to amounts deferred in 2007 in the AESO charges deferral account that were not sold in 2007.

In December 2008, FortisAlberta filed a short-form base shelf prospectus for the issuance of up to $350 million in debentures.

For an update on material regulatory decisions and applications pertaining to FortisAlberta for the fourth quarter of 2008, refer to “Regulatory Highlights”.

FortisBC

FortisBC Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2008	2007	Variance	**2008**	2007	Variance
Electricity Sales (GWh)	**842**	839	3	**3,087**	3,091	(4)
($ millions)						
Revenue	**66**	61	5	**237**	229	8
Energy Supply Costs	**23**	19	4	**68**	67	1
Operating Expenses	**18**	20	(2)	**67**	69	(2)
Amortization	**9**	7	2	**34**	31	3
Finance Charges	**7**	7	-	**28**	26	2
Corporate Taxes	**2**	1	1	**6**	5	1
Earnings	**7**	7	-	**34**	31	3

Electricity Sales: Electricity sales at FortisBC increased 3 GWh, or 0.4 per cent, quarter over quarter. The increase was primarily due to residential, general service and wholesale customer growth, partially offset by reduced industrial customer loads as a result of a general slowdown in the forestry sector. Annual electricity sales decreased 4 GWh, or 0.1 per cent, year over year due to reduced industrial customer loads, for the reason described above, partially offset by the impact of residential, general service and wholesale customer growth.

Revenue: Revenue was $5 million higher quarter over quarter. The favourable impact of: (i) a 2.9 per cent increase in electricity rates, effective January 1, 2008, which included the impact of an increase in the 2008 allowed ROE to 9.02 per cent from 8.77 per cent; (ii) a 0.8 per cent increase in electricity rates, effective May 1, 2008, as a result of the flow through to customers of increased purchased power costs from BC Hydro; (iii) electricity sales growth; and (iv) a shift in sales mix from lower-rate customer classes to higher-rate customer classes was partially offset by lower revenue contributions from non-regulated operating, maintenance and management services.

Annual revenue was $8 million higher than the previous year, driven by the increases in electricity rates and the shift in sales mix. The increase was partially offset by lower revenue contributions from non-regulated operating, maintenance and management services and lower electricity sales.

Earnings: FortisBC’s earnings were comparable quarter over quarter. The impact of the 2.9 per cent increase in electricity rates was offset by increased energy supply costs, driven by higher average market power purchase prices due to increased demand during peak times, and higher amortization costs reflective of the Company’s significant capital expenditure program.

Annual earnings were $3 million higher than the previous year. The increase was primarily due to the 2.9 per cent increase in electricity rates, partially offset by higher amortization costs and finance charges related to the Company’s significant capital expenditure program.

Operating expenses were $2 million lower quarter over quarter mainly due to lower operating expenses associated with non-regulated operating, maintenance and management services. Annual operating expenses were $2 million lower than the previous year, for the reason described above for the quarter, partially offset by the impact of higher labour costs and general inflationary cost increases year over year.

For an update on material regulatory decisions and applications pertaining to FortisBC for the fourth quarter of 2008, refer to “Regulatory Highlights”.

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2008	2007	Variance	**2008**	2007	Variance
Electricity Sales (GWh)	**1,412**	1,384	28	**5,208**	5,093	115
($ millions)						
Revenue	**139**	132	7	**517**	491	26
Energy Supply Costs	**94**	88	6	**337**	327	10
Operating Expenses	**12**	14	(2)	**50**	53	(3)
Amortization	**12**	9	3	**45**	34	11
Finance Charges	**8**	8	-	**33**	34	(1)
Corporate Taxes	**4**	3	1	**19**	12	7
Non-Controlling Interest	**1**	1	-	**1**	1	-
Earnings	**8**	9	(1)	**32**	30	2

Electricity Sales: Electricity sales at Newfoundland Power increased 28 GWh, or 2.0 per cent, quarter over quarter and increased 115 GWh, or 2.3 per cent, year over year, primarily due to the combined impact of customer growth and higher average consumption.

Revenue: Revenue was $7 million higher quarter over quarter and $26 million higher year over year. The increases were driven by an average increase in customer rates of 2.8 per cent, effective January 1, 2008, which included the impact of an increase in the 2008 allowed ROE to 8.95 per cent from 8.60 per cent, and electricity sales growth. The increase in revenue also reflected higher amortization of regulatory liabilities in accordance with prescribed regulatory orders.

Earnings: Newfoundland Power's earnings were $1 million lower quarter over quarter, reflecting a shift in the quarterly distribution of annual purchased power expense which decreased earnings by approximately $2 million during the fourth quarter of 2008. Under the regulated rate structure, annual purchased power expense per kilowatt hour ("kWh") is higher in the winter months and lower in the summer months. During 2007, Newfoundland Power estimated and recognized monthly purchased power expense based on forecast annual average cost per kWh. Differences between the estimated monthly purchased power expense and that based on the actual cost per kWh were adjusted to a regulatory reserve that was discontinued for use effective January 1, 2008. Monthly purchased power expense is now recorded at actual cost per kWh. As a result of this change, earnings in 2008 were lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods in 2007. Annual earnings were not impacted by the shift in the quarterly distribution of annual purchased power expense. Excluding the approximate $2 million unfavourable impact of the shift in the quarterly distribution of annual purchased power expense, as described above, earnings were $1 million higher quarter over quarter, mainly due to the average 2.8 per cent increase in customer rates, effective January 1, 2008, and lower operating expenses driven by the timing of expenses and lower maintenance and pension costs.

Annual earnings were $2 million higher than the previous year, primarily driven by the average 2.8 per cent increase in customer rates, effective January 1, 2008, lower operating costs, for the reasons described above for the quarter, and lower finance charges. Finance charges decreased due to the refinancing of maturing debt in August 2007 at lower rates.

Amortization costs were higher due to the regulator-approved recovery in customer rates, effective January 1, 2008, of previously deferred amortization costs.

Corporate tax expense increased year over year as a result of higher earnings before corporate taxes, combined with a higher effective corporate income tax rate, which was driven by decreased deductions taken for tax purposes compared to accounting purposes.

For an update on material regulatory decisions and applications pertaining to Newfoundland Power for the fourth quarter of 2008, refer to "Regulatory Highlights".

Other Canadian Electric Utilities

Other Canadian Electric Utilities [1] Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2008	2007	Variance	**2008**	2007	Variance
Electricity Sales (GWh)	**543**	554	(11)	**2,182**	2,209	(27)
($ millions)						
Revenue	**65**	66	(1)	**262**	263	(1)
Energy Supply Costs	**44**	43	1	**177**	174	3
Operating Expenses	**7**	8	(1)	**28**	29	(1)
Amortization	**5**	5	-	**18**	17	1
Finance Charges	**5**	4	1	**18**	17	1
Corporate Taxes	**1**	3	(2)	**7**	10	(3)
Earnings	**3**	3	-	**14**	16	(2)
[1] Includes Maritime Electric and FortisOntario						

Electricity Sales: Electricity sales at Other Canadian Electric Utilities decreased 11 GWh, or 2.0 per cent, quarter over quarter and decreased 27 GWh, or 1.2 per cent, year over year. The decreases were driven by the loss of and shut down of operations of certain industrial customers in Ontario and lower average consumption in Ontario.

Revenue: Revenue was $1 million lower quarter over quarter. During the fourth quarter of 2007, FortisOntario received a one-time refund of approximately $3 million ($2 million after-tax) from Niagara Mohawk Power Corporation ("NIMO") associated with cross-border transmission interconnection agreements. In April 2008, the US Federal Energy Regulatory Commission ("FERC") issued an order stating that the refund should not have been ordered as FERC does not have jurisdiction over the interconnection agreements in question and, therefore, did not have jurisdiction to order the refund. In May 2008, FortisOntario repaid the refunded amounts to NIMO.

Excluding the impact of the receipt of the $3 million refund in the fourth quarter of 2007, revenue increased $2 million quarter over quarter mainly due to the flow through to customers of higher energy supply costs at FortisOntario, partially offset by the impact of lower electricity sales.

Annual revenue was $1 million lower than the previous year. Excluding the impact of the receipt of the refund in the fourth quarter of 2007 and its subsequent repayment in the second quarter of 2008, revenue increased $5 million year over year. The increase was primarily due to: (i) the flow through to customers of higher energy supply costs at FortisOntario; (ii) a 1.8 per cent increase in basic electricity rates at Maritime Electric, effective April 1, 2008; and (iii) an average 1.1 per cent increase in basic electricity distribution rates at FortisOntario, effective May 1, 2008, partially offset by the impact of lower electricity sales.

Earnings: Excluding the impact of the receipt of the refund in the fourth quarter of 2007, earnings were $2 million higher quarter over quarter, driven by lower operating expenses and lower effective corporate taxes. Operating expenses during the fourth quarter of 2007 included costs associated with an early retirement program at FortisOntario.

Annual earnings were $2 million lower than the previous year. Excluding the impact of the receipt of the refund in the fourth quarter of 2007 and its subsequent repayment in the second quarter of 2008, earnings were $2 million higher year over year. The increase was driven by higher basic electricity rates, lower operating expenses and lower effective corporate taxes, partially offset by the impact of lower electricity sales, and higher finance charges associated with increased borrowings.

For an update on material regulatory decisions and applications pertaining to Maritime Electric and FortisOntario for the fourth quarter of 2008, refer to "Regulatory Highlights".

REGULATED ELECTRIC UTILITIES - CARIBBEAN

Regulated Electric Utilities - Caribbean [(1)]
Financial Highlights (Unaudited)
Periods Ended December 31

	Quarter			Annual		
	2008 [(2)]	2007	Variance	**2008** [(2)]	2007	Variance
Average US:CDN Exchange Rate [(3)]	**1.21**	0.98	0.23	**1.08**	1.07	0.01
Electricity Sales (GWh)	**361**	272	89	**1,199**	1,054	145
($ millions)						
Revenue	**159**	76	83	**408**	307	101
Energy Supply Costs	**109**	42	67	**273** [(4)]	169	104
Operating Expenses	**20**	10	10	**55**	49 [(5)]	6
Amortization	**13**	7	6	**36**	28	8
Finance Charges	**5**	4	1	**16**	15	1
Corporate Taxes	**1**	1	-	**2**	2	-
Non-Controlling Interest	**3**	3	-	**9**	13	(4)
Earnings	**8**	9	(1)	**17**	31	(14)

(1) Includes Belize Electricity, Caribbean Utilities, and Fortis Turks and Caicos

(2) Caribbean Utilities previously had an April 30 fiscal year end whereby, up to and including the third quarter of 2008, Caribbean Utilities' financial statements were consolidated in the financial statements of Fortis on a two-month lag basis. Caribbean Utilities changed its fiscal year end to December 31 which has resulted in the Corporation consolidating five months of financial results of Caribbean Utilities for the fourth quarter of 2008 and 14 months of financial results for the year.

(3) The reporting currency of Belize Electricity is the Belizean dollar which is pegged to the US dollar at BZ$2.00 = US$1.00. The reporting currency of Caribbean Utilities and Fortis Turks and Caicos is the US dollar. The Cayman Islands dollar is pegged to the US dollar at CI$1.00 = US$1.20.

(4) Energy supply costs during the second quarter of 2008 included an $18 million (BZ$36 million) charge as a result of a regulatory rate decision by the Public Utilities Commission of Belize (the "PUC") in Belize in June 2008.

(5) Operating expenses during the first quarter of 2007 included a $4.4 million (US$3.7 million) charge on the disposal of steam-turbine assets at Caribbean Utilities.

Electricity Sales: Regulated Electric Utilities - Caribbean electricity sales increased 89 GWh, or 32.7 per cent, quarter over quarter, driven by two additional months of contribution from Caribbean Utilities related to a change in the utility's fiscal year end. Excluding the two additional months of contribution from Caribbean Utilities, electricity sales increased 2.6 per cent quarter over quarter, primarily due to customer and general economic growth. The increase was tempered by the loss of electricity sales at Fortis Turks and Caicos as a result of Hurricane Ike, including the delayed re-opening for the fall tourist season of several large hotels on the Turks and Caicos Islands, and the effects of the recent decline in global economic conditions. Hurricane Ike was a Category 4 hurricane which struck the Turks and Caicos Islands in early September 2008.

Annual electricity sales increased 145 GWh, or 13.8 per cent, year over year, driven by two additional months of contribution from Caribbean Utilities. Excluding the two additional months of contribution from Caribbean Utilities, electricity sales increased 6.0 per cent year over year, primarily due to the reasons described above for the quarter. Electricity sales increased 8.7 per cent in 2007 compared to 2006. Growth in annual electricity sales for 2009 is expected to be between 4 per cent and 5 per cent, reflecting the anticipated continuing economic downturn that is negatively affecting activity in the tourism, oil and related industries in the Caribbean region.

Revenue: Revenue increased $83 million quarter over quarter. Excluding the approximate $30 million favourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue due to the weakening of the Canadian dollar against the US dollar quarter over quarter, revenue increased approximately $53 million quarter over quarter, driven by the two additional months of contribution from Caribbean Utilities.

Excluding the impact of foreign currency translation and the two additional months of contribution from Caribbean Utilities, other factors increasing revenue quarter over quarter were: (i) the full flow through of higher fuel and oil costs to customers at Caribbean Utilities under the terms of the Company's new transmission and distribution ("T&D") licence; (ii) electricity sales growth; and (iii) an increase in the cost of power component of the average electricity rate at Belize Electricity, effective July 1, 2008. Partially offsetting the above factors were: (i) a decrease in the value-added delivery ("VAD") component of the average electricity rate at Belize Electricity, effective July 1, 2008; (ii) a 3.25 per cent reduction in basic electricity rates and the elimination of the hurricane cost recovery surcharge ("CRS") at Caribbean Utilities, effective January 1, 2008, under the terms of the Company's new T&D licence; and (iii) revenue loss of approximately $1 million at Fortis Turks and Caicos due to Hurricane Ike.

Annual revenue increased $101 million year over year. Excluding the two additional months of contribution from Caribbean Utilities and the approximate $6 million favourable impact of foreign currency translation, the increase in revenue was primarily due to the same reasons described above for the quarter. Revenue loss at Fortis Turks and Caicos as a result of Hurricane Ike was approximately $2 million in the second half of 2008.

Earnings: Earnings' contribution was $1 million lower quarter over quarter. The impact of electricity sales growth, $1 million of additional earnings' contribution from Caribbean Utilities associated with the change in the utility's fiscal year end and the approximate $1 million favorable impact of foreign currency translation were more than offset by: (i) the impact of the 3.25 per cent reduction in basic electricity rates and the elimination of the hurricane CRS at Caribbean Utilities; (ii) the reduction in the VAD component of the average electricity rate at Belize Electricity; (iii) revenue loss of approximately $2 million at Fortis Turks and Caicos due to Hurricane Ike; and (iv) increased operating expenses and amortization costs.

Annual earnings' contribution was $14 million lower than the previous year. Earnings' contribution in 2008 was reduced by $13 million, representing the Corporation's approximate 70 per cent share of $18 million (BZ$36 million) of previously incurred fuel and purchased power costs at Belize Electricity disallowed by the regulator. Earnings' contribution in 2007 was reduced by approximately $2 million, representing the Corporation's share of a charge on the disposal of steam-turbine assets at Caribbean Utilities.

Excluding the one-time items in 2008 and 2007, as described above, earnings were $3 million lower year over year. The impact of electricity sales growth, $1 million of additional earnings' contribution from Caribbean Utilities, and the favourable impact on energy supply costs associated with the movement in deferred fuel costs at Caribbean Utilities were more than offset by the same factors described above for the quarter.

Excluding the impact of foreign currency translation, and the charge on the disposal of steam-turbine assets during the first quarter of 2007, operating expenses increased mainly due to the impact of hiring additional employees and increased general and administrative expenses at Fortis Turks and Caicos and the timing of maintenance activities. Amortization costs increased as a result of continued investment in capital assets.

In addition to the $18 million charge described above, Belize Electricity's targeted allowed rate of return on rate base assets ("ROA") was reduced to 10 per cent from 12 per cent, effective July 1, 2008, which was reflected through a reduction in the VAD component of the average electricity rate.

In April 2008, Caribbean Utilities and the Government of the Cayman Islands entered into a new exclusive 20-year T&D licence and a new non-exclusive 21.5-year generation licence. Under the new T&D licence, customer rates are being set using an initial targeted ROA of 10 per cent, down from 15 per cent as allowed under the previous licence, which was reflected through the reduction in basic electricity rates, effective January 1, 2008.

For an update on material regulatory decisions and applications pertaining to Belize Electricity and Caribbean Utilities for the fourth quarter of 2008, refer to "Regulatory Highlights".

NON-REGULATED - FORTIS GENERATION

Non-Regulated - Fortis Generation [1] Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2008	2007	Variance	**2008**	2007	Variance
Energy Sales (GWh)	**312**	303	9	**1,217**	1,122	95
($ millions)						
Revenue	**20**	19	1	**82**	75	7
Energy Supply Costs	**1**	2	(1)	**7**	8	(1)
Operating Expenses	**3**	3	-	**14**	14	-
Amortization	**2**	2	-	**10**	10	-
Finance Charges	**2**	3	(1)	**8**	10	(2)
Corporate Taxes	**3**	2	1	**10**	8	2
Non-Controlling Interest	**1**	-	1	**3**	1	2
Earnings	**8**	7	1	**30**	24	6

[1] Includes the operations of non-regulated generation assets in Belize, Ontario, central Newfoundland, British Columbia and upper New York State

***Energy Sales*: ** Energy sales from Non-Regulated - Fortis Generation increased 9 GWh, or 3.0 per cent, quarter over quarter mainly due to higher production in central Newfoundland and upper New York State. Annual energy sales increased 95 GWh, or 8.5 per cent, year over year driven by higher production in central Newfoundland, Belize and upper New York State. Higher production was mainly the result of higher rainfall.

Revenue: Revenue was $1 million higher quarter over quarter, primarily as a result of higher production. Annual revenue was $7 million higher year over year. Factors increasing annual revenue were: (i) higher production; (ii) increased average wholesale energy prices per megawatt hour ("MWh") in Ontario, which were $48.83 for 2008 compared to $47.81 for 2007; and (iii) increased average wholesale energy prices per MWh in upper New York State, which were US$71.00 for 2008 compared to US$60.73 for 2007.

Earnings: Earnings were $1 million higher quarter over quarter and $6 million higher year over year, reflecting increased production, and lower finance charges driven by the refinancing, in November 2007, of higher cost external debt with lower cost inter-company-borrowings. Higher average wholesale energy prices also contributed to the increase in annual earnings year over year.

NON-REGULATED - FORTIS PROPERTIES

Non-Regulated - Fortis Properties Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Hospitality Revenue	**36**	34	2	**144**	132	12
Real Estate Revenue	**16**	16	-	**63**	59	4
Total Revenue	**52**	50	2	**207**	191	16
Operating Expenses	**36**	34	2	**135**	123	12
Amortization	**4**	4	-	**15**	14	1
Finance Charges	**6**	6	-	**24**	24	-
Corporate Taxes	**2**	(2)	4	**10**	6	4
Earnings	**4**	8	(4)	**23**	24	(1)

Revenue: Hospitality Revenue was $2 million higher quarter over quarter, primarily due to revenue contributions from the Fairmont Newfoundland hotel, which was acquired for approximately $22 million in November 2008. The Fairmont Newfoundland hotel was rebranded the Sheraton Hotel Newfoundland in January 2009.

Annual hospitality revenue was $12 million higher than the previous year, reflecting revenue contribution from the Delta Regina, acquired in August 2007, and the Fairmont Newfoundland hotel, acquired in November 2008, combined with improved performance at the Company's hospitality operations in Atlantic Canada.

Revenue per available room ("REVPAR") for the fourth quarter of 2008 was $72.86 compared to $73.84 for the same quarter in 2007. Despite higher average room rates, REVPAR decreased quarter over quarter as a result of lower occupancy at all of the hospitality operating regions. Annual REVPAR was $80.39 compared to $79.31 for 2007. The increase in annual REVPAR was mainly due to higher average room rates, partially offset by decreased occupancy, at all of the hospitality operating regions.

Real Estate revenue was comparable quarter over quarter and $4 million higher year over year. The growth in annual Real Estate revenue was attributable to enhanced performance throughout all of the real estate operating regions, as well as the contribution from the real estate operations of the Delta Regina since August 2007. The occupancy rate of the Real Estate Division was 96.8 per cent as at December 31, 2008, consistent with the rate at December 31, 2007.

Earnings: Earnings were $4 million lower quarter over quarter, primarily due to higher corporate taxes. Earnings for the fourth quarter of 2007 included a $4 million favourable corporate tax adjustment as a result of lower enacted corporate tax rates, of which $2 million was associated with future income tax liability balances as at January 1, 2007.

Annual earnings were $1 million lower than the previous year. Excluding the $2 million favourable tax adjustment in 2007 associated with opening future income tax liability balances, earnings were $1 million higher year over year, mainly due to a full year of earnings from the Delta Regina hotel which was acquired in August 2007.

CORPORATE AND OTHER

Corporate and Other (1)
Financial Highlights (Unaudited)
Quarter Ended December 31

	Quarter			Annual		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Revenue	**7**	6	1	**26**	22	4
Operating Expenses	**8**	5	3	**16**	13	3
Amortization	**2**	1	1	**8**	6	2
Finance Charges (2)	**20**	22	(2)	**80**	70	10
Corporate Tax Recovery	**(8)**	(2)	(6)	**(23)**	(12)	(11)
Preference Share Dividends	**5**	2	3	**14**	6	8
Net Corporate and Other Expenses	**(20)**	(22)	2	**(69)**	(61)	(8)

(1) Includes Fortis net corporate expenses and, from May 17, 2007, the net expenses of non-regulated Terasen corporate-related activities and the financial results of Terasen's 30 per cent ownership interest in CWLP and of Terasen's non-regulated wholly owned subsidiary TES
(2) Includes dividends on preference shares classified as long-term liabilities

Revenue: Revenue was $1 million higher quarter over quarter, primarily due to higher interest revenue from increased inter-company lending, partially offset by the impact of a decrease in the number of customer contracts at CustomerWorks Limited Partnership ("CWLP").

Annual revenue was $4 million higher than the previous year. Higher interest revenue from increased inter-company lending was combined with increased revenue contributions from CWLP. CWLP contributed revenue for a full year in 2008 compared to a partial year in 2007; however, this increase was partially offset by the impact of a decrease in the number of customer contracts.

Net Corporate and Other Expenses: Net corporate and other expenses were $2 million lower quarter over quarter, primarily due to lower finance charges, resulting from lower net credit facility borrowings, and a higher corporate tax recovery, partially offset by higher preference share dividends and increased business development costs. The increase in preference share dividends was associated with the 9.2 million First Preference Shares, Series G issued in the second quarter of 2008 for gross proceeds of $230 million. Corporate tax recovery in the fourth quarter of 2007 was reduced as a result of purchase price allocation tax adjustments and by the impact of lower enacted future corporate income tax rates.

Annual net corporate and other expenses were $8 million higher than the previous year, primarily due to Terasen acquisition-related finance charges and other Terasen corporate-related expenses for a full year in 2008 compared to a partial year in 2007. The increase also reflected higher preference share dividends associated with preference shares issued in the second quarter of 2008 and higher business development costs. The increase in net corporate and other expenses was partially offset by a higher corporate tax recovery, for the reason described above for the quarter, combined with the impact of a $2 million tax reduction in 2008 associated with the settlement of historical corporate tax matters at Terasen and higher interest revenue from increased inter-company lending.

REGULATORY HIGHLIGHTS

An update on material regulatory decisions and applications for the Corporation's regulated utilities for the fourth quarter of 2008 is as follows:

Material Regulatory Decisions and Applications	
Regulated Utility	**Summary Description**
TGI/TGVI	• Effective October 1, 2008, the BCUC approved decreases in the commodity rates charged to TGI customers for natural gas. The commodity cost of natural gas and propane are flowed through to customers without markup. Every three months TGI and TGVI review natural gas and propane commodity prices with the BCUC in order to ensure the flow-through rates charged to customers are sufficient to cover the cost of purchasing natural gas and propane. • In December 2008, the BCUC approved various rates at TGI and TGVI, including those for mid-stream and delivery for residential customers in several service areas, effective January 1, 2009. The approved rates also reflected the impact of a decrease in the allowed ROE for 2009 to 8.47 per cent and 9.17 per cent for TGI and TGVI, respectively, resulting from the application of automatic ROE adjustment mechanisms. The commodity rate for natural gas will remain unchanged and the commodity rate for propane will decrease effective January 1, 2009.TGI filed an application with the BCUC in the fourth quarter of 2008 requesting approval to perform extensive rehabilitation of certain underwater transmission pipeline crossings of the South Arm of the Fraser River serving Vancouver and Richmond. TGI expects to receive regulatory approval for this $27 million project in early 2009 with completion of the project anticipated in 2010. • TGI and TGVI are currently preparing rate applications related to 2010 which are anticipated to be filed with the BCUC in the second quarter of 2009. The BCUC approval of rates for 2010, and for future years, will be required as the current performance-based settlement agreements expire at the end of 2009. As part of the rate filings, TGI and TGVI plan to seek a review of the current generic ROE adjustment mechanisms and of the deemed equity component of the capital structure.
FortisBC	• In June 2008, FortisBC filed its 2009 and 2010 Capital Expenditure Plan for gross capital expenditures of approximately $193 million for 2009 and $196 million for 2010. To date, the BCUC has approved gross capital expenditures of approximately $100 million and $90 million for 2009 and 2010, respectively. In November 2008, the BCUC denied the costs relating to the Copper Conductor Replacement Project and Advanced Metering Infrastructure Project included in the 2009 and 2010 Capital Expenditure Plan. These projects would have totalled approximately $21 million in 2009 and $27 million in 2010. A BCUC decision on the remainder of the 2009 and 2010 Capital Expenditure Plan is expected in the first quarter of 2009. • In December 2008, the BCUC approved the Company's 2009 Revenue Requirements Application resulting in a general rate increase of 4.6 per cent, effective January 1, 2009. The rate increase is primarily the result of the Company's capital expenditure program and higher power purchases driven by customer growth and increased electricity demand. Rates for 2009 reflect an allowed ROE of 8.87 per cent as a result of the application of the automatic ROE adjustment mechanism. The approval of the 2009 Revenue Requirements Application also included an extension of the performance-based rate setting ("PBR") mechanism for the years 2009 through 2011 under terms similar to the previous PBR agreement, except annual gross operating and maintenance expenses, before capitalized overhead, will be set by a formula incorporating customer growth and inflation; i.e., the consumer price index ("CPI") for British Columbia, minus a productivity improvement factor ("PIF") of 3 per cent in 2009, 1.5 per cent in 2010 and 1.5 per cent in 2011. Should inflation be in excess of 3 per cent, the excess is added to the PIF which effectively caps the CPI at 3 per cent.

Material Regulatory Decisions and Applications (cont'd)	
Regulated Utility (cont'd)	**Summary Description (cont'd)**
FortisAlberta	• In November 2008, FortisAlberta submitted its evidence with respect to the 2009 Generic Cost of Capital Proceeding as requested by the Alberta Utilities Commission ("AUC"). The proceeding will include a review of the ROE level, the adjustment mechanism and utility capital structures for all gas, electric and pipeline utilities in Alberta that are regulated by the AUC. A hearing is scheduled for the second quarter of 2009. • In December 2008, FortisAlberta received regulatory approval for its 2009 distribution rates to recover approved distribution costs. The result was a distribution rate increase of 8.6 per cent, effective January 1, 2009. The rate increase is slightly higher than the rate increase of 7.3 per cent contemplated in the 2008/2009 NSA due to the deferred recovery in customer rates in 2009 of the increase in the allowed ROE to 8.75 per cent in 2008. The approved rates for 2009 also reflect the impact of the Company's union agreement which was settled after the 2008/2009 NSA was approved. As directed by the AUC, the Company is to continue using the 2007 ROE of 8.51 per cent for 2009, pending the outcome of the AUC's 2009 Generic Cost of Capital Proceeding. • FortisAlberta expects to file a 2010 and 2011 revenue requirements application during the second quarter of 2009.
Newfoundland Power	• In November 2008, the Newfoundland and Labrador Board of Commissioners of Public Utilities approved, as filed, the Company's 2009 Capital Budget Application for approximately $62 million, with approximately half of the proposed capital expenditures relating to replacing aged and deteriorated components of the electricity system. • The Company's allowed ROE of 8.95 remains unchanged for 2009 and, subsequently, there has been no change in basic customer rates for 2009.
Maritime Electric	• In October 2008, Maritime Electric filed a 2009 Rate Application. The proposed rate increase, effective April 1, 2009, reflects an increase in the amount of energy-related costs to be collected from customers through the basic rate component of customer billings. The proposed increase in the reference cost of energy in basic rates will result in a decrease in the amount of energy costs to be collected from customers through the operation of the energy cost adjustment mechanism account. The application also requests a maximum allowed ROE of 9.75 per cent for 2009. A decision on the application is expected by the end of the first quarter of 2009. • In November 2008, the Island Regulatory and Appeals Commission approved, as filed, the Company's 2009 Capital Budget for approximately $20 million, before customer contributions.
FortisOntario	• Canadian Niagara Power filed a 2009 Cost of Service Application in August 2008 requesting the rebasing of distribution rates using 2009 as a forward test year. The hearing process associated with the application commenced during the fourth quarter of 2008 and the Company expects a decision on the application to be received in April 2009.
Belize Electricity	• In June 2008, the Public Utilities Commission of Belize (the "PUC") issued its Final Decision on Belize Electricity's 2008/2009 rate application which failed to increase the overall average electricity rate. The PUC also ordered a BZ$36 million retroactive adjustment associated with Belize Electricity's prior years' financial results. The adjustment, in substance, represented the disallowance of previously incurred fuel and purchased power costs. The PUC also reduced Belize Electricity's targeted allowed ROA to 10 per cent from 12 per cent through a reduction in the VAD component of the average electricity rate. The Final Decision does not impact the Corporation's non-regulated generation operations in Belize. • In January 2009, the PUC amended the Final Decision on Belize Electricity's 2008/2009 rate application (the "Amendment"), effective for the period from January 1, 2009 through June 30, 2009. The Amendment provides for an increase in the VAD component of the average electricity rate to allow Belize Electricity to earn a targeted allowed ROA of 12 per cent but reduces the reference cost of power component of the average electricity rate, due to an overall decline in the cost of power. The Amendment, therefore, allows for an overall decrease in the average electricity rate from BZ44.1 cents per kWh to BZ38.7 cents per kWh. The Amendment also provides for a lower regulated asset value upon which the ROA is calculated, while increasing operating expenses by the same amount, and reduces deprecation, taxes and fees and the related revenue requirement. • Changes made in electricity legislation by the Government of Belize and the PUC, and the June 2008 Final Decision and Amendment, which were based on the changed legislation, have been judicially challenged by Belize Electricity in several proceedings. The judicial process is ongoing with interim rulings, judgments and appeals. The timing or likely outcome of the proceedings is indeterminable at this time.
Caribbean Utilities	• In December 2008, Caribbean Utilities filed with the regulator a revised Five-Year Capital Investment Plan ("CIP") as a result of the change in the Company's fiscal year end. The revised CIP still totals US$255 million, including approximately US$72 million related to new generation that is expected to be solicited. In January 2009, the regulator requested that the Company further review its non-generation capital expenditures to reflect the current economic environment and lower growth projections. A decision on the revised CIP is expected during the first quarter of 2009. • In January 2009, the Electricity Regulatory Authority of the Cayman Islands approved a new customer-owned renewable energy tariff that will allow customers on Grand Cayman to connect renewable energy systems to the Company's distribution system and generate their own power from renewable energy while remaining connected to Caribbean Utilities' grid. The Company expects to be able to connect customers to the grid by the end of the first quarter of 2009.

CAPITAL STRUCTURE

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

Fortis Inc.
Capital Structure (Unaudited)
As at

	December 31, 2008		December 31, 2007	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,468**	**59.5**	5,476	64.3
Preference shares [(2)]	**667**	**7.3**	442	5.2
Common shareholders' equity	**3,046**	**33.2**	2,601	30.5
Total	**9,181**	**100.0**	8,519	100.0

[(1)] Includes long-term debt and capital lease obligations, including current portion, and short-term borrowings, net of cash
[(2)] Includes preference shares classified as both long-term liabilities and equity

The improvement in the capital structure from December 2007 was primarily due to a $300 million ($291 million net of after-tax expenses) common share issue in December 2008 and a $230 million ($225 million net of after-tax expenses) preference share issue in the second quarter of 2008. The capital structure was also favourably impacted by net earnings applicable to common shares, less common share dividends, of $83 million during 2008.

CASH FLOW

The table below outlines the Corporation's 2008 fourth quarter and annual sources and uses of cash compared to the same periods in 2007.

Fortis Inc.
Summary of Cash Flows (Unaudited)
Periods Ended December 31

	Quarter			**Annual**		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Cash, beginning of period	**68**	51	17	**58**	41	17
Cash provided by (used in)						
Operating activities	**214**	152	62	**663**	373	290
Investing activities	**(277)**	(234)	(43)	**(854)**	(2,033)	1,179
Financing activities	**58**	89	(31)	**196**	1,680	(1,484)
Foreign currency impact on cash balances	**3**	-	3	**3**	(3)	6
Cash, end of period	**66**	58	8	**66**	58	8

Cash flow provided by operating activities, after working capital adjustments, increased $62 million quarter over quarter. The increase was mainly due to favourable working capital changes at the Terasen Gas companies related to the impact of cooler weather and higher commodity natural gas costs charged to customers during the fourth quarter of 2008 compared to the fourth quarter of 2007. The increase was partially offset by lower cash flow from operating activities at FortisAlberta. During the fourth quarter of 2007, however, FortisAlberta received cash from the sale of amounts in its 2007 AESO charges deferral account. Annual cash flow provided by operating activities, after working capital adjustments, was $290 million higher than the previous year, reflecting a full year of contributions from the Terasen Gas companies in 2008 compared to a partial year in 2007.

Cash used in investing activities increased $43 million quarter over quarter, reflecting higher utility capital expenditures and the acquisition of the Fairmont Newfoundland hotel in November 2008. Annual cash used in investing activities was approximately $1.2 billion lower than the previous year. Investing activities in 2007, however, reflected the acquisition of Terasen for cash consideration of approximately $1.3 billion and the acquisition of the Delta Regina for $50 million. Excluding the impact of business acquisitions in 2007 and 2008, annual cash used in investing activities increased year over year due to higher capital spending driven by the Terasen Gas companies.

Cash provided by financing activities was $31 million lower quarter over quarter. Increased cash associated with the $300 million common share issue in the fourth quarter of 2008 was more than offset by the impact of a net decrease in debt during the fourth quarter of 2008 compared to a net increase in debt during the same quarter for the previous year. Annual cash provided by financing activities was approximately $1.5 billion lower year over year. Financing activities in 2007, however, reflected proceeds from a $1.15 billion common share issue used to finance a significant portion of the cash purchase price of Terasen. Excluding the impact of the Terasen acquisition, annual cash provided by financing activities decreased year over year due to a net decrease in debt during 2008 compared to a net increase in debt during 2007, partially offset by increased proceeds from common and preference share issues.

CAPITAL PROGRAM

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

Gross consolidated capital expenditures for the year ended December 31, 2008 were $904 million. A breakdown of gross capital expenditures by segment for 2008 is provided in the following table.

Gross Capital Expenditures (Unaudited)
Year Ended December 31, 2008
($ millions)

Terasen Gas Companies (1)	Fortis Alberta (1) (2)	FortisBC (1)	Newfoundland Power (1)	Other Regulated Utilities – Canadian (1)	**Total Regulated Utilities - Canadian**	**Regulated Utilities - Caribbean**	**Non - Regulated - Utility (3)**	**Fortis Properties**	**Total (4)**
220	302	117	67	46	**752**	**110**	**28**	**14**	**904**

(1) Includes asset removal and site restoration expenditures which are permissible in rate base
(2) Excludes payments of $31 million made to the AESO for investment in transmission capital projects
(3) Includes non-regulated generation, non-regulated gas utility and Corporate capital expenditures
(4) Includes expenditures associated with assets under construction

Actual gross consolidated capital expenditures for 2008 were comparable with forecasted gross consolidated capital expenditures as disclosed in the Corporation's MD&A for the year ended December 31, 2007. An update on significant capital projects for 2008 is provided below.

In April 2008, TGVI received approval from the BCUC to proceed with the engineering, procurement and construction ("EPC") of the liquefied natural gas ("LNG") storage facility on Vancouver Island for a total cost of approximately $200 million. As a result, the Company entered into an EPC contract with a third party for the construction of the facility. The contract includes approximately $55 million to be paid in US dollars and, as a result, TGVI entered into a three-year US dollar forward-purchase contract which will mitigate currency fluctuations on the US dollar portion of the EPC contract. Construction commenced on the LNG storage facility during the second quarter of 2008 with completion of the project expected in late 2011. Approximately $47 million in capital spending related to this project was incurred in 2008.

TGVI's construction of a 50-kilometre pipeline lateral from Squamish to Whistler continued in 2008 and, as at December 31, 2008, approximately 49 kilometres of the pipeline had been constructed. Originally scheduled to be completed by summer 2008, the pipeline lateral is now expected to be completed in April 2009, later than originally planned due to changes in the way the Company can sequence the pipeline construction as a result of the province of British Columbia's Sea-to-Sky Highway Improvement Project Plan ("Highway Project"). The pipeline is being built in conjunction with the Highway Project and the pipeline route mainly falls within the highway right of way. Upon completion of the pipeline, the Company will convert the Resort Municipality of Whistler from propane to natural gas during spring and summer of 2009. Approximately $13 million in capital spending related to the pipeline lateral and system conversion was incurred in 2008.

During the third quarter of 2008, FortisAlberta began the second phase of deployment of the replacement of conventional meters with new Automated Meter Infrastructure ("AMI") technology. The second phase is part of an overall $124 million project to convert all of FortisAlberta's customers to AMI technology over a four-year period that commenced in 2007. Approximately $17 million in capital spending related to the AMI project was incurred in 2008.

Late in 2008, Fortis Properties commenced the expansion of its Holiday Inn Kelowna hotel which includes adding 70 rooms and 4,000 square feet of meeting room space. Completion of the expansion is expected by January 2010 at a total capital cost of approximately $14 million.

In April 2008, Caribbean Utilities entered into an agreement to purchase a 16-MW diesel generating unit and related equipment from a supplier in Germany for approximately US$24 million over the period 2008 and 2009 with the unit expected to be commissioned in summer 2009. Approximately US$8 million ($8 million) was spent in 2008 related to this unit.

Construction continued in 2008 on the US$53 million 19-MW hydroelectric generating facility at Vaca on the Macal River in Belize. The facility is being constructed downstream from the Chalillo and Mollejon hydroelectric generating facilities and is expected to increase average annual energy production from the Macal River by approximately 80 GWh to 240 GWh. The facility is expected to come into service at the beginning of 2010, slightly later than originally planned for late 2009, due to labour and weather-related delays. Approximately US$16 million ($18 million) was spent in 2008 related to this facility.

In October 2008, the BCUC approved FortisBC's proposed $141 million Okanagan Transmission Reinforcement project, which was included in FortisBC's 2009 and 2010 Capital Expenditure Plan. The project relates to upgrading the existing overhead transmission line from 161 kilovolts ("kV") to 230 kV from Vaseux Lake to Oliver and Penticton, and building a new 230-kV transmission line from Vaseux Lake to Penticton. FortisBC anticipates that construction of the project will begin in spring 2009 for expected completion in 2011.

A breakdown of forecast gross capital expenditures for 2009 by segment is provided in the following table.

Forecast Gross Capital Expenditures (Unaudited)
Year Ending December 31, 2009
($ millions)

Terasen Gas Companies (1)	Fortis Alberta (2)	FortisBC (1) (3)	Newfoundland Power (1)	Other Regulated Utilities - Canadian (1)	**Total Regulated Utilities - Canadian**	**Regulated Utilities - Caribbean**	**Non - Regulated – Utility (4)**	**Fortis Properties**	**Total (5)**
287	292	160	65	34	**838**	**118**	**56**	**33**	**1,045**

(1) Includes forecast asset removal and site restoration expenditures which are permissible in rate base
(2) Excludes forecast payments of $31 million to be made to the AESO for investment in transmission capital projects
(3) Includes approximately $72 million in expenditures for which regulatory approval has not yet been received
(4) Includes non-regulated generation, non-regulated gas utility and Corporate capital expenditures
(5) Includes expenditures associated with assets under construction

Over the next five years, consolidated gross capital expenditures are expected to be approximately $4.5 billion. Approximately $3.1 billion of the capital spending is expected be incurred at the regulated electric utilities driven by FortisAlberta, FortisBC and the Corporation's regulated utility operations in the Caribbean. Approximately $1.2 billion is expected to be incurred at the regulated gas utilities. Capital expenditures at the regulated utilities are subject to regulatory approval. Non-regulated capital expenditures are expected to total $200 million over the same time period. The Corporation's capital program is expected to drive growth in earnings and dividends.

CREDIT FACILITIES

As at December 31, 2008, the Corporation and its subsidiaries had consolidated authorized lines of credit of $2.2 billion, of which approximately $1.5 billion was unused. Approximately $2 billion of the total credit facilities are committed multi-year facilities, the majority of which having maturities between 2011 and 2013. The credit facilities are syndicated almost entirely with the seven largest Canadian banks with no one bank holding more than 25 per cent of these facilities.

As a result of the regulator's Final Decision on Belize Electricity's 2008/2009 rate application, Belize Electricity does not meet certain debt covenant financial ratios related to loans with the International Bank for Reconstruction and Development and the Caribbean Development Bank totalling $11 million (BZ$18 million) as at December 31, 2008. The Company has informed the lenders of the defaults and has requested appropriate waivers. Belize Electricity is also in default of certain debt covenants which have resulted in Belize Electricity being prohibited from incurring new indebtedness or declaring dividends.

In November 2008, First Caribbean Bank withdrew its credit facility with Belize Electricity, requiring the Company to repay approximately BZ$4 million outstanding under the facility. Scotiabank has also put Belize Electricity on notice that it may not renew its BZ$5.1 million credit facility with the Company if conditions do not show signs of improvement. As at December 31, 2008, the Scotiabank credit facility was undrawn. A continuation of lower energy supply costs should provide Belize Electricity with some liquidity relief in the near term.

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

Fortis Inc. Credit Facilities (Unaudited)					
($ millions)	**Corporate and Other**	**Regulated Utilities**	**Fortis Properties**	**Total as at December 31, 2008**	**Total as at December 31, 2007**
Total credit facilities	715	1,500	13	**2,228**	2,234
Credit facilities utilized:					
Short-term borrowings	-	(410)	-	**(410)**	(475)
Long-term debt (including current portion)	(32)	(192)	-	**(224)**	(530)
Letters of credit outstanding	(1)	(102)	(1)	**(104)**	(159)
Credit facilities available	682	796	12	**1,490**	1,070

NON-REGULATED FORTIS GENERATION - EXPLOITS RIVER HYDRO PARTNERSHIP

On December 16, 2008, the Government of Newfoundland and Labrador passed legislation expropriating most of the Newfoundland assets of Abitibi-Consolidated Company of Canada ("Abitibi-Consolidated"). Prior to that date, Abitibi-Consolidated announced the closure of its Grand Falls-Windsor, Newfoundland newsprint mill, effective March 31, 2009. The hydroelectric generating facility assets of the Exploits River Hydro Partnership ("Exploits Partnership") were included as part of the expropriation legislation. The Exploits Partnership is owned 51 per cent by Fortis Properties and 49 per cent by Abitibi-Consolidated. The financial statements of the Exploits Partnership are consolidated in the financial statements of Fortis. The Exploits Partnership has a $61 million term loan with several lenders which is secured by the assets of the Exploits Partnership and is non-recourse to Fortis.

Discussions are ongoing with Exploits Partnership's lenders with respect to the above matters. The Government of Newfoundland and Labrador has publicly stated that it is not its intention to adversely affect the independent partners of Abitibi-Consolidated and lenders to Exploits Partnership. Pending resolution of these matters, deferred financing costs of $2 million and utility capital assets of $61 million related to the Exploits Partnership have been reclassified to deferred charges and other assets and the $61 million term loan has been classified as current on the consolidated balance sheet of Fortis as at December 31, 2008.

IMPACT OF GLOBAL ECONOMIC DOWNTURN

Capital Expenditures: Gross consolidated capital expenditures are expected to be approximately $1.0 billion for 2009 and $4.5 billion over the next five years. Planned capital expenditures are based on detailed forecasts of customer demand, weather, and cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from forecasts.

Cash Flows: The Corporation does not expect any significant decrease in subsidiary operating cash flows in 2009, as a result of the anticipated continued downturn in the global economy. The subsidiaries expect to be able to source the cash required to fund their 2009 capital expenditure programs. Fortis and its subsidiaries, except for Belize Electricity and debt associated with the Exploits Partnership as described above, were in compliance with debt covenants as at December 31, 2008 and are expected to remain compliant in 2009.

Cost of and Access to Capital: The volatility in the global financial and capital markets may increase the cost of, and affect the timing of issuance of, long-term capital by the Corporation and its utilities in 2009. While the cost of borrowing may increase, as new long-term debt is expected to be issued at higher rates due to an increase in credit spreads, the Corporation and its utilities expect to continue to have reasonable access to capital in the near to medium terms. The cost of renewed and extended credit facilities may also increase going forward; however, any increased interest expense and/or fees is not expected to have a material financial impact on the Corporation and its utilities in 2009, as the majority of the total committed credit facilities have maturities between 2011 and 2013. Due to the regulated nature of the Corporation's utilities, increased borrowing costs are eligible to be recovered in future customer rates.

Results of Operations: Achieving organic revenue and earnings growth at Fortis Properties' Hospitality Division may prove challenging in 2009 as a result of the anticipated continued downturn in the global economy and its impact on leisure and business travel and hotel stays. In the Caribbean, the level of and fluctuations in tourism and related activities, which are closely tied to economic conditions, influence electricity sales as it impacts electricity demand of the large hotels and condominium complexes that are serviced by the Corporation's regulated utilities in that region. As a result, electricity sales growth at the Corporation's Regulated Caribbean Electric utilities in 2009 is expected to be lower than electricity sales growth achieved in 2008.

Defined Benefit Pension Plans: As at December 31, 2008, the fair value of the Corporation's consolidated defined benefit pension plan assets was $579 million compared to $674 million as at December 31, 2007, which represented a 14 per cent decline in asset value. The decline in the fair value of the plan assets is expected to have the impact of increasing the Corporation's future consolidated pension funding obligations. The amount of the increase will not be determinable until the next completion of actuarial valuations, which for Newfoundland Power, the Corporation and for one of the defined benefit pension plans at Terasen is expected during 2009, related to December 31, 2008 valuation dates. The next scheduled actuarial valuations for the remaining larger defined benefit pension plans are not until December 2009 and December 2010. Fortis expects any additional defined benefit pension plan funding requirements to be sourced primarily from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities. The discount rates used to measure the accrued defined benefit pension obligations on the measurement dates in 2008 have increased as a result of the impact of increased credit risk spreads on investment-grade corporate bonds due to volatility in the capital markets. Fortis expects no material increase in consolidated pension expense for 2009 related to defined benefit pension plans. The amortization of 2008 losses associated with the pension plan assets is expected to be largely offset by the impact of higher assumed discount rates. The impact of the decline in pension plan assets in 2008, as it relates to 2009 defined benefit pension expense, was mitigated by the use of the market-related method for valuing pension assets at Terasen and Newfoundland Power. Any increase in future pension funding requirements and/or pension expense at the regulated utilities is expected to be recovered from, or refunded to, customers in future rates, subject to forecast risk. At the Terasen Gas companies and FortisBC, however, actual pension expense above or below the forecast pension expense approved for recovery in customer rates for the year is subject to deferral account treatment for recovery from, or refund, to customers in future rates, subject to regulatory approval.

Counterparty Risk: The Terasen Gas companies are exposed to credit risk in the event of non-performance by counterparties to derivative instruments. The Terasen Gas companies are also exposed to significant credit risk on physical off-system sales. The Terasen Gas companies deal with high credit-quality institutions in accordance with established credit approval practices. Due to recent events in the capital markets, including significant government intervention in the banking systems, the Terasen Gas companies have further limited the financial counterparties that they transact with and have reduced available credit to, or taken additional security from, the physical off-system sales counterparties with which they transact. To date, the Terasen Gas companies have not experienced any counterparty defaults and they do not expect any counterparties to fail to meet their obligations, however, the credit quality of counterparties, as recent events have indicated, can change rapidly.

An extended decline in economic conditions could also impair the ability of customers to pay for gas and electricity consumed thereby affecting the aging and collection of the utilities' trade receivables.

Credit Ratings: Fortis and its regulated utilities do not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, the current global financial crisis has placed increased scrutiny on rating agencies and rating agency criteria which may result in changes to credit rating practices and policies.

OUTLOOK

With its substantial credit facilities and conservative capital structure, Fortis believes it has the financial flexibility to respond to the global economic downturn and volatility in the capital markets anticipated to continue in 2009. The Corporation and its utilities also expect to continue to have reasonable access to long-term capital in 2009.

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

FORTIS INC.

Consolidated Financial Statements
For the three and twelve months ended December 31, 2008 and 2007
(Unaudited)

Fortis Inc.
Consolidated Balance Sheets (Unaudited)
As at December 31
(in millions of Canadian dollars)

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 66	$ 58
Accounts receivable	681	635
Prepaid expenses	17	19
Regulatory assets	157	119
Inventories	229	207
	1,150	1,038
Deferred charges and other assets	279	179
Regulatory assets	203	193
Future income taxes	54	37
Utility capital assets	7,367	6,748
Income producing properties	541	519
Intangibles, net of amortization	9	15
Goodwill	1,575	1,544
	$ 11,178	$ 10,273
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 410	$ 475
Accounts payable and accrued charges	874	793
Dividends payable	47	43
Income taxes payable	66	30
Regulatory liabilities	45	20
Current installments of long-term debt and capital lease obligations	240	436
Future income taxes	15	7
	1,697	1,804
Deferred credits	277	261
Regulatory liabilities	401	372
Future income taxes	61	55
Long-term debt and capital lease obligations	4,884	4,623
Non-controlling interest	145	115
Preference shares	320	320
	7,785	7,550
Shareholders' equity		
Common shares	2,449	2,126
Preference shares	347	122
Contributed surplus	9	6
Equity portion of convertible debentures	6	6
Accumulated other comprehensive loss	(52)	(88)
Retained earnings	634	551
	3,393	2,723
	$ 11,178	$ 10,273

Fortis Inc.

Consolidated Statements of Earnings (Unaudited)
For the periods ended December 31
(in millions of Canadian dollars, except per share amounts)

	Quarter Ended		Year Ended	
	2008	2007	**2008**	2007
Revenue	**$ 1,182**	$ 1,018	**$ 3,903**	$ 2,718
Expenses				
Energy supply costs	**685**	558	**2,112**	1,287
Operating	**208**	191	**743**	617
Amortization	**93**	78	**348**	273
	986	827	**3,203**	2,177
Operating income	**196**	191	**700**	541
Finance charges	**93**	93	**363**	299
Gain on sale of property	**-**	(8)	**-**	(8)
	93	85	**363**	291
Earnings before corporate taxes and non-controlling interest	**103**	106	**337**	250
Corporate taxes	**17**	21	**65**	36
Net earnings before non-controlling interest	**86**	85	**272**	214
Non-controlling interest	**5**	4	**13**	15
Net earnings	**81**	81	**259**	199
Preference share dividends	**5**	2	**14**	6
Net earnings applicable to common shares	**$ 76**	$ 79	**$ 245**	$ 193
Earnings per common share				
Basic	**$ 0.48**	$ 0.51	**$ 1.56**	$ 1.40
Diluted	**$ 0.46**	$ 0.49	**$ 1.52**	$ 1.32

Fortis Inc.

Consolidated Statements of Retained Earnings (Unaudited)
For the periods ended December 31
(in millions of Canadian dollars)

	Quarter Ended		Year Ended	
	2008	2007	**2008**	2007
Balance at beginning of period	**$ 602**	$ 511	**$ 551**	$ 486
Net earnings applicable to common shares	**76**	79	**245**	193
	678	590	**796**	679
Dividends on common shares	**(44)**	(39)	**(162)**	(128)
Balance at end of period	**$ 634**	$ 551	**$ 634**	$ 551

Fortis Inc.
Consolidated Statements of Comprehensive Income (Unaudited)
For the periods ended December 31
(in millions of Canadian dollars)

	Quarter Ended		Year Ended	
	2008	2007	**2008**	2007
Net earnings	**$ 81**	$ 81	**$ 259**	$ 199
Unrealized foreign currency translation gains (losses) on net investments in self-sustaining foreign operations	**80**	-	**115**	(70)
(Losses) gains on hedges of net investments in self-sustaining foreign operations	**(64)**	1	**(92)**	48
Corporate tax recovery (expense)	**9**	(1)	**13**	(9)
Change in unrealized foreign currency translation gains (losses), net of hedging activities and tax	**25**	-	**36**	(31)
Comprehensive income	**$ 106**	$ 81	**$ 295**	$ 168

Fortis Inc.
Consolidated Statements of Cash Flows (Unaudited)
For the periods ended December 31
(in millions of Canadian dollars)

	Quarter Ended		Year Ended	
	2008	2007	**2008**	2007
Operating Activities				
Net earnings	**$ 81**	$ 81	**$ 259**	$ 199
Items not affecting cash				
Amortization - utility capital assets and income producing properties	**91**	73	**339**	261
Amortization - intangibles and other	**2**	5	**9**	12
Future income taxes	**(3)**	(2)	**14**	-
Non-controlling interest	**5**	4	**13**	15
Write down of deferred power costs - Belize Electricity	**-**	-	**18**	-
Gain on sale of property	**-**	(8)	**-**	(8)
Other	**(1)**	(11)	**(7)**	-
Change in long-term regulatory assets and liabilities	**(20)**	1	**(23)**	11
	155	143	**622**	490
Change in non-cash operating working capital	**59**	9	**41**	(117)
	214	152	**663**	373
Investing Activities				
Change in deferred charges, other assets and deferred credits	**1**	2	**(31)**	(4)
Utility capital expenditures	**(278)**	(252)	**(890)**	(790)
Contributions in aid of construction	**25**	18	**85**	73
Income producing property capital expenditures	**(3)**	(3)	**(14)**	(13)
Proceeds on sale of capital assets	**-**	1	**18**	4
Business acquisitions, net of cash acquired	**(22)**	-	**(22)**	(1,303)
	(277)	(234)	**(854)**	(2,033)
Financing Activities				
Change in short-term borrowings	**(33)**	74	**(69)**	103
Proceeds from long-term debt, net of issue costs	**3**	264	**662**	797
Repayments of long-term debt and capital lease obligations	**(211)**	(315)	**(431)**	(363)
Net borrowings (repayments) under committed credit facilities	**65**	104	**(309)**	25
Advances (to) from non-controlling interest	**(1)**	-	**3**	(3)
Issue of common shares, net of costs	**292**	5	**308**	1,267
Issue of preference shares, net of costs	**-**	-	**223**	-
Dividends				
Common shares	**(44)**	(39)	**(162)**	(128)
Preference shares	**(5)**	(2)	**(14)**	(6)
Subsidiary dividends paid to non-controlling interest	**(8)**	(2)	**(15)**	(12)
	58	89	**196**	1,680
Effect of exchange rate changes on cash and cash equivalents	**3**	-	**3**	(3)
Change in cash and cash equivalents	**(2)**	7	**8**	17
Cash and cash equivalents, beginning of period	**68**	51	**58**	41
Cash and cash equivalents, end of period	**$ 66**	$ 58	**$ 66**	$ 58

SEGMENTED INFORMATION (Unaudited)

Information by reportable segment is as follows:

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Quarter ended Decmber 31, 2008 *($ millions)*	**Terasen Gas Companies - Canadian**	Fortis Alberta	Fortis BC	NF Power	Other Canadian [1]	**Total Electric Canadian**	**Electric Caribbean [2]**	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**606**	78	66	139	65	**348**	**159**	**20**	**52**	**7**	**(10)**	**1,182**
Energy supply costs	**418**	-	23	94	44	**161**	**109**	**1**	**-**	**-**	**(4)**	**685**
Operating expenses	**71**	34	18	12	7	**71**	**20**	**3**	**36**	**8**	**(1)**	**208**
Amortization	**24**	22	9	12	5	**48**	**13**	**2**	**4**	**2**	**-**	**93**
Operating income	**93**	22	16	21	9	**68**	**17**	**14**	**12**	**(3)**	**(5)**	**196**
Finance charges	**33**	12	7	8	5	**32**	**5**	**2**	**6**	**20**	**(5)**	**93**
Corporate taxes (recoveries)	**13**	(1)	2	4	1	**6**	**1**	**3**	**2**	**(8)**	**-**	**17**
Non-controlling interest	**-**	-	-	1	-	**1**	**3**	**1**	**-**	**-**	**-**	**5**
Net earnings (loss)	**47**	11	7	8	3	**29**	**8**	**8**	**4**	**(15)**	**-**	**81**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**5**	**-**	**5**
Net earnings (loss) applicable to common shares	**47**	11	7	8	3	**29**	**8**	**8**	**4**	**(20)**	**-**	**76**
Goodwill	**903**	227	221	-	63	**511**	**161**	**-**	**-**	**-**	**-**	**1,575**
Identifiable assets	**3,721**	1,574	990	1,001	520	**4,085**	**867**	**285**	**559**	**126**	**(40)**	**9,603**
Total assets	**4,624**	1,801	1,211	1,001	583	**4,596**	**1,028**	**285**	**559**	**126**	**(40)**	**11,178**
Gross capital expenditures	**68**	80	36	20	18	**154**	**45**	**6**	**3**	**5**	**-**	**281**
Quarter ended December 31, 2007												
Revenue	**548**	68	61	132	66	**327**	**76**	**19**	**50**	**6**	**(8)**	**1,018**
Energy supply costs	**367**	-	19	88	43	**150**	**42**	**2**	**-**	**-**	**(3)**	**558**
Operating expenses	**66**	32	20	14	8	**74**	**10**	**3**	**34**	**5**	**(1)**	**191**
Amortization	**24**	19	7	9	5	**40**	**7**	**2**	**4**	**1**	**-**	**78**
Operating income	**91**	17	15	21	10	**63**	**17**	**12**	**12**	**-**	**(4)**	**191**
Finance charges	**33**	10	7	8	4	**29**	**4**	**3**	**6**	**22**	**(4)**	**93**
Gain on sale of property	**(8)**	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**
Corporate taxes (recoveries)	**14**	1	1	3	3	**8**	**1**	**2**	**(2)**	**(2)**	**-**	**21**
Non-controlling interest	**-**	-	-	1	-	**1**	**3**	**-**	**-**	**-**	**-**	**4**
Net earnings (loss)	**52**	6	7	9	3	**25**	**9**	**7**	**8**	**(20)**	**-**	**81**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Net earnings (loss) applicable to common shares	**52**	6	7	9	3	**25**	**9**	**7**	**8**	**(22)**	**-**	**79**
Goodwill	**907**	227	221	-	63	**511**	**126**	**-**	**-**	**-**	**-**	**1,544**
Identifiable assets	**3,540**	1,294	914	986	484	**3,678**	**652**	**235**	**535**	**108**	**(19)**	**8,729**
Total assets	**4,447**	1,521	1,135	986	547	**4,189**	**778**	**235**	**535**	**108**	**(19)**	**10,273**
Gross capital expenditures	**56**	80	39	19	11	**149**	**36**	**7**	**3**	**4**	**-**	**255**

[1] Includes Maritime Electric and FortisOntario

[2] Includes Belize Electricity, Caribbean Utilities, and Fortis Turks and Caicos. Results for 2008 include two additional months of contribution from Caribbean Utilities due to a change in the utility's fiscal year end.

SEGMENTED INFORMATION (Unaudited) (cont'd)

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Annual December 31, 2008 *($ millions)*	**Terasen Gas Companies - Canadian** [1]	Fortis Alberta	Fortis BC	NF Power	Other Canadian [2]	**Total Electric Canadian**	**Electric Caribbean** [3]	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**1,902**	300	237	517	262	**1,316**	**408**	**82**	**207**	**26**	**(38)**	**3,903**
Energy supply costs	**1,268**	-	68	337	177	**582**	**273**	**7**	**-**	**-**	**(18)**	**2,112**
Operating expenses	**253**	130	67	50	28	**275**	**55**	**14**	**135**	**16**	**(5)**	**743**
Amortization	**97**	85	34	45	18	**182**	**36**	**10**	**15**	**8**	**-**	**348**
Operating income	**284**	85	68	85	39	**277**	**44**	**51**	**57**	**2**	**(15)**	**700**
Finance charges	**129**	42	28	33	18	**121**	**16**	**8**	**24**	**80**	**(15)**	**363**
Corporate taxes (recoveries)	**37**	(3)	6	19	7	**29**	**2**	**10**	**10**	**(23)**	**-**	**65**
Non-controlling interest	**-**	-	-	1	-	**1**	**9**	**3**	**-**	**-**	**-**	**13**
Net earnings (loss)	**118**	46	34	32	14	**126**	**17**	**30**	**23**	**(55)**	**-**	**259**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**14**	**-**	**14**
Net earnings (loss) applicable to common shares	**118**	46	34	32	14	**126**	**17**	**30**	**23**	**(69)**	**-**	**245**
Goodwill	**903**	227	221	-	63	**511**	**161**	**-**	**-**	**-**	**-**	**1,575**
Identifiable assets	**3,721**	1,574	990	1,001	520	**4,085**	**867**	**285**	**559**	**126**	**(40)**	**9,603**
Total assets	**4,624**	1,801	1,211	1,001	583	**4,596**	**1,028**	**285**	**559**	**126**	**(40)**	**11,178**
Gross capital expenditures	**220**	302	117	67	46	**532**	**110**	**19**	**14**	**9**	**-**	**904**
Annual December 31, 2007												
Revenue	**905**	270	229	491	263	**1,253**	**307**	**75**	**191**	**22**	**(35)**	**2,718**
Energy supply costs	**559**	-	67	327	174	**568**	**169**	**8**	**-**	**-**	**(17)**	**1,287**
Operating expenses	**150**	122	69	53	29	**273**	**49**	**14**	**123**	**13**	**(5)**	**617**
Amortization	**58**	75	31	34	17	**157**	**28**	**10**	**14**	**6**	**-**	**273**
Operating income	**138**	73	62	77	43	**255**	**61**	**43**	**54**	**3**	**(13)**	**541**
Finance charges	**80**	36	26	34	17	**113**	**15**	**10**	**24**	**70**	**(13)**	**299**
Gain on sale of property	**(8)**	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**
Corporate taxes (recoveries)	**16**	(11)	5	12	10	**16**	**2**	**8**	**6**	**(12)**	**-**	**36**
Non-controlling interest	**-**	-	-	1	-	**1**	**13**	**1**	**-**	**-**	**-**	**15**
Net earnings (loss)	**50**	48	31	30	16	**125**	**31**	**24**	**24**	**(55)**	**-**	**199**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**6**	**-**	**6**
Net earnings (loss) applicable to common shares	**50**	48	31	30	16	**125**	**31**	**24**	**24**	**(61)**	**-**	**193**
Goodwill	**907**	227	221	-	63	**511**	**126**	**-**	**-**	**-**	**-**	**1,544**
Identifiable assets	**3,540**	1,294	914	986	484	**3,678**	**652**	**235**	**535**	**108**	**(19)**	**8,729**
Total assets	**4,447**	1,521	1,135	986	547	**4,189**	**778**	**235**	**535**	**108**	**(19)**	**10,273**
Gross capital expenditures	**120**	285	147	72	38	**542**	**106**	**17**	**13**	**5**	**-**	**803**

[1] The Terasen Gas companies were acquired on May 17, 2007.

[2] Includes Maritime Electric and FortisOntario

[2] Includes Belize Electricity, Caribbean Utilities, and Fortis Turks and Caicos. Results for 2008 include two additional months of contribution from Caribbean Utilities due to a change in the utility's fiscal year end.

CORPORATE INFORMATION

Fortis Inc. is the largest investor-owned distribution utility in Canada. With total assets exceeding $11 billion and annual revenues totalling $3.9 billion, the Corporation serves more than 2,000,000 gas and electricity customers. Its regulated holdings include electric distribution utilities in five Canadian provinces and three Caribbean countries and a natural gas utility in British Columbia. Fortis owns non-regulated generation assets across Canada and in Belize and upper New York State. It also owns hotels and commercial real estate across Canada. Fortis Inc. shares are listed on the Toronto Stock Exchange and trade under the symbol FTS.

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Additional information, including the Fortis 2007 Annual Information Form, Management Information Circular and Annual Report, is available on SEDAR at www.sedar.com and on the Corporation's web site at www.fortisinc.com.

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