FORTIS INC.

FOR IMMEDIATE RELEASE
St. John's, NL (February 6, 2014):

Fortis Delivers Annual Earnings of $353 Million in 2013

Annual Dividend to Common Shareholders Raised for Record 41 Consecutive Years
Capital Expenditure Program Approaches $1.2 Billion
CH Energy Group Acquisition and Integration Completed
UNS Energy Acquisition to Increase Regulated U.S. Utility Assets to One-Third of Total Assets

Fortis Inc. ("Fortis" or the "Corporation") (TSX:FTS) achieved net earnings attributable to common equity shareholders of $353 million for 2013, $38 million higher than earnings of $315 million for 2012. Earnings per common share were $1.74 for 2013 compared to $1.66 per common share for 2012.

Fortis increased its quarterly common share dividend to 32 cents from 31 cents, commencing with the first quarter dividend payable on March 1, 2014, which translates into an annualized dividend of $1.28. Fortis has raised its annualized dividend to common shareholders for 41 consecutive years, the record for a public corporation in Canada.

"Our capital program approached $1.2 billion in 2013 and marks the fifth consecutive year that our capital investment has surpassed $1 billion," says Stan Marshall, President and Chief Executive Officer, Fortis. "The $900 million, 335-megawatt Waneta Expansion hydroelectric generating facility in British Columbia, our largest capital project currently underway, is progressing well and remains on time and on budget. A total of $579 million has been invested in the project since construction began in late 2010," he explains. Fortis owns 51% of the Waneta Expansion hydroelectric generating facility ("Waneta Expansion") and will operate and maintain the facility when it comes online, which is expected in spring 2015.

Results for 2013 reflect the Corporation's acquisition of CH Energy Group, Inc. ("CH Energy Group") on June 27, 2013 for US$1.5 billion, including the assumption of US$518 million of debt on closing. Central Hudson Gas & Electric Corporation ("Central Hudson"), the main business of CH Energy Group, is a regulated transmission and distribution utility serving 377,000 electricity and gas customers in New York State's Mid-Hudson River Valley. The acquisition was primarily financed using proceeds from a $601 million common equity offering and a US$325 million unsecured notes offering.

Fortis announced in December 2013 that it agreed to acquire UNS Energy Corporation ("UNS Energy") for US$60.25 per common share in cash, representing an aggregate purchase price of approximately US$4.3 billion, including the assumption of approximately US$1.8 billion of debt on closing (the "Acquisition"). UNS Energy is a vertically integrated utility services holding company, headquartered in Tucson, Arizona, engaged through three subsidiaries in the regulated electricity generation and energy delivery business, primarily in the State of Arizona, serving approximately 654,000 electricity and gas customers.

The closing of the Acquisition, which is expected to occur by the end of 2014, is subject to receipt of UNS Energy common shareholder approval and certain regulatory and government approvals, including approval by the Arizona Corporation Commission ("ACC") and Federal Energy Regulatory Commission, and compliance with other applicable U.S. legislative requirements and the satisfaction of customary closing conditions. In January 2014 Fortis and UNS Energy filed a joint application with the ACC seeking approval of the Acquisition.

To finance a portion of the Acquisition, in January 2014 Fortis completed the sale of $1.8 billion 4% convertible unsecured subordinated debentures, represented by Installment Receipts (the "Debentures"). The Debentures were sold on an installment basis at a price of $1,000 per Debenture, of which $333 was paid on closing of the offering and the remaining $667 is payable on a date to be fixed following satisfaction of all conditions precedent to the closing of the Acquisition. In addition, in December 2013 the Corporation obtained a commitment from The Bank of Nova Scotia to provide bridge financing of $2 billion through non-revolving term credit facilities.

“The acquisition of UNS Energy is consistent with our strategy of investing in high-quality regulated Canadian and U.S. utility assets and is expected to be accretive to earnings per common share in the first full year after closing, excluding one-time acquisition-related costs,” says Marshall. “The acquisition lessens the business risk for Fortis by enhancing the geographic diversification of our businesses, resulting in no more than one-third of total assets being located in any one regulatory jurisdiction. When we close, our regulated utilities in the United States will represent approximately one-third of total assets, and regulated utilities and hydroelectric generation assets will comprise approximately 97% of our total assets,” he explains.

At the time of closing the Acquisition, the Corporation’s consolidated rate base is expected to increase by approximately US$3 billion, and Fortis utilities will serve more than 3,000,000 electricity and gas customers.

The Corporation’s earnings for 2013 were reduced by $34 million as a result of expenses related to the CH Energy Group and UNS Energy acquisitions, compared to $7.5 million of acquisition-related expenses for 2012. Earnings for 2013 were favourably impacted by an income tax recovery of $23 million, due to the enactment of higher deductions associated with Part VI.1 tax on the Corporation’s preference share dividends, compared to income tax expenses of $4 million associated with Part VI.1 tax for 2012. In addition, an extraordinary gain of approximately $20 million was recognized in 2013 related to the settlement of expropriation matters associated with the Exploits River Hydro Partnership (“Exploits Partnership”).

Excluding the above-noted items, net earnings attributable to common equity shareholders were $344 million for 2013, up $17.5 million from earnings of $326.5 million for 2012, and earnings per common share were $1.70 for 2013 compared to $1.72 for 2012. Central Hudson contributed $23 million to earnings in 2013, while the non-regulated operations of CH Energy Group incurred a net loss of $5 million, largely associated with income tax expenses related to the pending sale of Griffith Energy Services, Inc. (“Griffith”). In January 2014 CH Energy Group entered into a definitive agreement to sell Griffith for approximately US$70 million plus working capital. After considering the common share offering and financing costs associated with the acquisition, earnings per common share for 2013 were not impacted by the acquisition of CH Energy Group.

Canadian Regulated Utilities contributed earnings of $346 million, $1 million higher than earnings of $345 million for 2012. Earnings at the FortisBC gas and electric utilities were reduced by approximately $15 million and $4 million, respectively, as a result of a regulatory decision related to the first stage of the Generic Cost of Capital Proceeding, which reduced the allowed rate of return on common shareholders’ equity (“ROE”) for each of the utilities and the equity component of capital structure for FortisBC Energy Inc. (“FEI”), effective January 1, 2013. The decreases were partially offset by lower-than-expected finance charges and rate base growth. Earnings at FortisAlberta were $2 million lower than 2012, as a result of lower net transmission revenue and costs related to flooding in southern Alberta in June 2013, partially offset by rate base growth and growth in the number of customers. Earnings at Newfoundland Power and Maritime Electric were favourably impacted by income tax recoveries associated with Part VI.1 tax. Newfoundland Power’s earnings were also favourably impacted by rate base growth and a $1 million gain on the sale of land in 2013. Earnings at FortisOntario decreased due to the impact of the cumulative return adjustment on smart meter investments in 2012.

“The regulatory calendar at our largest utilities continues to be extensive,” says Marshall. “Multi-year performance-based rate applications are progressing in British Columbia and cost of capital proceedings are continuing at FortisAlberta and FortisBC. Central Hudson will file a general rate application in mid-2014, its first such application as a Fortis utility, to establish rates effective mid-2015,” he explains. Regulatory approval of the acquisition of Central Hudson included a two-year delivery rate freeze through June 30, 2015. Over the same two-year period, Central Hudson committed to invest US$215 million in capital expenditures.

Caribbean Regulated Electric Utilities contributed earnings of $23 million, up $4 million from 2012. The increase was primarily due to the regulator-approved capitalization of overhead costs of approximately $3 million at Fortis Turks and Caicos. Electricity sales growth and an increase in base customer electricity rates at Caribbean Utilities also contributed to the higher earnings.

Non-Regulated Fortis Generation contributed earnings of $39 million, up $22 million from 2012, driven by the extraordinary gain associated with the Exploits Partnership and increased hydroelectric production in Belize.

Non-Utility operations delivered earnings of $18 million compared to $22 million for 2012. The decrease was due to the loss of $5 million incurred at the non-regulated operations of CH Energy Group as noted above. Earnings at Fortis Properties were $1 million higher year over year, primarily due to improved performance at the Hospitality Division.

Corporate and Other expenses were $96 million compared to $88 million for 2012. Expenses included acquisition-related expenses totalling $34 million for 2013 compared to $7.5 million for 2012. An approximate $6 million income tax recovery associated with Part VI.1 tax reduced Corporate and Other expenses in 2013, compared to income tax expense of $6 million associated with Part VI.1 tax for 2012. A foreign exchange gain of $6 million was recognized in 2013 compared to a foreign exchange loss of $2 million in 2012. Excluding the above-noted impacts, Corporate and Other expenses were $1.5 million higher year over year, mainly due to higher preference share dividends and finance charges associated with the acquisition of CH Energy Group, partially offset by higher income tax recoveries, higher capitalized interest associated with the Waneta Expansion and lower operating expenses.

Cash flow from operating activities was $899 million, down $93 million from 2012, mainly due to unfavourable changes in working capital.

Earnings for the fourth quarter were $100 million, or $0.47 per common share, up $13 million, or $0.01 per common share, from the same quarter in 2012. The increase in earnings for the quarter was primarily due to: (i) the acquisition of CH Energy Group, including contribution of $11 million from Central Hudson and a net loss of approximately $2 million at the non-regulated operations; (ii) increased non-regulated hydroelectric production in Belize, partially offset by income tax expenses associated with the Exploits Partnership; (iii) higher earnings at Caribbean Regulated Electric Utilities, driven by the capitalization of overhead costs at Fortis Turks and Caicos; (iv) higher earnings at the FortisBC Energy companies and FortisBC Electric, mainly due to lower-than-expected finance charges and rate base growth, partially offset by decreases in the allowed ROEs for each of the utilities and the equity component of capital structure at FEI; and (v) a gain on the sale of land at Newfoundland Power. The increase was partially offset by lower earnings at FortisAlberta and Other Canadian Electric Utilities. The timing of depreciation and certain operating expenses, and lower net transmission revenue at FortisAlberta were partially offset by rate base growth and growth in the number of customers. At Other Canadian Electric Utilities, the decrease was primarily due to the impact of the cumulative return adjustment on smart meter investments at FortisOntario in 2012. Corporate and Other expenses were comparable quarter over quarter.

Fortis is one of the highest-rated utility holding companies in North America, with its corporate debt rated A- by Standard & Poor's ("S&P") and A(low) by DBRS, unchanged from 2012. In December 2013, after the announcement by Fortis that it had entered into an agreement to acquire UNS Energy, DBRS placed the Corporation's credit rating under review with developing implications. Similarly, S&P revised its outlook on the Corporation to negative from stable. S&P indicated that an outlook revision to stable would likely occur when the Debentures are converted to equity.

"Since the beginning of 2013, Fortis has raised approximately $3.3 billion in the capital markets, which attests to investors' confidence in our business strategy," says Marshall. In addition to the $1.8 billion convertible debenture offering associated with the UNS Energy acquisition, major financing completed by Fortis included the $601 million in common equity associated with the CH Energy Group acquisition.

In July 2013 Fortis raised gross proceeds of $250 million from the issuance of 4% Fixed Rate Reset First Preference Shares, Series K, which were used to redeem all of the Corporation's 5.45% First Preference Shares, Series C for $125 million, to repay a portion of credit facility borrowings, and for other general corporate purposes. In October 2013 the Corporation closed a private placement of 10-year US$285 million unsecured notes at 3.84% and 30-year US$40 million unsecured notes at 5.08%. The proceeds were used to repay a portion of US dollar-denominated credit facility borrowings incurred to finance a portion of the CH Energy Group acquisition. In addition, the Corporation's regulated utilities issued over $300 million in long-term debt in 2013 to repay long-term debt and credit facility borrowings, to fund future capital expenditures, and for general corporate purposes.

“Fortis is focused on closing the UNS Energy acquisition by the end of 2014,” says Marshall. “The commitment of UNS Energy employees to providing customers with quality energy service will further position Fortis as a leader in the North American utility industry.”

“Execution of our $1.4 billion capital program for 2014, the majority of which is occurring in western Canada, is well underway and will ensure we continue to meet the growing energy needs of our customers,” says Marshall. In 2014, FortisAlberta plans to invest $413 million in its electricity network and capital work associated with the Waneta Expansion in British Columbia is expected to total $126 million. FortisBC has begun expansion of its Tilbury liquefied natural gas (“LNG”) facility. The expansion, subject to certain regulatory and environmental permits and approvals, at an estimated total cost of approximately $400 million, is expected to include a second LNG tank and a new liquefier, both to be in service in 2016.

Over the five-year period 2014 through 2018, the Corporation’s capital program is expected to exceed $6.5 billion. Additionally, UNS Energy has forecast that its capital program for 2015 through 2018 will be approximately $1.5 billion (US$1.4 billion).

“Our capital program, which will be mostly funded with cash from operations and long-term debt at the regulated utility level, will support continuing growth in earnings and dividends,” says Marshall.

“We continue to grow our business profitably, while cognizant of our commitment to provide customers with safe, reliable and cost-effective energy service,” concludes Marshall.

Financial Highlights

For the three and twelve months ended December 31, 2013
Dated February 6, 2014

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FORWARD-LOOKING INFORMATION

The following Fortis Inc. ("Fortis" or the "Corporation") fourth quarter 2013 earnings release should be read in conjunction with: (i) the Management Discussion and Analysis ("MD&A") and unaudited consolidated financial statements and notes thereto for the three and nine months ended September 30, 2013; and (ii) the MD&A and audited consolidated financial statements and notes thereto for the year ended December 31, 2012 included in the Corporation's 2012 Annual Report. Financial information contained in this earnings release has been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and is presented in Canadian dollars unless otherwise specified.

Fortis includes forward-looking information in this fourth quarter 2013 earnings 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 it may not be appropriate for other purposes. All forward-looking information is given pursuant to the safe harbour provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation's management. The forward-looking information in this fourth quarter 2013 earnings release includes, but is not limited to, statements regarding: the expected timing of the closing of the acquisition of UNS Energy Corporation ("UNS Energy") by Fortis and the expectation that the acquisition will be accretive to earnings per common share of Fortis in the first full year after closing, excluding one-time acquisition-related costs; the expected increase in the Corporation's regulated midyear rate base at the time of closing the UNS Energy acquisition; the financing costs the Corporation expects to incur in 2014 associated with the convertible debentures; the expected net proceeds from the final installment of the convertible debentures represented by installment receipts; the expectation that, based on current tax legislation, future earnings will not be materially impacted by Part VI.1 tax; the expected timing of filing regulatory applications and of receipt of regulatory decisions; the Corporation's consolidated forecast gross capital expenditures for 2014; total forecast gross capital expenditures over the five-year period 2014 through 2018 and forecast capital expenditures at UNS Energy over the period 2015 through 2018; the nature, timing and amount of certain capital projects and their expected costs and time to complete; the expectation that the Corporation's significant capital expenditure program will support continuing growth in earnings and dividends; the expectation that the acquisition of CH Energy Group, Inc. will be accretive to earnings per common share beginning in 2015; and the expectation that, following the closing of the UNS Energy acquisition, regulated utilities in the United States will represent approximately one-third of total assets, and regulated utilities and hydroelectric generation assets will comprise approximately 97% of the Corporation's total assets.

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 and no material adverse regulatory decisions being received and the expectation of regulatory stability; FortisAlberta continues to recover its cost of service and earn its allowed rate of return on common shareholder's equity ("ROE") under performance-based rate-setting ("PBR"), which commenced for a five-year term effective January 1, 2013; the receipt of UNS Energy shareholder approval and certain regulatory and government approvals pertaining to the pending acquisition of UNS Energy; the receipt of the final installment of the convertible debentures represented by installment receipts; no significant variability in interest rates; 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; no significant decline in capital spending; no material capital project and financing *cost overrun related to the construction of the Waneta Expansion hydroelectric generating facility; sufficient liquidity and capital resources; the expectation that the Corporation will receive appropriate compensation from the Government of Belize ("GOB") for fair value of the Corporation's investment in Belize Electricity that was expropriated by the GOB; the expectation that Belize Electric Company Limited will not be expropriated by the GOB; the continuation of regulator-approved mechanisms to flow through the cost of natural gas and energy supply costs in customer rates; the ability to hedge exposures to fluctuations in foreign exchange rates, natural gas prices, electricity prices and fuel prices; 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, fuel and electricity supply; continuation and regulatory approval of power supply and capacity purchase contracts; the ability to fund defined benefit pension plans, earn the assumed long-term rates of return on the related assets and recover net pension costs in customer rates; no significant changes in government energy plans and environmental laws that may materially negatively affect the operations and cash flows of the Corporation and its subsidiaries; no material change in public policies and directions by governments that could materially negatively affect the Corporation and its subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; the ability to report under US GAAP beyond 2018 or the adoption of International Financial Reporting Standards that allows for the recognition of regulatory assets and liabilities; the continued tax-deferred treatment of earnings from the Corporation's Caribbean operations; continued maintenance of information technology infrastructure; continued 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. Risk factors which could cause results or events to differ from current expectations are detailed under the heading "Business Risk Management" in the Corporation's MD&A for the three and nine months ended September 30, 2013, for the year ended December 31, 2012 and as otherwise disclosed in this fourth quarter 2013 earnings release. Key risk factors for 2014 include, but are not limited to: uncertainty of the impact a continuation of a low interest rate environment may have on the allowed ROE at certain of the Corporation's regulated utilities in western Canada; uncertainty regarding the treatment of certain capital expenditures at FortisAlberta under the newly implemented PBR mechanism; risks relating to the ability to close the acquisition of UNS Energy, the timing of such closing and the realization of the anticipated benefits of the acquisition; risk associated with the amount of compensation to be paid to Fortis for its investment in Belize Electricity that was expropriated by the GOB; and the timeliness of the receipt of the compensation and the ability of the GOB to pay the compensation owing to Fortis.

All forward-looking information in this fourth quarter 2013 earnings 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.

CORPORATE OVERVIEW

Fortis is the largest investor-owned gas and electric distribution utility in Canada. Its regulated utilities account for 90% of total assets and serve more than 2.4 million customers across Canada and in New York State and the Caribbean. Fortis owns non-regulated hydroelectric generation assets in Canada, Belize and Upstate New York. The Corporation's non-utility investments are comprised of hotels and commercial real estate in Canada and petroleum supply operations in the Mid-Atlantic Region of the United States.

In 2013 the Corporation's electricity distribution systems met a combined peak demand of 6,451 megawatts ("MW") and its gas distribution systems met a peak day demand of 1,466 terajoules. 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, 2013 and to the "Corporate Overview" section of the 2012 Annual MD&A.

The Corporation's main business, utility operations, is highly regulated and the earnings of the Corporation's regulated utilities are primarily determined under cost of service ("COS") regulation. Generally, under COS regulation the respective regulatory authority sets customer gas and/or electricity rates to permit a reasonable opportunity for the utility to recover, on a timely basis, estimated costs of providing service to customers, including a fair rate of return on a regulatory deemed or targeted capital structure applied to an approved regulatory asset value ("rate base"). The ability of a regulated utility to recover prudently incurred costs of providing service and earn the regulator-approved rate of return on common shareholders' equity ("ROE") and/or rate of return on rate base assets ("ROA") depends on the utility achieving the forecasts established in the rate-setting processes. As such, earnings of regulated utilities are generally impacted by: (i) changes in the regulator-approved allowed ROE and/or ROA and equity component of capital structure; (ii) changes in rate base; (iii) changes in energy sales or gas delivery volumes; (iv) changes in the number and composition of customers; (v) variances between actual expenses incurred and forecast expenses used to determine revenue requirements and set customer rates; and (vi) timing differences within an annual financial reporting period between when actual expenses are incurred and when they are recovered from customers in rates. When forward test years are used to establish revenue requirements and set base customer rates, these rates are not adjusted as a result of actual COS being different from that which is estimated, other than for certain prescribed costs that are eligible to be deferred on the balance sheet. In addition, the Corporation's regulated utilities, where applicable, are permitted by their respective regulatory authority to flow through to customers, without markup, the cost of natural gas, fuel and/or purchased power through base customer rates and/or the use of rate stabilization and other mechanisms.

When performance-based rate-setting ("PBR") mechanisms are utilized in determining annual revenue requirements and resulting customer rates, a formula is generally applied that incorporates inflation and assumed productivity improvements. The use of PBR mechanisms should allow a utility a reasonable opportunity to recover prudent COS and earn its allowed ROE.

SIGNIFICANT ITEMS

Pending Acquisition of UNS Energy Corporation: In December 2013 Fortis announced that it has entered into an agreement and plan of merger to acquire UNS Energy Corporation ("UNS Energy") (NYSE:UNS) for US$60.25 per common share in cash, representing an aggregate purchase price of approximately US$4.3 billion, including the assumption of approximately US$1.8 billion of debt on closing (the "Acquisition"). UNS Energy is a vertically integrated utility services holding company, headquartered in Tucson, Arizona, engaged through three subsidiaries in the regulated electric generation and energy delivery business, primarily in the State of Arizona, serving approximately 654,000 electricity and gas customers.

The closing of the Acquisition, which is expected to occur by the end of 2014, is subject to receipt of UNS Energy common shareholder approval and certain regulatory and government approvals, including approval by the Arizona Corporation Commission ("ACC") and Federal Energy Regulatory Commission, and compliance with other applicable U.S. legislative requirements and the satisfaction of customary closing conditions. In January 2014 Fortis and UNS Energy filed a joint application with the ACC seeking approval of the Acquisition.

The Acquisition is consistent with the Corporation's strategy of investing in high-quality regulated utility assets in Canada and the United States and is expected to be accretive to earnings per common share of Fortis in the first full year after closing, excluding one-time acquisition-related costs. At the time of closing of the Acquisition, the Corporation's consolidated rate base is expected to increase by approximately US$3 billion. The Acquisition will further mitigate business risk for Fortis by enhancing the geographic diversification of the Corporation's regulated assets, resulting in no more than one-third of total assets being located in any one regulatory jurisdiction.

For the purpose of financing the Acquisition, in December 2013 the Corporation obtained a commitment from The Bank of Nova Scotia to provide an aggregate of $2 billion non-revolving term credit facilities, consisting of a $1.7 billion short-term bridge facility, repayable in full nine months following its advance, and a $300 million medium-term bridge facility, repayable in full on the second anniversary of its advance.

Convertible Debentures Represented by Installment Receipts: To finance a portion of the Acquisition, in January 2014 Fortis, through a direct wholly owned subsidiary, completed the sale of $1.8 billion aggregate principal amount of 4% convertible unsecured subordinated debentures, represented by Installment Receipts (the "Debentures").

The offering of the Debentures consisted of a bought deal placement of $1.594 billion aggregate principal amount of Debentures underwritten by a syndicate of underwriters (the "Public Offering") and the sale of $206 million aggregate principal amount of Debentures to certain institutional investors on a private placement basis (together with the Public Offering, the "Offerings"). In connection with the Public Offering, the underwriters have been granted an overallotment option to purchase up to an additional $239.1 million aggregate principal amount of Debentures, at the offering price, within 30 days from the closing date of the Public Offering on January 9, 2014.

The Debentures were sold on an installment basis at a price of $1,000 per Debenture, of which $333 was paid on closing of the Offerings and the remaining $667 is payable on a date ("Final Installment Date") to be fixed following satisfaction of all conditions precedent to the closing of the Acquisition. Prior to the Final Installment Date, the Debentures will be represented by Installment Receipts. The Installment Receipts began trading on the Toronto Stock Exchange ("TSX") on January 9, 2014 under the symbol "FTS.IR". The Debentures will not be listed. The Debentures will mature on January 9, 2024 and will bear interest at an annual rate of 4% per $1,000 principal amount of Debentures until and including the Final Installment Date, after which the interest rate will be 0%.

If the Final Installment Date occurs prior to the first anniversary of the closing of the Offerings, holders of Debentures who have paid the final installment will be entitled to receive, in addition to the payment of accrued and unpaid interest, an amount equal to the interest that would have accrued from the day following the Final Installment Date to, but excluding, the first anniversary of the closing of the Offerings had the Debentures remained outstanding until such date. As a result, in 2014 the Corporation expects to incur approximately $72 million ($51 million after tax) in financing costs associated with the Debentures.

At the option of the investors and provided that payment of the final installment has been made, each Debenture will be convertible into common shares of Fortis at any time after the Final Installment Date but prior to maturity or redemption by the Corporation at a conversion price of $30.72 per common share, being a conversion rate of 32.5521 common shares per $1,000 principal amount of Debentures.

The Debentures will not be redeemable except that Fortis will redeem the Debentures at a price equal to their principal amount plus accrued and unpaid interest following the earlier of: (i) notification to holders that the conditions necessary to approve the Acquisition will not be satisfied; (ii) termination of the acquisition agreement; and (iii) July 2, 2015, if notice of the Final Installment Date has not been given to investors on or before June 30, 2015. In addition, after the Final Installment Date, any Debentures not converted may be redeemed by Fortis at a price equal to their principal amount plus unpaid interest, accrued prior to the Final Installment Date. Under the terms of the Installment Receipt Agreement, Fortis has agreed that until such time as the Debentures have been redeemed in accordance with the foregoing or the Final Installment Date has occurred, the Corporation will at all times maintain availability under its committed revolving corporate credit facility of not less than $600 million to cover the principal amount of the first installment of the Debentures in the event of a mandatory redemption.

At maturity, Fortis will have the right to pay the principal amount due in common shares, which will be valued at 95% of the weighted average trading price on the TSX for the 20 consecutive trading days ending five trading days preceding the maturity date.

The net proceeds of the first installment payment of the Offerings was approximately $563 million and was used to repay borrowings under the Corporation's existing revolving credit facility and for other general corporate purposes. The net proceeds of the final installment payment of the Offerings are expected to be, in aggregate, approximately $1.165 billion, assuming no exercise of the Public Offering's overallotment option.

Acquisition of CH Energy Group, Inc.: On June 27, 2013, Fortis acquired all of the outstanding common shares of CH Energy Group, Inc. ("CH Energy Group") for US$65.00 per common share in cash, for an aggregate purchase price of approximately US$1.5 billion, including the assumption of US$518 million of debt on closing. The net purchase price of approximately $1,019 million (US$972 million) was financed through proceeds from the issuance of 18.5 million common shares of Fortis pursuant to the conversion of Subscription Receipts on closing of the acquisition for proceeds of approximately $567 million, net of after-tax expenses, and a US$325 million unsecured notes offering, with the balance funded through drawings under the Corporation's $1 billion committed credit facility.

CH Energy Group is an energy delivery company headquartered in Poughkeepsie, New York. Its main business, Central Hudson Gas & Electric Corporation ("Central Hudson"), is a regulated transmission and distribution ("T&D") utility serving approximately 300,000 electricity customers and 77,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley. Central Hudson accounts for approximately 93% of the total assets of CH Energy Group and is subject to regulation by the New York State Public Service Commission under a traditional COS model. CH Energy Group's non-regulated operations primarily consist of Griffith Energy Services, Inc. ("Griffith"), which mainly supplies petroleum products and related services to approximately 60,000 customers in the Mid-Atlantic Region of the United States.

Pending Sale of Griffith: In January 2014 CH Energy Group entered into a definitive agreement to sell its non-regulated subsidiary, Griffith, for approximately US$70 million plus working capital, which will be determined at closing. The sale is expected to close in the first quarter of 2014, subject to customary closing conditions and regulatory approval. As a result, the assets and liabilities of Griffith have been classified as held for sale on the consolidated balance sheet as at December 31, 2013 and the results of operations have been presented as discontinued operations on the consolidated statement of earnings.

First Preference Shares: In July 2013 Fortis issued 10 million 4% Cumulative Redeemable Fixed Rate Reset First Preference Shares, Series K for gross proceeds of $250 million. The proceeds were used to redeem all of the Corporation's 5.45% First Preference Shares, Series C in July 2013 for $125 million, to repay a portion of credit facility borrowings, and for other general corporate purposes. Approximately $2 million of costs associated with the redemption of First Preference Shares, Series C were expensed in the third quarter of 2013.

Long-Term Debt Offerings: In May 2013 Caribbean Utilities issued 15-year US$10 million unsecured notes at 3.34% and 20-year US$40 million unsecured notes at 3.54%. Proceeds from the offerings were used to repay short-term borrowings and to finance capital expenditures. In September 2013 FortisAlberta issued 30-year $150 million unsecured debentures at 4.85%. The proceeds of the debt offering were used to repay credit facility borrowings, to fund capital expenditures and for general corporate purposes. In October 2013 the Corporation issued 10-year US$285 million unsecured notes at 3.84% and 30-year US$40 million unsecured notes at 5.08%. Proceeds from the offering were used to repay a portion of the Corporation's US dollar-denominated credit facility borrowings incurred to initially finance a portion of the CH Energy Group acquisition. In November 2013 Newfoundland Power issued 30-year $70 million first mortgage sinking fund bonds at 4.805%. The proceeds were used to repay short-term borrowings, which were incurred to fund capital expenditures, and for general corporate purposes. In November and December 2013, Central Hudson issued 5-year US$30 million unsecured notes at 2.45% and 15-year US$17 million 4.09% unsecured notes, respectively. Proceeds from the offerings were used to repay long-term debt and for general corporate purposes.

Reporting in Accordance with US GAAP: In January 2014 the Ontario Securities Commission ("OSC") issued a relief order which permits the Corporation and its reporting issuer subsidiaries to continue to prepare their financial statements in accordance with US GAAP until the earliest of: (i) January 1, 2019; (ii) the first day of the financial year that commences after the Corporation or its reporting issuer subsidiaries ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within International Financial Reporting Standards specific to entities with activities subject to rate regulation. The OSC relief order effectively replaces and extends the OSC's previous relief order, which was due to expire effective January 1, 2015.

Part VI.1 Tax: In June 2013 the Government of Canada enacted previously announced legislative changes associated with Part VI.1 tax on the Corporation's preference share dividends. In accordance with US GAAP, income taxes are required to be recognized based on enacted tax legislation. In 2013 the Corporation recognized an approximate $23 million income tax recovery due to the enactment of higher deductions associated with Part VI.1 tax. The income tax recovery impacted earnings at Newfoundland Power, Maritime Electric and the Corporation as a result of the allocation of Part VI.1 tax in previous years. Currently, all legislative changes associated with Part VI.1 tax are enacted and, as a result, future earnings are not expected to be materially impacted by Part VI.1 tax.

Receipt of Regulatory Decisions: In March 2013 FortisAlberta received a decision from its regulator approving an interim increase in customer distribution rates, effective January 1, 2013, including interim approval of 60% of the revenue requirement associated with certain capital expenditures in 2013 not otherwise recovered under PBR. The Company's final allowed ROE and capital structure for 2013 remain to be determined.

In April 2013 Newfoundland Power received a cost of capital decision maintaining the utility's allowed ROE at 8.8% and its common equity component of capital structure at 45% for 2013 through 2015.

In May 2013 the British Columbia Utilities Commission ("BCUC") issued its decision, effective January 1, 2013, on the first stage of the Generic Cost of Capital ("GCOC") Proceeding. As a result, the allowed ROE for FortisBC Energy Inc. ("FEI") has been set at 8.75%, as compared to 9.50% for 2012, and the common equity component of capital structure has been reduced from 40.0% to

38.5%. The interim allowed ROEs for FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEWI") and FortisBC Electric were also reduced by 75 basis points for 2013 as a result of the first stage of the GCOC Proceeding, while the common equity components of their capital structures remain unchanged. Final allowed ROEs and capital structures for FEVI, FEWI and FortisBC Electric will be determined in the second stage of the GCOC Proceeding, which is currently underway. A decision on the proceeding is expected in the first half of 2014.

Settlement of Expropriation Matters - Exploits River Hydro Partnership: In March 2013 the Corporation and the Government of Newfoundland and Labrador settled all matters, including release from all debt obligations, pertaining to the Government's December 2008 expropriation of non-regulated hydroelectric generating assets and water rights in central Newfoundland, then owned by the Exploits River Hydro Partnership ("Exploits Partnership"), in which Fortis held an indirect 51% interest. As a result of the settlement, an extraordinary after-tax gain of approximately $20 million was recognized in 2013.

Acquisition of the Electrical Utility Assets from the City of Kelowna: FortisBC Electric acquired the electrical utility assets of the City of Kelowna (the "City") for approximately $55 million in March 2013, which now allows FortisBC Electric to directly serve some 15,000 customers formerly served by the City. FortisBC Electric had provided the City with electricity under a wholesale tariff and had operated and maintained the City's electrical utility assets under contract since 2000.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fourth quarters and years ended December 31, 2013 and December 31, 2012 are provided in the following table.

Consolidated Financial Highlights (Unaudited)						
Periods Ended December 31		**Quarter**			**Annual**	
($ millions, except for common share data)	**2013**	2012	Variance	**2013**	2012	Variance
Revenue	**1,229**	999	230	**4,047**	3,654	393
Energy Supply Costs	**519**	430	89	**1,617**	1,522	95
Operating Expenses	**324**	247	77	**1,037**	868	169
Depreciation and Amortization	**142**	119	23	**541**	470	71
Other Income (Expenses), Net	**5**	6	(1)	**(31)**	4	(35)
Finance Charges	**105**	90	15	**389**	366	23
Income Tax Expense	**28**	17	11	**32**	61	(29)
Earnings from Continuing Operations	**116**	102	14	**400**	371	29
Earnings from Discontinued Operations, Net of Tax	**2**	-	2	**-**	-	-
Earnings Before Extraordinary Item	**118**	102	16	**400**	371	29
Extraordinary (Loss) Gain, Net of Tax	**(2)**	-	(2)	**20**	-	20
Net Earnings	**116**	102	14	**420**	371	49
Net Earnings Attributable to:						
Non-Controlling Interests	**3**	2	1	**10**	9	1
Preference Equity Shareholders	**13**	13	-	**57**	47	10
Common Equity Shareholders	**100**	87	13	**353**	315	38
Net Earnings	**116**	102	14	**420**	371	49
Earnings per Common Share from Continuing Operations						
Basic *($)*	**0.47**	0.46	0.01	**1.64**	1.66	(0.02)
Diluted *($)*	**0.47**	0.45	0.02	**1.63**	1.65	(0.02)
Earnings per Common Share						
Basic *($)*	**0.47**	0.46	0.01	**1.74**	1.66	0.08
Diluted *($)*	**0.47**	0.45	0.02	**1.73**	1.65	0.08
Weighted Average Common Shares Outstanding *(# millions)*	**212.7**	191.0	21.7	**202.5**	190.0	12.5
Cash Flow from Operating Activities	**233**	176	57	**899**	992	(93)

Revenue
The increase in revenue for the quarter and the year was driven by the acquisition of CH Energy Group, an increase in the base component of rates at most of the regulated utilities, higher electricity sales and gas volumes, and favourable foreign exchange associated with the translation of US dollar-denominated revenue.

The increase in revenue for the quarter and the year was partially offset by decreases in the allowed ROEs at the FortisBC Energy companies and FortisBC Electric, and a decrease in the equity component of capital structure at FEI, effective January 1, 2013, as a result of the regulatory decision on the first stage of the GCOC Proceeding in British Columbia, and lower net transmission revenue at FortisAlberta. For the year, revenue was unfavourably impacted by a decrease in the cost of natural gas charged to customers at the FortisBC Energy companies.

Energy Supply Costs
The increase in energy supply costs for the quarter and the year was primarily due to the acquisition of CH Energy Group and higher electricity sales and gas volumes, which increased fuel, power and natural gas purchases. For the year, the increase in energy supply costs was partially offset by a lower cost of natural gas at the FortisBC Energy companies.

Operating Expenses
The increase in operating expenses for the quarter and the year was primarily due to the acquisition of CH Energy Group and general inflationary and employee-related cost increases at most of the Corporation's regulated utilities.

Depreciation and Amortization
The increase in depreciation and amortization for the quarter and the year was due to continued investment in energy infrastructure at the Corporation's regulated utilities and the acquisition of CH Energy Group.

Other Income (Expenses), Net
Other income was comparable quarter over quarter. Expenses of $3 million ($2 million after tax) related to the pending Acquisition were partially offset by a higher foreign exchange gain.

The increase in other expenses for the year was primarily due to approximately $41 million (US$40 million), or $26 million (US$26 million) after tax, of expenses associated with customer and community benefits offered by the Corporation to close the acquisition of CH Energy Group, and expenses related to the pending Acquisition, as noted above. The increase was partially offset by a foreign exchange gain of $6 million for 2013 compared to a foreign exchange loss of $2 million for 2012.

Finance Charges
The increase in finance charges for the quarter and the year was primarily due to the acquisition of CH Energy Group, including interest associated with financing the acquisition, and higher long-term debt levels in support of the utilities' capital expenditure programs. The increase in finance charges for the year was partially offset by higher capitalized interest associated with the financing of the construction of the Corporation's 51% controlling ownership interest in the Waneta Expansion hydroelectric generating facility ("Waneta Expansion").

Income Tax Expense
Income tax expense for the quarter increased mainly due to the acquisition of CH Energy Group, higher income taxes at the FortisBC Energy companies and FortisBC Electric, and income tax expenses associated with the pending sale of Griffith. The increase was partially offset by the impact of income tax expense of $2 million associated with Part VI.1 tax in 2012.

Income tax expense for the year decreased primarily due to an income tax recovery of $23 million, due to the enactment of higher deductions associated with Part VI.1 tax on the Corporation's preference share dividends, compared to income tax expenses of $4 million associated with Part VI.1 tax in 2012, and the release of income tax provisions of $7 million in 2013, compared to $4 million in 2012. The decrease was partially offset by the acquisition of CH Energy Group, higher income taxes at the FortisBC Energy companies and FortisBC Electric, and income tax expenses associated with the pending sale of Griffith.

Earnings

The increase in earnings for the quarter was primarily due to: (i) the acquisition of CH Energy Group, including contribution of $11 million from Central Hudson and a net loss of approximately $2 million at the non-regulated operations; (ii) increased non-regulated hydroelectric production in Belize, partially offset by income tax expenses associated with the Exploits Partnership; (iii) higher earnings at Caribbean Regulated Electric Utilities, driven by the capitalization of overhead costs at Fortis Turks and Caicos; (iv) higher earnings at the FortisBC Energy companies and FortisBC Electric, mainly due to lower-than-expected finance charges and rate base growth, partially offset by decreases in the allowed ROEs for each of the utilities and the equity component of capital structure at FEI; and (v) a gain on the sale of land at Newfoundland Power. The increase was partially offset by lower earnings at FortisAlberta and Other Canadian Electric Utilities. The timing of depreciation and certain operating expenses, and lower net transmission revenue at FortisAlberta were partially offset by rate base growth and growth in the number of customers. At Other Canadian Electric Utilities, the decrease was primarily due to the impact of the cumulative return adjustment on smart meter investments at FortisOntario in 2012. Corporate and Other expenses were comparable quarter over quarter.

The increase in earnings for the year was driven by: (i) the acquisition of CH Energy Group, including contribution of $23 million from Central Hudson and a net loss of approximately $5 million at the non-regulated operations; (ii) an approximate $20 million after-tax extraordinary gain on the settlement of expropriation matters associated with the Exploits Partnership; (iii) increased earnings at Newfoundland Power and Maritime Electric due to income tax recoveries associated with Part VI.1 tax of $13 million and $4 million, respectively, partially offset by the $2.5 million reversal of statute-barred Part VI.1 tax at Newfoundland Power in 2012; (iv) higher earnings at Caribbean Regulated Electric Utilities, driven by the capitalization of overhead costs at Fortis Turks and Caicos; and (v) increased hydroelectric production in Belize.

At the FortisBC Energy companies and FortisBC Electric, earnings for the year were reduced by approximately $15 million and $4 million, respectively, as a result of the decreases in ROE for each of the utilities and the equity component of capital structure at FEI, and higher effective income taxes. Excluding the impact of the GCOC Proceeding, earnings for the year increased mainly due to lower-than-expected finance charges, rate base growth and lower operating and maintenance expenses at the FortisBC Energy companies.

The increase in earnings for the year was partially offset by higher Corporate and Other expenses and lower earnings at FortisAlberta, mainly due to lower net transmission revenue and costs related to flooding in southern Alberta in June 2013, partially offset by rate base growth and growth in the number of customers. Corporate and Other expenses were unfavourably impacted by an increase in acquisition-related expenses, preference share dividends and finance charges, partially offset by income tax recoveries associated with Part VI.1 tax, the release of income tax provisions, and favourable foreign exchange impacts.

SEGMENTED RESULTS OF OPERATIONS

Segmented Net Earnings Attributable to Common Equity Shareholders (Unaudited)						
Periods Ended December 31	Quarter			Annual		
($ millions)	**2013**	2012	Variance	**2013**	2012	Variance
Regulated Gas Utilities - Canadian						
FortisBC Energy Companies	**50**	49	1	**127**	138	(11)
Regulated Gas & Electric Utility - United States						
Central Hudson	**11**	-	11	**23**	-	23
Regulated Electric Utilities - Canadian						
FortisAlberta	***18***	*23*	*(5)*	***94***	*96*	*(2)*
FortisBC Electric	***13***	*12*	*1*	***50***	*50*	*-*
Newfoundland Power	***10***	*9*	*1*	***49***	*37*	*12*
Other Canadian Electric Utilities	***4***	*5*	*(1)*	***26***	*24*	*2*
	45	49	(4)	**219**	207	12
Regulated Electric Utilities - Caribbean	**8**	4	4	**23**	19	4
Non-Regulated - Fortis Generation	**4**	2	2	**39**	17	22
Non-Regulated - Non-Utility	**3**	5	(2)	**18**	22	(4)
Corporate and Other	**(21)**	(22)	1	**(96)**	(88)	(8)
Net Earnings Attributable to Common Equity Shareholders	**100**	87	13	**353**	315	38

For an update on material regulatory decisions and applications pertaining to the Corporation's regulated utilities, refer to the "Regulatory Highlights" section of this earnings release. A discussion of the financial results of the Corporation's reporting segments is as follows.

REGULATED GAS UTILITIES - CANADIAN

FORTISBC ENERGY COMPANIES [(1)]

Financial Highlights (Unaudited)	Quarter			Annual		
Periods Ended December 31	**2013**	2012	Variance	**2013**	2012	Variance
Gas Volumes *(petajoules ("PJ"))*	**68**	60	8	**200**	199	1
Revenue *($ millions)*	**446**	422	24	**1,378**	1,426	(48)
Earnings *($ millions)*	**50**	49	1	**127**	138	(11)

(1) Primarily includes FEI, FEVI and FEWI

Gas Volumes

The increase in gas volumes for the quarter was driven by higher average consumption by residential, commercial, and transportation customers due to colder weather. The increase for the year was due to higher average consumption by residential customers due to colder weather in the winter months, partially offset by lower gas transportation volumes, mainly due to certain transportation customers switching from natural gas to alternative fuel sources.

The FortisBC Energy companies earn approximately the same margin regardless of whether a customer contracts for the purchase and delivery of natural gas or only for the delivery of natural gas. As a result of the operation of regulator-approved deferral mechanisms, changes in consumption levels and the commodity cost of natural gas from those forecast to set residential and commercial customer gas rates do not materially affect earnings.

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

Revenue
The increase in revenue for the quarter was primarily due to higher gas volumes and an increase in the delivery component of customer rates. The increase was partially offset by decreases in the allowed ROE and the equity component of capital structure, effective January 1, 2013, as a result of the first stage of the GCOC Proceeding in British Columbia.

The decrease in revenue for the year was primarily due to an overall lower cost of natural gas charged to customers in 2013 and decreases in the allowed ROE and the equity component of capital structure. The decrease was partially offset by an increase in the delivery component of customer rates effective January 1, 2013.

Earnings
Earnings for the quarter and the year were reduced by approximately $5 million and $15 million, respectively, as a result of the decreases in the allowed ROE and the equity component of capital structure.

Excluding the impact of the lower allowed ROE and equity component of capital structure, earnings for the quarter and the year increased, mainly due to lower-than-expected finance charges and rate base growth. Lower operating and maintenance expenses also had a favourable impact on earnings for the year. The increases were partially offset by higher effective income taxes, and lower gas transportation volumes for the year.

REGULATED GAS & ELECTRIC UTILITY - UNITED STATES

CENTRAL HUDSON

Financial Highlights (Unaudited) *(1)* Periods Ended December 31, 2013	**Quarter**	**Year-to-Date**
Average US:CDN Exchange Rate *(2)*	**1.05**	**1.04**
Electricity Sales *(gigawatt hours ("GWh"))*	**1,209**	**2,629**
Gas Volumes *(PJ)*	**5**	**9**
Revenue *($ millions)*	**165**	**335**
Earnings *($ millions)*	**11**	**23**

(1) Financial results of Central Hudson are from June 27, 2013, the date of acquisition.
(2) The reporting currency of Central Hudson is the US dollar.

Electricity Sales
Electricity sales for the quarter were 1,209 gigawatt hours ("GWh"), comparable to 1,210 GWh for the same period in 2012. Electricity sales year to date from acquisition were 2,629 GWh, a decrease of 36 GWh from the same period last year, mainly due to cooler temperatures in the third quarter of 2013.

Gas Volumes
Gas volumes for the quarter and year to date from acquisition were 5 petajoules ("PJ") and 9 PJ, respectively, compared to 6 PJ and 12 PJ for the same periods last year. The decrease was mainly due to lower volumes delivered to a power generating facility as a result of reduced facility operations and lower volumes for resale.

A portion of Central Hudson's electricity sales and gas volumes are to other entities for resale. Electricity sales for resale do not have an impact on earnings, as any related earnings or loss is refunded to or collected from customers, respectively. For gas volumes for resale, 85% of any related earnings or loss is refunded to or collected from customers, respectively.

Seasonality impacts the delivery revenues of Central Hudson, as electricity sales are highest during the summer months, primarily due to the use of air conditioning and other cooling equipment, and gas volumes are highest during the winter months, primarily due to space heating usage.

Revenue
Revenue for the quarter and year to date from acquisition was US$157 million and US$321 million, respectively, compared to US$151 million and US$318 for the same periods last year. The increase in revenue was primarily due to higher electric and natural gas energy cost adjustment revenues, resulting from higher wholesale prices in the fourth quarter of 2013, combined with higher revenue from electricity energy-efficiency programs. The increase was partially offset by lower gas volumes.

Earnings
Earnings for the quarter and year to date from acquisition were consistent with expectations and comparable with the same periods last year.

REGULATED ELECTRIC UTILITIES - CANADIAN

FORTISALBERTA

Financial Highlights (Unaudited)	**Quarter**			**Annual**		
Periods Ended December 31	**2013**	2012	Variance	**2013**	2012	Variance
Energy Deliveries *(GWh)*	**4,523**	4,365	158	**16,934**	16,799	135
Revenue *($ millions)*	**121**	113	8	**475**	448	27
Earnings *($ millions)*	**18**	23	(5)	**94**	96	(2)

Energy Deliveries
The increase for the quarter and the year was driven by growth in the number of customers. The total number of customers increased by approximately 10,000 year over year, mainly due to residential and commercial customers. The increase in energy deliveries for the quarter was partially offset by lower average consumption by residential, commercial, and farm and irrigation customers due to reduced heating load. Lower activity in the oil and gas industry partially offset the annual increase in energy deliveries.

As a significant portion of FortisAlberta's distribution revenue is derived from fixed or largely fixed billing determinants, changes in quantities of energy delivered are not entirely correlated with changes in revenue. Revenue is a function of numerous variables, many of which are independent of actual energy deliveries.

Revenue
The increase for the quarter and the year was primarily due to an interim increase in customer electricity distribution rates, effective January 1, 2013, associated with the interim decision received in March 2013 related to FortisAlberta's PBR Compliance Application, growth in the number of customers, and an increase in revenue related to flow-through items to customers. The increase in revenue was partially offset by net transmission revenue in 2012 of $2 million and $8.5 million for the quarter and the year, respectively. As approved by the regulator in April 2012, FortisAlberta assumed the risk of volume variances related to net transmission costs during 2012. The deferral of transmission volume variances, however, was reinstated by the regulator effective January 1, 2013. In 2013, lower net transmission revenue was partially offset by approximately $2 million recognized in the first quarter of 2013 associated with the finalization of the 2012 net transmission volume variances.

Earnings
The decrease in earnings for the quarter was primarily due to timing of depreciation and certain operating expenses, and lower net transmission revenue of approximately $2 million, partially offset by rate base growth and growth in the number of customers.

The decrease in earnings for the year was mainly due to lower net transmission revenue of approximately $6.5 million, and incremental restoration costs of $1.5 million related to flooding in southern Alberta in June 2013. The decrease was partially offset by rate base growth and growth in the number of customers. Rate base growth, however, was tempered by the interim 60% capital tracker revenue placeholder set in the PBR Compliance Application in March 2013.

FORTISBC ELECTRIC [(1)]

Financial Highlights (Unaudited)	Quarter			Annual		
Periods Ended December 31	**2013**	2012	Variance	**2013**	2012	Variance
Electricity Sales *(GWh)*	**887**	830	57	**3,211**	3,143	68
Revenue *($ millions)*	**87**	81	6	**317**	306	11
Earnings *($ millions)*	**13**	12	1	**50**	50	-

(1) Includes the regulated operations of FortisBC Inc. and operating, maintenance and management services related to the Waneta, Brilliant and Arrow Lakes hydroelectric generating plants. Excludes the non-regulated generation operations of FortisBC Inc.'s wholly owned partnership, Walden Power Partnership. In March 2013 FortisBC Inc. acquired the City of Kelowna's electrical utility assets for approximately $55 million.

Electricity Sales
The increase in electricity sales for the quarter and the year was driven by higher average consumption, due to colder temperatures in the fourth quarter of 2013.

Revenue
The increase in revenue for the quarter and the year was primarily due to an increase in customer electricity rates effective January 1, 2013, revenue associated with the acquisition of the City of Kelowna's electrical utility assets in March 2013, and electricity sales growth. The increase was partially offset by differences in flow-through adjustments owing to customers period over period, including the impact of the decrease in the interim allowed ROE, effective January 1, 2013, as a result of the first stage of the GCOC Proceeding, a decrease in management fee revenue resulting from lower third-party activity, and lower pole-attachment revenue.

Earnings
Earnings for the quarter and the year were favourably impacted by rate base growth, including the acquisition of the City of Kelowna's electrical utility assets in March 2013, and lower-than-expected finance charges and depreciation. The increase was largely offset by a decrease in the interim allowed ROE, which reduced earnings for the quarter and the year by approximately $1 million and $4 million, respectively, and higher effective income taxes. Lower pole-attachment revenue also had an unfavourable impact on earnings for the year.

NEWFOUNDLAND POWER

Financial Highlights (Unaudited)	Quarter			Annual		
Periods Ended December 31	**2013**	2012	Variance	**2013**	2012	Variance
Electricity Sales *(GWh)*	**1,583**	1,539	44	**5,763**	5,652	111
Revenue *($ millions)*	**167**	159	8	**601**	581	20
Earnings *($ millions)*	**10**	9	1	**49**	37	12

Electricity Sales
The increase in electricity sales for the quarter and the year was primarily due to customer growth and higher average consumption, reflecting a higher concentration of electric-versus-oil heating in new home construction combined with economic growth. Colder weather conditions in the fourth quarter of 2013 also contributed to the increase in average consumption.

Revenue
The increase in revenue for the quarter and the year was primarily due to electricity sales growth and an increase in base electricity rates, effective July 1, 2013, as reflected in the 2013/2014 General Rate Application decision received in April 2013.

Earnings
The increase in earnings for the quarter was primarily due to an approximate $1 million gain on the sale of land.

The increase in earnings for the year was driven by an approximate $13 million income tax recovery in 2013, due to the enactment of higher deductions associated with Part VI.1 tax, partially offset by the $2.5 million reversal of statute-barred Part VI.1 tax in 2012. Excluding the impact of Part VI.1 tax in both years, the increase in earnings for the year was primarily due to rate base growth and the gain on the sale of land.

OTHER CANADIAN ELECTRIC UTILITIES [(1)]

Financial Highlights (Unaudited)	**Quarter**			**Annual**		
Periods Ended December 31	**2013**	2012	Variance	**2013**	2012	Variance
Electricity Sales *(GWh)*	**596**	578	18	**2,405**	2,381	24
Revenue *($ millions)*	**94**	89	5	**374**	353	21
Earnings *($ millions)*	**4**	5	(1)	**26**	24	2

[(1)] Comprised of Maritime Electric and FortisOntario. FortisOntario mainly includes Canadian Niagara Power, Cornwall Electric and Algoma Power.

Electricity Sales

The increase in electricity sales for the quarter and the year was driven by higher average consumption by residential customers on Prince Edward Island ("PEI"), due to cooler temperatures and an increase in the number of customers using electricity for home heating. The increase in electricity sales for the year was partially offset by lower average consumption by customers in Ontario reflecting more moderate temperatures, energy conservation and continued weak economic conditions in the region.

Revenue

The increase in revenue for the quarter and the year was primarily due to electricity sales growth on PEI, an increase in the base component of customer rates at Maritime Electric, effective March 1, 2013, and the flow through in customer electricity rates of higher energy supply costs at FortisOntario. The increase was partially offset by the impact of the cumulative return adjustment on smart meter investments at FortisOntario in 2012 and lower electricity sales in Ontario for the year. At Maritime Electric, a higher regulatory rate of return adjustment in 2013 as compared to 2012 had an unfavourable impact on revenue year over year; however, the timing of recognition of the regulatory rate of return adjustment in 2012 had a favourable impact on revenue quarter over quarter.

Earnings

The decrease in earnings for the quarter was mainly due to the impact of the cumulative return adjustment on smart meter investments at FortisOntario in 2012, partially offset by the timing of recognition of a regulatory rate of return adjustment at Maritime Electric in 2013 as compared to 2012.

The increase in earnings for the year was driven by an approximate $4 million income tax recovery at Maritime Electric in 2013, due to the enactment of higher deductions associated with Part VI.1 tax, partially offset by the cumulative return adjustment on smart meter investments at FortisOntario in 2012.

REGULATED ELECTRIC UTILITIES - CARIBBEAN [1]

Financial Highlights (Unaudited)	**Quarter**			**Annual**		
Periods Ended December 31	**2013**	2012	Variance	**2013**	2012	Variance
Average US:CDN Exchange Rate [2]	**1.05**	0.99	0.06	**1.03**	1.00	0.03
Electricity Sales *(GWh)*	**189**	181	8	**749**	728	21
Revenue *($ millions)*	**77**	71	6	**290**	273	17
Earnings *($ millions)*	**8**	4	4	**23**	19	4

(1) Comprised of Caribbean Utilities on Grand Cayman, Cayman Islands, in which Fortis holds an approximate 60% controlling interest and two wholly owned utilities in the Turks and Caicos Islands, FortisTCI Limited ("FortisTCI") and Turks and Caicos Utilities Limited ("TCU"), acquired in August 2012, (collectively "Fortis Turks and Caicos"). In June 2013 Atlantic Equipment & Power (Turks and Caicos) Ltd. was amalgamated with FortisTCI.

(2) The reporting currency of Caribbean Utilities and Fortis Turks and Caicos is the US dollar.

Electricity Sales

The increase for the quarter and the year was primarily due to warmer temperatures experienced on Grand Cayman, which increased air conditioning load, and growth in the number of customers. Increased electricity sales at Fortis Turks and Caicos for the year were mainly due to electricity sales of 21 GWh at TCU, which was acquired in August 2012. Electricity sales in 2012 at TCU were approximately 8 GWh from the date of acquisition.

Revenue

Higher revenue for the quarter and the year was primarily due to approximately $4 million and $9 million, respectively, of favourable foreign exchange associated with the translation of US dollar-denominated revenue, due to the strengthening of the US dollar relative to the Canadian dollar period over period. Electricity sales growth and a 1.8% increase in base customer electricity rates at Caribbean Utilities, effective June 1, 2013, also favourably impacted revenue period over period. The increase in revenue for the quarter was partially offset by the flow through in customer electricity rates of lower energy supply costs at Caribbean Utilities.

Earnings

The increase in earnings for the quarter and the year was driven by the capitalization of overhead costs of approximately $3 million at Fortis Turks and Caicos, as approved by the Government of Turks and Caicos Islands in December 2013. Electricity sales growth and the 1.8% increase in base customer electricity rates at Caribbean Utilities also contributed to the increase in earnings for the quarter and the year, partially offset by higher overall depreciation expense.

NON-REGULATED - FORTIS GENERATION [1]

Financial Highlights (Unaudited)	**Quarter**			**Annual**		
Periods Ended December 31	**2013**	2012	Variance	**2013**	2012	Variance
Energy Sales *(GWh)*	**144**	50	94	**386**	306	80
Revenue *($ millions)*	**11**	5	6	**35**	31	4
Earnings *($ millions)*	**4**	2	2	**39**	17	22

(1) Includes the financial results of non-regulated generation assets in Belize, Ontario, British Columbia and Upstate New York, with a combined generating capacity of 103 MW, mainly hydroelectric

Energy Sales

The increase in energy sales for the quarter and the year was driven by increased production in Belize, due to higher rainfall. Production in Ontario and Upstate New York also contributed to the increase due to higher rainfall and a generating unit in Upstate New York being returned to service in October 2013, respectively.

Revenue

The increase in revenue for the quarter and the year was driven by increased production in Belize.

Earnings

The increase in earnings for the quarter was driven by increased production in Belize, partially offset by income tax expenses associated with the Exploits Partnership.

The increase in earnings for the year was driven by an approximate $20 million after-tax extraordinary gain on the settlement of expropriation matters associated with the Exploits Partnership, and increased production in Belize.

NON-REGULATED - NON-UTILITY [(1)]

Financial Highlights (Unaudited) [(2)]						
Periods Ended December 31	**Quarter**			**Annual**		
($ millions)	**2013**	2012	Variance	**2013**	2012	Variance
Revenue	**62**	61	1	**248**	242	6
Earnings	**3**	5	(2)	**18**	22	(4)

[(1)] Comprised of Fortis Properties and non-regulated operations of CH Energy Group. Fortis Properties owns and operates 23 hotels, comprised of more than 4,400 rooms, in eight Canadian provinces, and owns and operates approximately 2.7 million square feet of commercial office and retail space, primarily in Atlantic Canada. Non-regulated operations of CH Energy Group primarily consist of Griffith, which mainly supplies petroleum products and related services to approximately 60,000 customers in the Mid-Atlantic Region of the United States.

[(2)] Financial results of Griffith are from June 27, 2013, the date of acquisition. The reporting currency of Griffith is the US dollar.

In January 2014 CH Energy Group entered into a definitive agreement to sell Griffith. As a result, the results of operations have been presented as discontinued operations on the consolidated statement of earnings and, accordingly, revenue in the table above excludes amounts associated with Griffith. For further details on the pending sale, refer to the “Significant Items” section of this earnings release.

Revenue

The increase in revenue for the quarter and the year was primarily due to improved performance at Fortis Properties’ Hospitality Division, driven by an increase in the average daily room rate in all regions, and Real Estate Division, mainly due to the recovery of business occupancy tax from certain tenants in 2013 and higher occupancy. The increase in revenue for the year also reflects a full year of contribution from the StationPark All Suite Hotel, which was acquired in October 2012.

Earnings

Earnings at Fortis Properties for the quarter and the year were $5 million and $23 million, respectively. Net losses at the non-regulated operations of CH Energy Group for the quarter and year to date from acquisition were approximately $2 million and $5 million, respectively.

The $1 million increase in earnings at Fortis Properties for the year was primarily due to improved performance at the Hospitality Division, partially offset by higher depreciation due to capital additions and improvements.

The net losses at the non-regulated operations of CH Energy Group were primarily due to approximately $3.5 million of income tax expenses recognized in the quarter associated with no longer recognizing CH Energy Group’s combined filing tax benefit, which is not expected to be realized due to the pending sale of Griffith. The net loss for the quarter was partially offset by $2 million in earnings from discontinued operations at Griffith. Year to date from acquisition, earnings from discontinued operations at Griffith were nil. Earnings at Griffith reflect the impact of seasonality. A considerable portion of the sales volume for Griffith is derived directly or indirectly from usage in space heating and, as a result, seasonality impacts Griffith’s earnings.

CORPORATE AND OTHER [1]

Financial Highlights (Unaudited)						
Periods Ended December 31	**Quarter**			**Annual**		
($ millions)	**2013**	2012	Variance	**2013**	2012	Variance
Revenue	**7**	6	1	**26**	24	2
Operating Expenses	**5**	6	(1)	**13**	14	(1)
Depreciation and Amortization	**1**	1	-	**2**	2	-
Other Income (Expenses), Net	**-**	2	(2)	**(45)**	(9)	(36)
Finance Charges	**14**	11	3	**48**	47	1
Income Tax Recovery	**(5)**	(1)	(4)	**(43)**	(7)	(36)
	(8)	(9)	1	**(39)**	(41)	2
Preference Share Dividends	**13**	13	-	**57**	47	10
Net Corporate and Other Expenses	**(21)**	(22)	1	**(96)**	(88)	(8)

[1] Includes Fortis net corporate expenses, net expenses of non-regulated FortisBC Holdings Inc. ("FHI") corporate-related activities, and the financial results of FHI's wholly owned subsidiary FortisBC Alternative Energy Services Inc. ("FAES") and FHI's 30% ownership interest in CustomerWorks Limited Partnership.

Net Corporate and Other expenses for the quarter and the year were significantly impacted by the following items:

(i) other expenses of approximately $41 million (US$40 million), or $26 million (US$26 million) after tax, associated with customer and community benefits offered by the Corporation to close the acquisition of CH Energy Group, were recognized in the second quarter of 2013;
(ii) other expenses of $8 million ($6 million after tax) in 2013 related to the acquisition of CH Energy Group, compared to approximately $9 million ($7.5 million after tax) in 2012, which did not have an impact on the fourth quarter of 2013 or 2012;
(iii) other expenses of $3 million ($2 million after tax) in the fourth quarter of 2013 related to the pending acquisition of UNS Energy;
(iv) a foreign exchange gain of $3 million for the fourth quarter and $6 million for the year 2013, compared to a foreign exchange gain of $1 million for the fourth quarter and a foreign exchange loss of $2 million for the year 2012, associated with the Corporation's US dollar-denominated long-term other asset, representing the book value of the Corporation's expropriated investment in Belize Electricity;
(v) a $6 million income tax recovery in the second quarter of 2013, due to the enactment of higher deductions associated with Part VI.1 tax, compared to $6 million in income tax expense in 2012 associated with Part VI.1 tax, of which $1.5 million was recognized in the fourth quarter of 2012; and
(vi) the release of income tax provisions of approximately $7 million in 2013, compared to $4 million in 2012, of which $2 million was recognized in the fourth quarter of 2012.

Excluding the above-noted items, net Corporate and Other expenses were $22 million for the quarter, compared to approximately $24 million for the same quarter in 2012. The decrease was primarily due to a higher income tax recovery and lower operating expenses, due to a non-recurring provision in 2012 associated with the Corporation's investment in CustomerWorks Limited Partnership. The decrease was partially offset by higher finance charges associated with the CH Energy Group acquisition, which includes the impact of the US$325 million unsecured noted offering in October 2013.

Excluding the above-noted items, net Corporate and Other expenses were $81 million for 2013, compared to approximately $77 million for 2012. The increase was primarily due to higher preference share dividends and higher finance charges, partially offset by a higher income tax recovery and lower operating expenses. Higher preference share dividends were due to: (i) the issuance of First Preference Shares, Series J in November 2012; (ii) the issuance of First Preference Shares, Series K in July 2013; and (iii) approximately $2 million of costs associated with the redemption of First Preference Shares, Series C in July 2013. The increase was partially offset by lower preference share dividends due to the redemption of First Preference Shares, Series C in July 2013 and a decrease in the annual fixed dividend rate on the First Preference Shares, Series G effective September 2013. Higher finance charges associated with the CH Energy Group acquisition were partially offset by higher capitalized interest associated with the financing of the construction of the Waneta Expansion.

REGULATORY HIGHLIGHTS

The following provides an update on material regulatory decisions and applications associated with the Corporation's regulated gas and electric utilities from that disclosed in the interim MD&A for the three and nine months ended September 30, 2013.

MATERIAL REGULATORY DECISIONS AND APPLICATIONS

Regulated Utility	Summary Description
FEI / FEVI / FEWI	• In April 2012 the FortisBC Energy companies applied to the BCUC for the necessary approvals to amalgamate the three utilities and implement common rates across the service territories served by the amalgamated entity, effective January 1, 2014. The BCUC issued its decision in February 2013 denying the request to implement common rates. The FortisBC Energy companies filed a Notice of Application for Leave to Appeal the decision with the British Columbia Court of Appeal in March 2013 and filed an Application for Reconsideration with the BCUC in April 2013. In June 2013 the BCUC determined that the reconsideration application would be heard. The regulatory process to review the reconsideration application was completed in November 2013 and a decision is expected in early 2014. • In November 2013 the Province of British Columbia signed an Order in Council ("Special Direction") setting out a number of requirements for the BCUC as follows: (i) to allow FEI to provide compressed natural gas and liquefied natural gas ("LNG") service as part of its natural gas service; (ii) to exempt the expansion of FEI's Tilbury LNG facilities from a Certificate of Public Convenience and Necessity process; and (iii) to approve a permanent LNG sales and dispensing service for FEI at the rate set out in the Special Direction. • In June 2013 FEI filed an application with the BCUC for a Multi-Year Performance-Based Ratemaking Plan for 2014 through 2018. Pursuant to an Evidentiary Update filed in September 2013, the application assumes a 2014 forecast midyear rate base for FEI of approximately $2,789 million. The application also requests approval of a delivery rate increase for 2014 of approximately 1.4%, determined under a formula approach for operating and capital costs, and a continuation of this rate-setting methodology for a further four years. Effective January 1, 2014, the BCUC has approved a 1.4% interim refundable rate increase. The regulatory process to review the application will continue in 2014, with a decision expected in the third quarter of 2014.
FortisBC Electric	• In July 2013 FortisBC Electric filed an application with the BCUC for a Multi-Year Performance-Based Ratemaking Plan for 2014 through 2018. Pursuant to an Evidentiary Update filed in October 2013, the application assumes a 2014 forecast midyear rate base of approximately $1,192 million. The application also requests approval of a base customer rate increase for 2014 of approximately 3.3%, determined under a formula approach for operating and capital costs, and a continuation of this rate-setting methodology for a further four years. Effective January 1, 2014, the BCUC has approved a 3.3% interim refundable rate increase. The regulatory process to review the application will continue in 2014, with a decision expected in the third quarter of 2014.
Central Hudson	• There were no material regulatory decisions and applications in the fourth quarter of 2013.
FortisAlberta	• In November 2013 the AUC issued its decision regarding the Utility Asset Disposition ("UAD") Proceeding. The decision confirmed that no changes to existing regulations, rules and practices relative to the recovery of utility asset costs in the ordinary course of business are required. However, the decision indicated that Alberta utilities will be responsible for the gains and losses related to extraordinary retirement of utility assets, although it is uncertain how the AUC will determine those types of requirements. The decision indicated that a further review of charges associated with customer-specific facilities will be undertaken and that a review of each utility's rate base, as part of its next revenue requirement filing, will be required to confirm that all assets continue to be used in the provision of the utility service. FortisAlberta believes that the UAD Decision does not provide sufficient certainty to conclude that the AUC has properly interpreted and applied the Company's statutory rights to recover the prudently incurred costs and expenses of its capital investment in the electric utility. Consequently, FortisAlberta filed a leave to appeal the UAD Decision with the Alberta Court of Appeal, as have other Alberta utilities.

MATERIAL REGULATORY DECISIONS AND APPLICATIONS (cont'd)

Regulated Utility	Summary Description
FortisAlberta (cont'd)	• In December 2013 the AUC issued a Capital Tracker Decision which requires certain utilities in Alberta, including FortisAlberta, to re-file their 2013 Capital Tracker Applications in May 2014 using a prescribed format. The Capital Tracker Decision provides clarification on the following criteria that must be satisfied in order for a project to be included in the Capital Tracker, as set out in the original PBR Decision: (i) the project must be outside the normal course of the Company's ongoing operations; (ii) ordinarily the project must be for replacement of existing capital assets or undertaking the project must be required by an external party; and (iii) the project must have a material effect on the Company's finances. FortisAlberta continues to evaluate its compliance with the AUC-prescribed approach. In the interim, the Company has been directed by the AUC to retain the placeholder equal to 60% of the applied for capital tracker amount as approved in the Interim Compliance Decision. A decision is expected on the re-filed 2013 Capital Tracker Application by the end of 2014. The Capital Tracker Decision also directs utilities in Alberta to file a combined 2014 and 2015 Capital Tracker Application in March 2014. Generally, capital tracker applications will be filed each March for projects planned for the subsequent year; however, given that a decision on the 2013 Capital Tracker Application was outstanding in 2013, the AUC delayed the filing of the 2014 Capital Tracker Application. • In January 2013 FortisAlberta filed a Phase II Distribution Tariff Application ("Phase II DTA") which proposed rates by customer class based on a cost allocation study and requested that the 2012 interim distribution rates by customer class be made final for 2012 and 2013, subject to further adjustments as a result of the PBR decision and determinations in the outstanding PBR-related proceedings. In January 2014 the Company's Phase II DTA was approved by the AUC substantially as filed.
Newfoundland Power	• There were no material regulatory decisions and applications in the fourth quarter of 2013.
Maritime Electric	• There were no material regulatory decisions and applications in the fourth quarter of 2013.
FortisOntario	• There were no material regulatory decisions and applications in the fourth quarter of 2013.
Caribbean Utilities	• There were no material regulatory decisions and applications in the fourth quarter of 2013.
Fortis Turks and Caicos	• In December 2013 the Government of the Turks and Caicos Islands approved FortisTCI's application to capitalize overhead costs not directly attributable to specific utility capital assets, but which relate to the Company's overall capital expenditure program. As a result, in the fourth quarter of 2013, FortisTCI capitalized overhead costs of approximately $3 million, which represents 14% of overhead costs effective from January 1, 2013.

LIQUIDITY AND CAPITAL RESOURCES

The table below outlines the Corporation's consolidated sources and uses of cash for the fourth quarter and year ended December 31, 2013, as compared to the same periods in 2012, followed by a discussion of the nature of the variances in cash flows.

Summary of Consolidated Cash Flows (Unaudited)						
Periods Ended December 31		**Quarter**			**Annual**	
($ millions)	**2013**	2012	Variance	**2013**	2012	Variance
Cash, Beginning of Period	**155**	147	8	**154**	87	67
Cash Provided by (Used in):						
Operating Activities	**233**	176	57	**899**	992	(93)
Investing Activities	**(344)**	(323)	(21)	**(2,164)**	(1,096)	(1,068)
Financing Activities	**31**	154	(123)	**1,186**	171	1,015
Cash at Discontinued Operations	**(3)**	-	(3)	**(3)**	-	(3)
Cash, End of Period	**72**	154	(82)	**72**	154	(82)

Operating Activities: Cash flow from operating activities was $57 million higher for the quarter. The increase was primarily due to favourable changes in working capital, mainly at Maritime Electric and FortisAlberta, combined with higher earnings and the collection from customers of regulator-approved increases in depreciation and amortization.

Cash flow from operating activities was $93 million lower for the year. The decrease was primarily due to unfavourable changes in working capital and long-term regulatory deferral accounts at FortisAlberta. The decrease was partially offset by higher earnings and the collection from customers of regulator-approved increases in depreciation and amortization, and favourable changes in working capital at Maritime Electric.

Investing Activities: Cash used in investing activities was $21 million higher for the quarter. The increase was mainly due to higher capital expenditures at the regulated utilities, including capital spending at Central Hudson, partially offset by lower capital expenditures at FortisAlberta and the non-regulated Waneta Expansion.

Cash used in investing activities was $1,068 million higher for the year. The increase was mainly due to the acquisition of CH Energy Group in June 2013 for a net cash purchase price of $1,019 million, FortisBC Electric's acquisition of electrical utility assets of the City of Kelowna in March 2013 for approximately $55 million, and higher capital expenditures, as discussed above for the quarter. The increase was partially offset by cash proceeds from the settlement of expropriation matters associated with the Exploits Partnership.

Financing Activities: Cash provided by financing activities was $123 million lower for the quarter due to: (i) proceeds from the issuance of preference shares in November 2012; (ii) higher repayments under committed credit facilities; and (iii) higher repayments of long-term debt. The decrease was partially offset by higher proceeds from long-term debt.

Cash provided by financing activities was $1,015 million higher for the year, driven by financing associated with the acquisition of CH Energy Group. The increase was primarily due to higher proceeds from the issuance of common shares, long-term debt, borrowings under committed credit facilities and preference shares. The increase was partially offset by the redemption of preference shares in July 2013, higher repayments of long-term debt and lower advances from non-controlling interests.

Proceeds from long-term debt offerings in 2013 are detailed in the "Significant Items" section of this earnings release.

Proceeds from the issuance of common shares were $596 million for 2013 compared to $24 million for 2012. The increase was primarily due to the issuance of 18.5 million common shares in June 2013, as a result of the conversion of the Subscription Receipts on closing of the CH Energy Group acquisition, for proceeds of approximately $567 million, net of after-tax expenses. The increase also reflects a higher number of common shares issued under the Corporation's dividend reinvestment and employee share purchase plans.

In July 2013 Fortis issued 10 million First Preference Shares, Series K for gross proceeds of $250 million. The proceeds were used to redeem all of the Corporation's First Preference Shares, Series C in July 2013 for $125 million, to repay a portion of credit facility borrowings, and for other general corporate purposes.

In November 2012 Fortis completed a $200 million public offering of 8 million First Preference Shares, Series J. The net proceeds of approximately $194 million were used to repay borrowings under the Corporation's committed corporate credit facility, which borrowings were primarily incurred to support the construction of the Waneta Expansion and for other general corporate purposes.

CAPITAL STRUCTURE

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

Capital Structure (Unaudited)	**As at December 31,**			
	2013		2012	
	($ millions)	***(%)***	*($ millions)*	*(%)*
Total debt and capital lease and finance obligations (net of cash) [(1)]	**7,716**	**56.2**	6,317	55.3
Preference shares	**1,229**	**9.0**	1,108	9.7
Common shareholders' equity	**4,772**	**34.8**	3,992	35.0
Total [(2)]	**13,717**	**100.0**	11,417	100.0

[(1)] Includes long-term debt and capital lease and finance obligations, including current portion, and short-term borrowings, net of cash

[(2)] Excludes amounts related to non-controlling interests

The change in the capital structure was primarily due to the financing of the acquisition of CH Energy Group, including: (i) the conversion of Subscription Receipts into common shares for $567 million, net of after-tax expenses; (ii) debt assumed upon acquisition; (iii) the Corporation's US$325 million unsecured notes offering in October 2013 to finance a portion of the acquisition; and (iv) borrowings under the Corporation's committed credit facility to finance the remainder of the acquisition. The capital structure was also impacted by: (i) an increase in total debt, mainly in support of energy infrastructure investment; (ii) the issuance of First Preference Shares, Series K, partially offset by the redemption of First Preference Shares, Series C; (iii) net earnings attributable to common equity shareholders for the year ended December 31, 2013, less dividends declared on common shares; (iv) the issuance of common shares under the Corporation's Dividend Reinvestment Plan; and (v) a decrease in cash.

Excluding capital lease and finance obligations, the Corporation's capital structure as at December 31, 2013 was 54.9% debt, 9.2% preference shares and 35.9% common shareholders' equity (December 31, 2012 – 53.6% debt, 10.1% preference shares and 36.3% common shareholders' equity).

CREDIT RATINGS

The Corporation's credit ratings are as follows:

Standard & Poor's ("S&P")	A- / Negative (long-term corporate and unsecured debt credit rating)
DBRS	A(low) / Under Review - Developing Implications (unsecured debt credit rating)

The above-noted credit ratings reflect the Corporation's business-risk profile and diversity of its operations, the stand-alone nature and financial separation of each of the regulated subsidiaries of Fortis, management's commitment to maintaining low levels of debt at the holding company level, the Corporation's aggressive but manageable credit metrics, and its demonstrated ability and continued focus on acquiring and integrating stable regulated utility businesses financed on a reasonable basis. In December 2013, after the announcement by Fortis that it had entered into an agreement to acquire UNS Energy, DBRS placed the Corporation's credit rating under review with developing implications. Similarly, S&P revised its outlook on the Corporation to negative from stable. S&P indicated that an outlook revision to stable would likely occur when the Debentures are converted to equity.

CAPITAL EXPENDITURE PROGRAM

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.

A breakdown of the approximate $1.2 billion in gross capital expenditures by segment for 2013 is provided in the following table.

Gross Consolidated Capital Expenditures (Unaudited) [(1)]
Year Ended December 31, 2013
($ millions)

FortisBC Energy Companies	Central Hudson	Fortis Alberta	FortisBC Electric	Newfoundland Power	Other Regulated Electric Utilities - Canadian	Regulated Electric Utilities - Caribbean	**Total Regulated Utilities**	**Non-Regulated Fortis Generation**	**Non-Regulated Non-Utility** [(2)]	**Total**
215	57	429	69	92	56	52	**970**	**146**	**59**	**1,175**

(1) Relates to cash payments to acquire or construct utility and non-utility capital assets and intangible assets, as reflected on the consolidated statement of cash flows. Excludes the non-cash equity component of allowance for funds used during construction.
(2) Includes capital expenditures of approximately $13 million at FAES, which is currently reported in the Corporate and Other segment

Gross consolidated capital expenditures of $1,175 million for 2013 were $155 million lower than $1,330 million forecast for 2013, as disclosed in the MD&A for the year ended December 31, 2012. Planned capital expenditures are based on detailed forecasts of energy demand, weather, cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from those forecast. The decrease is primarily due to the non-regulated Waneta Expansion, FortisBC Electric, FAES and Fortis Properties, partially offset by Central Hudson.

Lower capital expenditures related to the Waneta Expansion for 2013 are primarily due to the timing of payments. Capital expenditures at FortisBC Electric were lower than forecast for 2013 as a result of labour disruptions, which ended in the fourth quarter. Due to the uncertainty of the timing of alternative energy projects at FAES, capital expenditures for 2013 were delayed and are lower than the original forecast. Capital expenditures at Fortis Properties for 2013 are lower than forecast due to the timing of capital projects, with a shift of more capital spending to 2014. Capital expenditures for 2013 include $57 million at Central Hudson from the date of acquisition.

An update on larger capital projects for 2013 from those disclosed in the MD&A as at December 31, 2012 is provided below.

During 2013 FortisAlberta continued with the replacement of vintage poles under its Pole-Management Program, which involves approximately 110,000 poles in total, to prevent risk of failure due to age. The total capital cost of the program through 2019 is expected to be approximately $353 million, compared to $327 million forecast as at December 31, 2012. Approximately $22 million was spent on this program in 2013, for a total of $139 million to date.

The Environmental Compliance Project at FortisBC Electric continued throughout 2013 with approximately $13 million spent on the project to the end of 2013. It is expected to be completed in 2014 at a total cost of approximately $27 million.

Construction of the $900 million Waneta Expansion is ongoing, with an additional $143 million invested in 2013. Approximately $579 million has been invested in the Waneta Expansion since construction began late in 2010. Key construction activities in 2013 included the substantial completion of civil construction of the powerhouse and tailrace structure; significant progress on the intake structure; installation of the turbine components, ancillary mechanical and electrical powerhouse services; and encapsulating of the scrollcase in concrete. During 2013, the generator step-up transformers and the first turbine runner were received onsite for assembly and installation. The key offsite activity in 2013 was the successful completion of the manufacturing of the first turbine runner and turbine operating mechanism.

Fortis Properties is constructing a 12-storey office building in downtown St. John's, Newfoundland and Labrador at an estimated cost of approximately $50 million. Approximately $45 million has been spent on this project to the end of 2013. Construction is expected to be completed by mid-2014.

Over the five-year period 2014 through 2018, consolidated gross capital expenditures, excluding expenditures at UNS Energy, are expected to exceed $6.5 billion. The approximate breakdown of the capital spending expected to be incurred is as follows: 50% at the Canadian Regulated Electric Utilities, driven by FortisAlberta; 27% at Canadian Regulated Gas Utilities; 11% at Central Hudson; 5% at Caribbean Regulated Electric Utilities; and the remaining 7% at non-regulated operations. Capital expenditures at the regulated utilities are subject to regulatory approval. Over the five-year period, on average annually, the approximate breakdown of the utility capital spending to be incurred is as follows: 37% to meet customer growth; 46% to ensure continued and enhanced performance, reliability and safety of generation and T&D assets, i.e., sustaining capital expenditures; and 17% for facilities, equipment, vehicles, information technology and other assets.

UNS Energy has forecast that capital expenditures will total approximately $1.5 billion (US$1.4 billion) over the period 2015 through 2018.

Gross consolidated capital expenditures for 2014, are expected to be approximately $1.4 billion. A breakdown of forecast gross consolidated capital expenditures by segment for 2014 is provided in the following table.

Forecast Gross Consolidated Capital Expenditures (1)
Year Ending December 31, 2014
($ millions)

FortisBC Energy Companies	Central Hudson	Fortis Alberta	FortisBC Electric	Newfoundland Power	Other Regulated Electric Utilities - Canadian	Regulated Electric Utilities - Caribbean	**Total Regulated Utilities**	**Non-Regulated - Fortis Generation**	**Non-Regulated - Non-Utility** (2)	**Total**
329	122	413	130	105	56	61	**1,216**	**131**	**83**	**1,430**

(1) Relates to forecast cash payments to acquire or construct utility and non-utility capital assets and intangible assets, as would be reflected on the consolidated statement of cash flows. Excludes the forecast non-cash equity component of allowance for funds used during construction.

(2) Includes forecast capital expenditures of approximately $13 million at FAES, which is currently reported in the Corporate and Other segment

The most significant capital project for 2014 is the continuation of the construction of the non-regulated Waneta Expansion, with approximately $126 million expected to be spent in 2014. Key project activities scheduled for 2014 include energization of the 230-kilovolt transmission line; completion of civil construction work; installation and assembly of the major components of the first and second turbine/generator units; installation of protection and control systems; and testing and commissioning. The first unit marketable power test is forecast to be completed in the fourth quarter of 2014.

The FortisBC Energy companies have begun the expansion of the Tilbury LNG facility. In November 2013 the Government of British Columbia announced the exemption of the Tilbury LNG Facility expansion from a certificate of public convenience and necessity review by the BCUC. The expansion is expected to include a second LNG tank and a new liquefier, both to be in service in 2016. The expansion will increase LNG production and storage capabilities. The Tilbury LNG Facility expansion is subject to additional regulatory and environmental permits and approvals. The Government of British Columbia imposed an upper limit of $400 million of project costs associated with the expansion, with approximately $100 million expected to be spent in 2014.

CREDIT FACILITIES

As at December 31, 2013, the Corporation and its subsidiaries had consolidated credit facilities of approximately $2.7 billion, of which $2.2 billion was unused, including $785 million unused under the Corporation's $1 billion committed revolving corporate credit facility. The credit facilities are syndicated mostly with the seven largest Canadian banks, with no one bank holding more than 20% of these facilities. Approximately $2.6 billion of the total credit facilities are committed facilities with maturities ranging from 2014 to 2018.

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

Credit Facilities (Unaudited)				**As at December 31**	
($ millions)	Regulated Utilities	Non-Regulated	Corporate and Other	**2013**	2012
Total credit facilities	1,546	119	1,030	**2,695**	2,460
Credit facilities utilized:					
Short-term borrowings	(157)	(3)	-	**(160)**	(136)
Long-term debt (including current portion)	(99)	-	(214)	**(313)**	(150)
Letters of credit outstanding	(65)	-	(1)	**(66)**	(67)
Credit facilities unused	1,225	116	815	**2,156**	2,107

The credit facilities in the table above do not include the $2 billion non-revolving bridge credit commitments associated with the pending Acquisition of UNS Energy.

In January 2014, as a result of the closing of the Debentures, Fortis has agreed that until such time as the Debentures have been redeemed or the Final Installment Date has occurred, the Corporation will at all times maintain availability under its committed revolving corporate credit facility of not less than $600 million to cover the amount of the principal amount of the first installment of the Debentures in the event of a mandatory redemption.

For further information regarding the acquisition credit facilities or the terms of the Debentures, refer to the "Significant Items" section of this earnings release.

OUTLOOK

Fortis is focused on closing the UNS Energy Acquisition by the end of 2014. The Acquisition is consistent with the Corporation's strategy of investing in high-quality regulated utility assets in Canada and the United States and is expected to be accretive to earnings per common share of Fortis in the first full year after closing, excluding one-time acquisition-related costs. The Acquisition lessens the business risk for Fortis by enhancing the geographic diversification of the Corporation's regulated assets, resulting in no more than one-third of total assets being located in any one regulatory jurisdiction.

At the time of closing the Acquisition, the Corporation's consolidated rate base is expected to increase by approximately US$3 billion, and Fortis utilities will serve more than 3,000,000 electricity and gas customers.

Over the five-year period 2014 through 2018, the Corporation's capital program is expected to exceed $6.5 billion, and will support continuing growth in earnings and dividends. Additionally, UNS Energy has forecast that its capital program for 2015 through 2018 will be approximately $1.5 billion (US$1.4 billion).

Following closing, regulated utilities in the United States will represent approximately one-third of total assets, and regulated utilities and hydroelectric generation assets will comprise approximately 97% of the Corporation's total assets.

FORTIS INC.

Consolidated Financial Statements
As at and for the three and twelve months ended December 31, 2013 and 2012
(Unaudited)

Prepared in accordance with accounting principles generally accepted in the United States

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

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 72	$ 154
Accounts receivable	732	587
Prepaid expenses	45	18
Inventories	143	133
Regulatory assets	150	185
Assets held for sale	112	-
Deferred income taxes	42	16
	1,296	1,093
Other assets	246	200
Regulatory assets	1,672	1,515
Deferred income taxes	7	-
Utility capital assets	11,618	9,623
Non-utility capital assets	649	626
Intangible assets	345	325
Goodwill	2,075	1,568
	$ 17,908	$ 14,950
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 160	$ 136
Accounts payable and other current liabilities	957	966
Regulatory liabilities	140	72
Current installments of long-term debt	780	159
Current installments of capital lease and finance obligations	7	7
Liabilities associated with assets held for sale	32	-
Deferred income taxes	8	10
	2,084	1,350
Other liabilities	627	638
Regulatory liabilities	902	681
Deferred income taxes	1,078	702
Long-term debt	6,424	5,741
Capital lease and finance obligations	417	428
	11,532	9,540
Shareholders' equity		
Common shares [(1)]	3,783	3,121
Preference shares	1,229	1,108
Additional paid-in capital	17	15
Accumulated other comprehensive loss	(72)	(96)
Retained earnings	1,044	952
	6,001	5,100
Non-controlling interests	375	310
	6,376	5,410
	$ 17,908	$ 14,950

[(1)] *No par value. Unlimited authorized shares; 213.2 million and 191.6 million issued and outstanding as at December 31, 2013 and 2012, respectively*

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	
	2013	2012	**2013**	2012
Revenue	**$ 1,229**	$ 999	**$ 4,047**	$ 3,654
Expenses				
Energy supply costs	**519**	430	**1,617**	1,522
Operating	**324**	247	**1,037**	868
Depreciation and amortization	**142**	119	**541**	470
	985	796	**3,195**	2,860
Operating income	**244**	203	**852**	794
Other income (expenses), net	**5**	6	**(31)**	4
Finance charges	**105**	90	**389**	366
Earnings before income taxes, discontinued operations and extraordinary item	**144**	119	**432**	432
Income tax expense	**28**	17	**32**	61
Earnings from continuing operations	**116**	102	**400**	371
Earnings from discontinued operations, net of tax	**2**	-	**-**	-
Earnings before extraordinary item	**118**	102	**400**	371
Extraordinary (loss) gain, net of tax	**(2)**	-	**20**	-
Net earnings	**$ 116**	$ 102	**$ 420**	$ 371
Net earnings attributable to:				
Non-controlling interests	**$ 3**	$ 2	**$ 10**	$ 9
Preference equity shareholders	**13**	13	**57**	47
Common equity shareholders	**100**	87	**353**	315
	$ 116	$ 102	**$ 420**	$ 371
Earnings per common share from continuing operations				
Basic	**$ 0.47**	$ 0.46	**$ 1.64**	$ 1.66
Diluted	**$ 0.47**	$ 0.45	**$ 1.63**	$ 1.65
Earnings per common share				
Basic	**$ 0.47**	$ 0.46	**$ 1.74**	$ 1.66
Diluted	**$ 0.47**	$ 0.45	**$ 1.73**	$ 1.65

Fortis Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

For the periods ended December 31

(in millions of Canadian dollars)

	Quarter Ended		Year Ended	
	2013	2012	**2013**	2012
Net earnings	**$ 116**	$ 102	**$ 420**	$ 371
Other comprehensive income (loss)				
Unrealized foreign currency translation gains (losses), net of hedging activities and tax	**23**	1	**16**	(2)
Reclassification to earnings of net losses on discontinued cash flow hedges, net of tax	**1**	1	**1**	1
Unrealized employee future benefits gains (losses), net of tax	**5**	(1)	**7**	-
	29	1	**24**	(1)
Comprehensive income	**$ 145**	$ 103	**$ 444**	$ 370
Comprehensive income attributable to:				
Non-controlling interests	**$ 3**	$ 2	**$ 10**	$ 9
Preference equity shareholders	**13**	13	**57**	47
Common equity shareholders	**129**	88	**377**	314
	$ 145	$ 103	**$ 444**	$ 370

Fortis Inc.

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

	Quarter Ended		Year Ended	
	2013	2012	**2013**	2012
Operating activities				
Net earnings	**$ 116**	$ 102	**$ 420**	$ 371
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation - capital assets	**124**	108	**475**	424
Amortization - intangible assets	**14**	11	**49**	44
Amortization - other	**4**	-	**17**	2
Deferred income tax expense (recovery)	**16**	9	**(6)**	17
Accrued employee future benefits	**3**	14	**17**	10
Equity component of allowance for funds used during construction	**(3)**	(3)	**(8)**	(7)
Other	**-**	9	**(34)**	(1)
Change in long-term regulatory assets and liabilities	**57**	67	**14**	54
Change in non-cash operating working capital	**(98)**	(141)	**(45)**	78
	233	176	**899**	992
Investing activities				
Change in other assets and other liabilities	**1**	(2)	**(8)**	-
Capital expenditures - utility capital assets	**(328)**	(320)	**(1,089)**	(1,069)
Capital expenditures - non-utility capital assets	**(11)**	(11)	**(46)**	(35)
Capital expenditures - intangible assets	**(16)**	(9)	**(40)**	(42)
Contributions in aid of construction	**8**	23	**54**	68
Proceeds on disposal and settlement of assets	**2**	3	**20**	3
Business acquisitions, net of cash acquired	**-**	(7)	**(1,055)**	(21)
	(344)	(323)	**(2,164)**	(1,096)
Financing activities				
Change in short-term borrowings	**49**	39	**(6)**	(22)
Proceeds from long-term debt, net of issue costs	**452**	124	**653**	124
Repayments of long-term debt and capital lease and finance obligations	**(103)**	(31)	**(173)**	(88)
Net (repayments) borrowings under committed credit facilities	**(327)**	(150)	**184**	71
Advances from non-controlling interests	**19**	23	**63**	106
Subscription Receipts issue costs	**-**	-	**-**	(13)
Issue of common shares, net of costs and dividends reinvested	**4**	12	**596**	24
Issue of preference shares, net of costs	**-**	194	**242**	194
Redemption of preference shares	**-**	-	**(125)**	-
Dividends				
Common shares, net of dividends reinvested	**(47)**	(42)	**(181)**	(170)
Preference shares	**(12)**	(12)	**(56)**	(46)
Subsidiary dividends paid to non-controlling interests	**(4)**	(3)	**(11)**	(9)
	31	154	**1,186**	171
Change in cash and cash equivalents	**(80)**	7	**(79)**	67
Less cash at discontinued operations	**(3)**	-	**(3)**	-
Cash and cash equivalents, beginning of period	**155**	147	**154**	87
Cash and cash equivalents, end of period	**$ 72**	$ 154	**$ 72**	$ 154

Fortis Inc.

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

	Common Shares	Preference Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Controlling Interests	Total Equity
As at January 1, 2013	**$ 3,121**	**$ 1,108**	**$ 15**	**$ (96)**	**$ 952**	**$ 310**	**$ 5,410**
Net earnings	**-**	**-**	**-**	**-**	**410**	**10**	**420**
Other comprehensive income	**-**	**-**	**-**	**24**	**-**	**-**	**24**
Preference share issue	**-**	**244**	**-**	**-**	**-**	**-**	**244**
Preference share redemption	**-**	**(123)**	**-**	**-**	**-**	**-**	**(123)**
Common share issues	**662**	**-**	**(1)**	**-**	**-**	**-**	**661**
Stock-based compensation	**-**	**-**	**3**	**-**	**-**	**-**	**3**
Advances from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**63**	**63**
Foreign currency translation impacts	**-**	**-**	**-**	**-**	**-**	**3**	**3**
Subsidiary dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(11)**	**(11)**
Dividends declared on common shares ($1.25 per share)	**-**	**-**	**-**	**-**	**(261)**	**-**	**(261)**
Dividends declared on preference shares	**-**	**-**	**-**	**-**	**(57)**	**-**	**(57)**
As at December 31, 2013	**$ 3,783**	**$ 1,229**	**$ 17**	**$ (72)**	**$ 1,044**	**$ 375**	**$ 6,376**
As at January 1, 2012	$ 3,036	$ 912	$ 14	$ (95)	$ 868	$ 208	$ 4,943
Net earnings	-	-	-	-	362	9	371
Other comprehensive loss	-	-	-	(1)	-	-	(1)
Preference share issue	-	196	-	-	-	-	196
Common share issues	85	-	(3)	-	-	-	82
Stock-based compensation	-	-	4	-	-	-	4
Advances from non-controlling interests	-	-	-	-	-	106	106
Foreign currency translation impacts	-	-	-	-	-	(4)	(4)
Subsidiary dividends paid to non-controlling interests	-	-	-	-	-	(9)	(9)
Dividends declared on common shares ($1.21 per share)	-	-	-	-	(231)	-	(231)
Dividends declared on preference shares	-	-	-	-	(47)	-	(47)
As at December 31, 2012	$ 3,121	$ 1,108	$ 15	$ (96)	$ 952	$ 310	$ 5,410

SEGMENTED INFORMATION (Unaudited)

Information by reportable segment is as follows:

	REGULATED UTILITIES								NON-REGULATED				
	Gas	Gas & Electric	Electric										
Quarter Ended December 31, 2013 *($ millions)*	**FortisBC Energy Canadian**	**Central Hudson US**	Fortis Alberta	FortisBC Electric	Newfoundland Power	Other Canadian	**Total Electric Canadian**	**Electric Caribbean**	**Fortis Generation**	**Non-Utility**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Revenue	446	165	121	87	167	94	469	77	11	62	7	(8)	1,229
Energy supply costs	214	54	-	26	111	65	202	48	1	-	-	-	519
Operating expenses	88	76	44	23	23	14	104	7	3	44	5	(3)	324
Depreciation and amortization	44	11	41	12	14	4	71	9	1	5	1	-	142
Operating income	100	24	36	26	19	11	92	13	6	13	1	(5)	244
Other income (expenses), net	1	1	2	-	2	-	4	-	1	(1)	-	(1)	5
Finance charges	36	8	20	10	9	5	44	2	1	6	14	(6)	105
Income tax expense (recovery)	15	6	-	3	2	2	7	-	-	5	(5)	-	28
Net earnings (loss) from continuing operations	50	11	18	13	10	4	45	11	6	1	(8)	-	116
Earnings from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	2	-	-	2
Extraordinary (loss) gain, net of tax	-	-	-	-	-	-	-	-	(2)	-	-	-	(2)
Net earnings (loss)	50	11	18	13	10	4	45	11	4	3	(8)	-	116
Non-controlling interests	-	-	-	-	-	-	-	3	-	-	-	-	3
Preference share dividends	-	-	-	-	-	-	-	-	-	-	13	-	13
Net earnings (loss) attributable to common equity shareholders	50	11	18	13	10	4	45	8	4	3	(21)	-	100
Goodwill	913	483	227	235	-	67	529	150	-	-	-	-	2,075
Identifiable assets	4,618	1,770	3,061	1,764	1,400	699	6,924	694	873	801	636	(483)	15,833
Total assets	5,531	2,253	3,288	1,999	1,400	766	7,453	844	873	801	636	(483)	17,908
Gross capital expenditures	70	29	123	11	29	16	179	17	45	10	5	-	355
Quarter Ended December 31, 2012 *($ millions)*													
Revenue	422	-	113	81	159	89	442	71	5	61	6	(8)	999
Energy supply costs	197	-	-	22	106	59	187	46	-	-	-	-	430
Operating expenses	90	-	42	23	20	13	98	10	3	42	6	(2)	247
Depreciation and amortization	40	-	34	12	11	6	63	8	1	6	1	-	119
Operating income	95	-	37	24	22	11	94	7	1	13	(1)	(6)	203
Other income (expenses), net	-	-	2	-	-	-	2	-	2	-	2	-	6
Finance charges	35	-	16	10	9	6	41	2	1	6	11	(6)	90
Income tax expense (recovery)	11	-	-	2	3	-	5	-	-	2	(1)	-	17
Net earnings (loss)	49	-	23	12	10	5	50	5	2	5	(9)	-	102
Non-controlling interests	-	-	-	-	1	-	1	1	-	-	-	-	2
Preference share dividends	-	-	-	-	-	-	-	-	-	-	13	-	13
Net earnings (loss) attributable to common equity shareholders	49	-	23	12	9	5	49	4	2	5	(22)	-	87
Goodwill	913	-	227	221	-	67	515	140	-	-	-	-	1,568
Identifiable assets	4,595	-	2,776	1,705	1,389	720	6,590	636	737	655	615	(446)	13,382
Total assets	5,508	-	3,003	1,926	1,389	787	7,105	776	737	655	615	(446)	14,950
Gross capital expenditures	66	-	138	17	28	13	196	15	52	11	-	-	340

SEGMENTED INFORMATION (Unaudited) (cont'd)

	REGULATED UTILITIES								NON-REGULATED				
	Gas	Gas & Electric	Electric										
Year Ended December 31, 2013 *($ millions)*	**FortisBC Energy Canadian**	**Central Hudson US**	Fortis Alberta	FortisBC Electric	Newfoundland Power	Other Canadian	**Total Electric Canadian**	**Electric Caribbean**	**Fortis Generation**	**Non-Utility**	**Corporate and Other**	**Inter-segment eliminations**	**Total**
Revenue	**1,378**	**335**	475	317	601	374	**1,767**	**290**	**35**	**248**	**26**	**(32)**	**4,047**
Energy supply costs	**600**	**116**	-	84	390	248	**722**	**179**	**1**	**-**	**-**	**(1)**	**1,617**
Operating expenses	**295**	**148**	161	84	81	50	**376**	**33**	**10**	**170**	**13**	**(8)**	**1,037**
Depreciation and amortization	**180**	**21**	150	49	52	25	**276**	**35**	**5**	**22**	**2**	**-**	**541**
Operating income	**303**	**50**	164	100	78	51	**393**	**43**	**19**	**56**	**11**	**(23)**	**852**
Other income (expenses), net	**3**	**2**	4	1	4	-	**9**	**2**	**1**	**(1)**	**(45)**	**(2)**	**(31)**
Finance charges	**142**	**16**	73	39	36	20	**168**	**13**	**1**	**26**	**48**	**(25)**	**389**
Income tax expense (recovery)	**36**	**13**	1	12	(3)	5	**15**	**-**	**-**	**11**	**(43)**	**-**	**32**
Net earnings (loss) from continuing operations	**128**	**23**	94	50	49	26	**219**	**32**	**19**	**18**	**(39)**	**-**	**400**
Extraordinary (loss) gain, net of tax	**-**	**-**	-	-	-	-	**-**	**-**	**20**	**-**	**-**	**-**	**20**
Net earnings (loss)	**128**	**23**	94	50	49	26	**219**	**32**	**39**	**18**	**(39)**	**-**	**420**
Non-controlling interests	**1**	**-**	-	-	-	-	**-**	**9**	**-**	**-**	**-**	**-**	**10**
Preference share dividends	**-**	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**57**	**-**	**57**
Net earnings (loss) attributable to common equity shareholders	**127**	**23**	94	50	49	26	**219**	**23**	**39**	**18**	**(96)**	**-**	**353**
Goodwill	**913**	**483**	227	235	-	67	**529**	**150**	**-**	**-**	**-**	**-**	**2,075**
Identifiable assets	**4,618**	**1,770**	3,061	1,764	1,400	699	**6,924**	**694**	**873**	**801**	**636**	**(483)**	**15,833**
Total assets	**5,531**	**2,253**	3,288	1,999	1,400	766	**7,453**	**844**	**873**	**801**	**636**	**(483)**	**17,908**
Gross capital expenditures	**215**	**57**	429	69	92	56	**646**	**52**	**146**	**46**	**13**	**-**	**1,175**

Year Ended December 31, 2012 *($ millions)*													
Revenue	**1,426**	**-**	448	306	581	353	**1,688**	**273**	**31**	**242**	**24**	**(30)**	**3,654**
Energy supply costs	**669**	**-**	-	76	380	227	**683**	**170**	**1**	**-**	**-**	**(1)**	**1,522**
Operating expenses	**287**	**-**	158	85	74	48	**365**	**34**	**9**	**166**	**14**	**(7)**	**868**
Depreciation and amortization	**160**	**-**	133	48	44	26	**251**	**32**	**4**	**21**	**2**	**-**	**470**
Operating income	**310**	**-**	157	97	83	52	**389**	**37**	**17**	**55**	**8**	**(22)**	**794**
Other income (expenses), net	**2**	**-**	4	1	2	-	**7**	**2**	**3**	**-**	**(9)**	**(1)**	**4**
Finance charges	**142**	**-**	65	39	36	21	**161**	**13**	**2**	**24**	**47**	**(23)**	**366**
Income tax expense (recovery)	**31**	**-**	-	9	11	7	**27**	**-**	**1**	**9**	**(7)**	**-**	**61**
Net earnings (loss)	**139**	**-**	96	50	38	24	**208**	**26**	**17**	**22**	**(41)**	**-**	**371**
Non-controlling interests	**1**	**-**	-	-	1	-	**1**	**7**	**-**	**-**	**-**	**-**	**9**
Preference share dividends	**-**	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**47**	**-**	**47**
Net earnings (loss) attributable to common equity shareholders	**138**	**-**	96	50	37	24	**207**	**19**	**17**	**22**	**(88)**	**-**	**315**
Goodwill	**913**	**-**	227	221	-	67	**515**	**140**	**-**	**-**	**-**	**-**	**1,568**
Identifiable assets	**4,595**	**-**	2,776	1,705	1,389	720	**6,590**	**636**	**737**	**655**	**615**	**(446)**	**13,382**
Total assets	**5,508**	**-**	3,003	1,926	1,389	787	**7,105**	**776**	**737**	**655**	**615**	**(446)**	**14,950**
Gross capital expenditures	**222**	**-**	442	69	86	48	**645**	**48**	**196**	**35**	**-**	**-**	**1,146**

CORPORATE INFORMATION

Fortis Inc. is the largest investor-owned gas and electric distribution utility in Canada with total assets of almost $18 billion and fiscal 2013 revenue exceeding $4 billion. The Corporation serves more than 2.4 million customers across Canada and in New York State and the Caribbean. Its regulated holdings account for 90% of total assets and include electric distribution utilities in five Canadian provinces, New York State and two Caribbean countries, and natural gas utilities in British Columbia, Canada and New York State.

The Common Shares; First Preference Shares, Series E; First Preference Shares, Series F; First Preference Shares, Series G; First Preference Shares, Series H; First Preference Shares, Series J; First Preference Shares, Series K; and Installment Receipts of Fortis are listed on the Toronto Stock Exchange and trade under the ticker symbols FTS, FTS.PR.E, FTS.PR.F, FTS.PR.G, FTS.PR.H, FTS.PR.J, FTS.PR.K and FTS.IR, respectively.

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Additional information, including the Fortis 2012 Annual Information Form, Management Information Circular and Annual Report, are available on SEDAR at www.sedar.com and on the Corporation's web site at www.fortisinc.com.

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