FORTIS INC.

First Quarter 2009

Dear Shareholder:

Fortis achieved first quarter net earnings applicable to common shares of $92 million, or $0.54 per common share, compared to earnings of $91 million, or $0.58 per common share, for the first quarter of 2008.

An increase in earnings at Regulated Electric Utilities in western Canada was partially offset by lower earnings at Caribbean Regulated Utilities and Fortis Properties.

The Terasen Gas companies contributed earnings of $58 million, comparable to the first quarter of 2008. Due to the seasonality of the business, virtually all of the earnings of the Terasen Gas companies are generated in the first and fourth quarters.

Canadian Regulated Electric Utilities contributed earnings of $37 million, up $4 million from the first quarter of 2008, driven by growth in electrical infrastructure investment and customers at the utilities in western Canada.

The allowed rate of return on common shareholders' equity ("ROE") for 2009 has been set for Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc., FortisBC and Maritime Electric, decreasing slightly to 8.47 per cent, 9.17 per cent, 8.87 per cent and 9.75 per cent, respectively. The allowed ROE at Newfoundland Power remains unchanged at 8.95 per cent. Interim customer rates for 2009 at FortisAlberta have been set using the utility's 2007 allowed ROE of 8.51 per cent, pending the outcome of the Generic Cost of Capital Proceeding underway in Alberta.

Caribbean Regulated Electric Utilities contributed $6 million to earnings compared to $7 million in the first quarter of 2008. Excluding one-time gains of approximately $2 million at Fortis Turks and Caicos, earnings were $3 million lower quarter over quarter. The decrease resulted from reduced electricity sales attributable to cooler weather and the impact of the global economic downturn on energy demand combined with the lower allowed rate of return on rate base assets at Caribbean Utilities and Belize Electricity. The decrease was partially mitigated by the favourable impact of foreign exchange rates associated with the strengthening US dollar quarter over quarter.

Non-Regulated Fortis Generation contributed $6 million to earnings, comparable to the first quarter of 2008. The favourable impact of foreign exchange rates and increased hydroelectric production in Belize were offset by lower production and lower average wholesale market energy prices in Upper New York State and Ontario quarter over quarter.

Fortis Properties contributed earnings of $2 million compared to $3 million in the first quarter of 2008. Results were reduced by one-time transitional operating costs associated with the Sheraton Hotel Newfoundland, acquired in November 2008, and the impact of lower hotel occupancies.

Corporate and other expenses were $17 million compared to $16 million for the same quarter in 2008. The increase in corporate and other costs was mainly due to higher preference share dividends related to the issuance of First Preference Shares, Series G during the second quarter of 2008.

Consolidated capital expenditures, before customer contributions, were approximately $219 million in the first quarter of 2009. Much of the Corporation's consolidated capital expenditure program is being driven by Regulated Utilities in western Canada and the Caribbean.

In February, FortisAlberta and Terasen Gas Inc. each raised $100 million of 30-year unsecured debentures at 7.06 per cent and 6.55 per cent, respectively.

Common shareholders of Fortis received a dividend of 26 cents per common share in the first quarter of 2009, up from 25 cents in the fourth quarter of 2008. The 4 per cent increase in the quarterly common share dividend translates into an annualized dividend of $1.04 and extends the Corporation's record of annual common share dividend increases to 36 consecutive years, the longest record of any public corporation in Canada. Effective March 1, 2009, the Corporation's Dividend Reinvestment and Share Purchase Plan provides a 2 per cent discount on the purchase of common shares, issued from treasury, with reinvested dividends.

Cash flow from operating activities was $229 million for the quarter, up $36 million from the same quarter last year, driven by increased cash flows at FortisAlberta.

In December 2008, Fortis completed a $300 million common share issue, the net proceeds of which were primarily used to repay short-term debt incurred to repay maturing debt at Terasen.

The equity issue has strengthened the consolidated balance sheet of Fortis and improved liquidity.

As at March 31, 2009, Fortis had consolidated credit facilities of $2.2 billion, of which approximately $1.6 billion was unused, including $544 million unused under the Corporation's $600 million committed revolving credit facility. Approximately $2 billion of the total credit facilities are committed facilities, the majority of which have maturities between 2011 and 2013.

Notwithstanding the current economic recession, Fortis anticipates strong organic growth. The Corporation is focused on executing its 2009 consolidated capital expenditure program, estimated at $1 billion. Major capital projects underway include the approximate $200 million liquefied natural gas storage facility at Terasen Gas (Vancouver Island), the $161 million four-year Automated Meter Infrastructure Project at FortisAlberta, the $139 million Okanagan Transmission Reinforcement Project at FortisBC and the US$53 million 19-megawatt hydroelectric generating facility in Belize.

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

Interim Management Discussion and Analysis

For the three months ended March 31, 2009
Dated April 30, 2009

The following analysis should be read in conjunction with the Fortis Inc. ("Fortis" or the "Corporation") interim unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2009 and the Management Discussion and Analysis ("MD&A") and audited consolidated financial statements for the year ended December 31, 2008 included in the Corporation's 2008 Annual Report. This material has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations* relating to MD&As. Financial information in this release has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and is presented in Canadian dollars unless otherwise specified.

Fortis includes forward-looking information in the MD&A within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities, and it may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation's management. The forward-looking information in the MD&A includes, but is not limited to, statements regarding: the expected timing of regulatory decisions; consolidated forecasted gross capital expenditures for 2009 and in total over the next five years; the nature, timing and amount of certain capital projects; the expected impacts on Fortis of the downturn in the global economy; the electricity sales growth rate expected at the Corporation's regulated utilities in the Caribbean in 2009; no significant decrease in annual consolidated operating cash flows is expected in 2009; the subsidiaries expect to be able to source the cash required to fund their 2009 capital expenditure programs; the Corporation and its subsidiaries expect to continue to have reasonable access to long-term capital in the near to medium terms; expected long-term debt maturities and repayments on average annually over the next five years; no material increase in interest expense and/or fees associated with renewed and extended credit facilities is expected in 2009; no material adverse credit rating actions are expected in the near term; the expectation that counterparties to the Terasen Gas companies' gas derivative contracts will continue to meet their obligations; and the expectation of no material increase in defined benefit pension expense in 2009. The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major event; the continued ability to maintain the gas and electricity systems to ensure their continued performance; no significant decline in capital spending in 2009; no severe and prolonged downturn in economic conditions; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms to flow through the commodity cost of natural gas and energy supply costs in customer rates; the continued ability to hedge exposures to fluctuations in interest rates, foreign exchange rates and natural gas commodity prices; no significant variability in interest rates; no significant counterparty defaults; the continued competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the continued availability of natural gas supply; the continued ability to fund defined benefit pension plans; the absence of significant changes in government energy plans and environmental laws that may materially affect the operations and cash flows of the Corporation and its subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; no material decrease in market energy sales prices; favourable relations with First Nations; favourable labour relations; and sufficient human resources to deliver service and execute the capital program. The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory risk; operating and maintenance risks; economic conditions; capital resources and liquidity risk; weather and seasonality; an ultimate resolution of the expropriation of the assets of the Exploits River Hydro Partnership that differs from what is currently expected by management; commodity price risk; derivative financial instruments and hedging; interest rate risk; counterparty risk; competitiveness of natural gas; natural gas supply; defined benefit pension plan performance and funding requirements; risks related to the development of the Terasen Gas (Vancouver Island) Inc. franchise; the Government of British Columbia's Energy Plan; environmental risks; insurance coverage risk; an unexpected outcome of legal proceedings currently against the Corporation; licences and permits; loss of service area; market energy sales prices; transition to International Financial Reporting Standards; changes in tax legislation; First Nations' lands; labour relations; and human resources. For additional information with respect to the Corporation's risk factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and to the heading "Business Risk Management" in the MD&A for the three months ended March 31, 2009 and for the year ended December 31, 2008.

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

COMPANY OVERVIEW AND FINANCIAL HIGHLIGHTS

Fortis is the largest investor-owned distribution utility in Canada, serving more than 2,000,000 gas and electricity customers. Its regulated holdings include electric utilities in five Canadian provinces and three Caribbean countries and a natural gas utility in British Columbia. Fortis owns and operates non-regulated generation assets across Canada and in Belize and Upper New York State and hotels and commercial real estate in Canada. Year-to-date March 31, 2009, the Corporation's electric utilities met a combined peak electricity demand of approximately 5,661 megawatts ("MW") and its gas utility met a peak day demand of 1,234 terajoules ("TJ"). For additional information on the Corporation's business segments, refer to Note 1 to the Corporation's interim unaudited consolidated financial statements for the three months ended March 31, 2009.

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

Fortis has adopted a strategy of profitable growth with earnings per common share as the primary measure of performance. Key financial highlights, including earnings by reportable segment, for the first quarters ended March 31, 2009 and March 31, 2008 are provided in the following table.

Financial Highlights (Unaudited) Quarter Ended March 31			
($ millions, except earnings per common share and common shares outstanding)	**2009**	2008	Variance
Revenue	**1,201**	1,146	55
Cash flow from operating activities	**229**	193	36
Net earnings applicable to common shares	**92**	91	1
Basic earnings per common share *($)*	**0.54**	0.58	(0.04)
Diluted earnings per common share *($)*	**0.52**	0.55	(0.03)
Weighted average number of common shares outstanding *(millions)*	**169.4**	156.6	12.8
	Segmented Net Earnings		
Regulated Gas Utilities - Canadian			
Terasen Gas Companies [1]	**58**	58	-
Regulated Electric Utilities - Canadian			
FortisAlberta	***12***	*11*	*1*
FortisBC [2]	***14***	*12*	*2*
Newfoundland Power	***6***	*6*	*-*
Other Canadian [3]	***5***	*4*	*1*
	37	33	4
Regulated Electric Utilities - Caribbean [4]	**6**	7	(1)
Non-Regulated - Fortis Generation [5]	**6**	6	-
Non-Regulated - Fortis Properties [6]	**2**	3	(1)
Corporate and Other [7]	**(17)**	(16)	(1)
Net Earnings Applicable to Common Shares	**92**	91	1

(1) Comprised of Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc.

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

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

(4) Includes Belize Electricity, in which Fortis holds an approximate 70 per cent controlling interest; Caribbean Utilities on Grand Cayman, Cayman Islands, in which Fortis holds an approximate 57 per cent controlling interest; and wholly owned Fortis Turks and Caicos. Previously, Caribbean Utilities had an April 30 fiscal year end whereby, up to and including the third quarter of 2008, its financial statements were consolidated in the financial statements of Fortis on a two-month lag basis. In 2008, Caribbean Utilities changed its fiscal year end to December 31. The change in Caribbean Utilities' fiscal year end eliminates the previous two-month lag in consolidating Caribbean Utilities' financial results.

(5) Includes the operations of non-regulated generating assets in Belize, Ontario, central Newfoundland, British Columbia and Upper New York State, with a combined generating capacity of 195 MW, mainly hydroelectric. Prior to February 13, 2009, the financial results of the hydroelectric generation operations in central Newfoundland were consolidated in the financial statements of Fortis. Subsequent to that date, the financial results of the generation operations in central Newfoundland have been recorded in the financial statements of Fortis on an equity basis, due to the Corporation no longer having significant influence over the generation operations as a result of expropriation legislation promulgated by the Government of Newfoundland and Labrador. The change in the method of accounting did not have a material impact on segmented or consolidated earnings. For a further discussion of this matter, refer to the "Critical Accounting Estimates - Contingencies" section of this MD&A.

(6) Including a hotel acquired in Ontario in April 2009, Fortis Properties owns 21 hotels with more than 4,000 rooms in eight Canadian provinces and approximately 2.8 million square feet of commercial real estate primarily in Atlantic Canada.

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

SEGMENTED RESULTS OF OPERATIONS

REGULATED GAS UTILITIES - CANADIAN

Terasen Gas Companies

Terasen Gas Companies Financial Highlights (Unaudited) Quarter Ended March 31			
	2009	2008	Variance
Gas Volumes (TJ)	**77,970**	78,184	(214)
($ millions)			
Revenue	**669**	635	34
Energy Supply Costs	**468**	437	31
Operating Expenses	**67**	61	6
Amortization	**25**	24	1
Finance Charges	**32**	33	(1)
Corporate Taxes	**19**	22	(3)
Earnings	**58**	58	-

Gas volumes: Gas volumes at the Terasen Gas companies decreased 214 TJ, or 0.3 per cent, quarter over quarter. The decrease was mainly due to lower sales volumes to customers under fixed-price contracts and lower transportation volumes to customers sourcing their own gas supplies, partially offset by increased sales volumes to residential customers as a result of higher consumption due to cooler weather quarter over quarter and customer growth.

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

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

During the first quarter of 2009, net customer additions at Terasen Gas Inc. ("TGI") and Terasen Gas (Vancouver Island) Inc. ("TGVI") totalled 2,256, bringing the total customer count at the Terasen Gas companies to approximately 934,000 as at March 31, 2009. Weakening housing and construction markets, due to slowing economic growth and growth in multi-family housing, where natural gas use is less prevalent compared to single-family housing, has resulted in slower customer growth during the first quarter of 2009 compared to the same quarter in 2008.

Revenue: Revenue was $34 million higher quarter over quarter. Revenue during the first quarter of 2009 reflected increased residential customer consumption and higher basic customer delivery rates compared to the same quarter in 2008.

Effective January 1, 2009, basic customer delivery rates at TGI increased approximately 6 per cent while basic customer delivery rates at TGVI increased from zero to 5 per cent based on rate class. Basic rates for 2009, however, reflect the impact of a decrease in the allowed rate of return on common shareholder's equity ("ROE") to 8.47 per cent from 8.62 per cent for TGI and to 9.17 per cent from 9.32 per cent for TGVI.

Earnings: Earnings were comparable quarter over quarter. The impact of the increase in basic customer delivery rates, customer growth and a lower effective corporate income tax rate was offset by higher operating expenses driven by increased labour and employee-benefit costs. The decrease in the effective tax rate was primarily due to lower enacted federal and provincial corporate income tax rates.

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

REGULATED ELECTRIC UTILITIES - CANADIAN

FortisAlberta

FortisAlberta Financial Highlights (Unaudited) Quarter Ended March 31			
	2009	2008	Variance
Energy Deliveries (GWh)	**4,152**	4,138	14
($ millions)			
Revenue	**79**	73	6
Operating Expenses	**34**	33	1
Amortization	**22**	20	2
Finance Charges	**11**	9	2
Earnings	**12**	11	1

Energy Deliveries: Energy deliveries at FortisAlberta increased 14 gigawatt hours ("GWh"), or 0.3 per cent, quarter over quarter, mainly due to residential, commercial and irrigation customer growth and the impact of colder-than-normal weather.

As a significant portion of the Company's distribution revenue is derived from fixed or largely fixed billing determinants, changes in quantities of energy delivered do not directly correlate with changes in revenues.

Revenue: Revenue was $6 million higher quarter over quarter, mainly due to an 8.6 per cent increase in customer distribution rates, effective January 1, 2009, and the impact of load and customer growth. Customer distribution rates for 2009 reflect the impact of ongoing investment in electrical infrastructure and collection from customers in 2009 of the increase in the allowed ROE for 2008 that was accrued in 2008. Rates for 2009 reflect an interim allowed ROE of 8.51 per cent compared to an allowed ROE of 8.75 per cent for 2008.

Earnings: Earnings were $1 million higher quarter over quarter. The impact of the increase in customer distribution rates and load and customer growth was partially offset by: (i) increased operating expenses mainly due to higher labour, employee-benefit and contracted manpower costs, partially offset by lower general operating costs; (ii) increased amortization costs associated with continued investment in capital assets; and (iii) increased finance charges due to higher debt levels in support of the Company's significant capital expenditure program, partially offset by the impact of lower interest rates on credit-facility borrowings.

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

FortisBC

FortisBC Financial Highlights (Unaudited) Quarter Ended March 31			
	2009	2008	Variance
Electricity Sales (GWh)	**903**	875	28
($ millions)			
Revenue	**72**	66	6
Energy Supply Costs	**22**	21	1
Operating Expenses	**17**	16	1
Amortization	**10**	9	1
Finance Charges	**7**	7	-
Corporate Taxes	**2**	1	1
Earnings	**14**	12	2

Electricity Sales: Electricity sales at FortisBC increased 28 GWh, or 3.2 per cent, quarter over quarter, primarily due to residential, general service and wholesale customer growth and increased consumption due to colder-than-normal weather.

Revenue: Revenue was $6 million higher quarter over quarter. The increase was driven by a 4.6 per cent increase in electricity rates, effective January 1, 2009, and electricity sales growth. Electricity rates for 2009 reflect the impact of ongoing investment in electrical infrastructure and an allowed ROE of 8.87 per cent compared to 9.02 per cent for 2008.

Earnings: FortisBC's earnings were $2 million higher quarter over quarter. The impact of the increase in electricity rates and customer growth was partially offset by: (i) higher energy supply costs associated with increased electricity sales and a higher proportion of purchased power versus energy generated from Company-owned hydroelectric generating plants, partially offset by the impact of lower market prices for purchased power; (ii) higher operating expenses mainly due to the timing of maintenance projects, higher labour costs and general inflationary cost increases; and (iii) increased amortization costs associated with continued investment in capital assets.

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

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Quarter Ended March 31			
	2009	2008	Variance
Electricity Sales (GWh)	**1,763**	1,716	47
($ millions)			
Revenue	**169**	164	5
Energy Supply Costs	**127**	122	5
Operating Expenses	**14**	14	-
Amortization	**11**	10	1
Finance Charges	**8**	8	-
Corporate Taxes	**3**	4	(1)
Earnings	**6**	6	-

Electricity Sales: Electricity sales at Newfoundland Power increased 47 GWh, or 2.7 per cent, quarter over quarter due to customer growth and higher average consumption driven by increased use of electric heating.

Revenue: Revenue was $5 million higher quarter over quarter, driven by electricity sales growth. The allowed ROE of 8.95 per cent for 2009 remains unchanged from 2008 and, consequently, there has been no change in basic customer rates for 2009.

Earnings: Newfoundland Power's earnings were comparable quarter over quarter. The impact of electricity sales growth was offset largely by the impact of higher demand charges from Newfoundland and Labrador Hydro Corporation ("Newfoundland Hydro"), associated with meeting peak load requirements during the winter season, and increased amortization costs associated with continued investment in capital assets.

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

Other Canadian Electric Utilities

Other Canadian Electric Utilities (Unaudited) [(1)] Financial Highlights Quarter Ended March 31			
	2009	2008	Variance
Electricity Sales (GWh)	**616**	599	17
($ millions)			
Revenue	**70**	70	-
Energy Supply Costs	**47**	49	(2)
Operating Expenses	**7**	7	-
Amortization	**4**	4	-
Finance Charges	**5**	4	1
Corporate Taxes	**2**	2	-
Earnings	**5**	4	1
[(1)] Includes Maritime Electric and FortisOntario			

Electricity Sales: Electricity sales at Other Canadian Electric Utilities increased 17 GWh, or 2.8 per cent, quarter over quarter, driven by higher average consumption mainly due to colder-than-normal weather experienced in Ontario and on Prince Edward Island.

Revenue: Revenue was comparable quarter over quarter. The impact of increased electricity sales and a 1.8 per cent increase in basic electricity rates at Maritime Electric, effective April 1, 2008, and an average 1.1 per cent increase in basic electricity distribution rates at FortisOntario, effective May 1, 2008, were offset by the flow through to customers of lower energy supply costs at FortisOntario.

Earnings: Earnings were $1 million higher quarter over quarter. The impact of higher basic electricity rates and electricity sales was partially offset by higher finance charges associated with increased borrowings and the higher cost of borrowing associated with the $60 million bonds issued by Maritime Electric in April 2008.

In October 2008, FortisOntario entered into a definitive agreement to acquire a 10 per cent strategic ownership interest in the electricity distribution business of Grimsby Power Inc. The transaction is pending approval from the Ontario Ministry of Finance, which is expected during the second quarter of 2009.

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

REGULATED ELECTRIC UTILITIES - CARIBBEAN

Regulated Electric Utilities - Caribbean [1] Financial Highlights (Unaudited) Quarter Ended March 31			
	2009	2008 [2]	Variance
Average US:CDN Exchange Rate [3]	**1.25**	1.01	0.24
Electricity Sales (GWh)	**247**	258	(11)
($ millions)			
Revenue	**83**	75	8
Energy Supply Costs	**46**	40	6
Operating Expenses	**14**	11	3
Amortization	**11**	7	4
Finance Charges	**4**	5	(1)
Corporate Taxes	**-**	1	(1)
Non-Controlling Interest	**2**	4	(2)
Earnings	**6**	7	(1)

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

[2] Electricity sales and financial results for 2008 associated with Caribbean Utilities relate to the utility's quarter ended January 31, 2008. Up to and including the third quarter of 2008, Caribbean Utilities' financial statements were consolidated in the financial statements of Fortis on a two-month lag basis. In 2008, Caribbean Utilities changed its fiscal year end from April 30 to December 31, eliminating the previous two-month lag in consolidating Caribbean Utilities' financial results. Therefore, electricity sales and financial results for the first quarter of 2009 associated with Caribbean Utilities relate to the utility's first quarter ended March 31, 2009.

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

Electricity Sales: Regulated Electric Utilities - Caribbean electricity sales decreased 11 GWh, or 4.3 per cent, quarter over quarter. The decrease was primarily due to cooler-than-normal weather conditions which reduced air conditioning load on Grand Cayman and the Turks and Caicos Islands, combined with the negative impact of global economic conditions on residential customer consumption and activities in the tourism, oil, construction and related industries.

Revenue: Revenue increased $8 million quarter over quarter. Revenue for the first quarter of 2009 was favourably impacted by approximately $1 million associated with a favourable appeal judgment at Fortis Turks and Caicos related to a customer rate classification matter. Excluding the above one-item item and the approximate $16 million favourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue, due to the strengthening of the US dollar against the Canadian dollar, revenue decreased approximately $9 million quarter over quarter. Factors decreasing revenue included: (i) lower electricity sales; (ii) a 3.25 per cent reduction in basic electricity rates reflecting a lower allowed rate of return on rate base assets ("ROA") at Caribbean Utilities and the elimination of the utility's hurricane cost recovery surcharge, under the terms of the Company's new transmission and distribution licence, effective January 1, 2008; (iii) a decrease in the value-added ("VAD") component of the average electricity rate at Belize Electricity, effective July 1, 2008, reflecting a lower allowed ROA as a result of the regulator's June 2008 Final Decision; and (iv) a change in the methodology at Belize Electricity for recording customer installation fees and the impact of refunding certain installation fees previously collected. The decrease was partially offset by the favourable impact on revenue of an increase in the cost of power component of the average electricity rate at Belize Electricity, effective July 1, 2008. Customer installation fees at Belize Electricity are now recorded as a capital contribution on the balance sheet rather than as revenue on the statement of earnings.

Earnings: Earnings' contribution was $1 million lower quarter over quarter. Earnings for the first quarter of 2009 included approximately $1 million associated with the favourable appeal judgment at Fortis Turks and Caicos, as described above, and an approximate $1 million one-time favourable adjustment to energy supply costs associated with a change in the methodology for accruing unbilled fuel factor revenue at Fortis Turks and Caicos. Excluding the impact of the above favourable one-time items and $1 million associated with favourable foreign currency translation, earnings' contribution decreased $4 million quarter over quarter. The decline was mainly due to decreased electricity sales, a lower allowed ROA at Caribbean Utilities and Belize Electricity, effective January 1, 2008 and July 1, 2008, respectively, increased amortization costs and the favourable impact on energy supply costs during the first quarter of 2008 associated with the movement in deferred fuel costs at Caribbean Utilities, partially offset by lower finance charges.

Excluding foreign currency translation impacts, amortization costs increased quarter over quarter due to the impact of continued investment in capital assets.

Excluding foreign currency translation impacts, finance charges decreased quarter over quarter as a result of increased capitalized finance costs at Caribbean Utilities due to a change in the utility's methodology for capitalizing finance costs associated with capital assets under construction, as prescribed by the regulator.

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

NON-REGULATED - FORTIS GENERATION

Non-Regulated - Fortis Generation [(1)]
Financial Highlights (Unaudited)
Quarter Ended March 31

	2009	2008	Variance
Energy Sales (GWh)	**257**	288	(31)
($ millions)			
Revenue	**16**	19	(3)
Energy Supply Costs	**1**	2	(1)
Operating Expenses	**4**	4	-
Amortization	**2**	2	-
Finance Charges	**1**	2	(1)
Corporate Taxes	**2**	3	(1)
Earnings	**6**	6	-

(1) Includes the operations of non-regulated generating assets in Belize, Ontario, central Newfoundland, British Columbia and Upper New York State. Prior to February 13, 2009, the financial results of the hydroelectric generation operations in central Newfoundland were consolidated in the financial statements of Fortis. Subsequent to that date, the financial results of the generation operations in central Newfoundland have been recorded in the financial statements of Fortis on an equity basis, due to the Corporation no longer having significant influence over the generation operations as a result of expropriation legislation promulgated by the Government of Newfoundland and Labrador. The change in the method of accounting did not have a material impact on segmented or consolidated earnings. For a further discussion of this matter, refer to the "Critical Accounting Estimates - Contingencies" section of this MD&A.

Energy Sales: Non-Regulated - Fortis Generation energy sales decreased 31 GWh, or 10.8 per cent, quarter over quarter. Energy sales for the first quarter of 2009, however, included energy sales associated with the generation operations in central Newfoundland for only 1½ months compared to a full quarter in 2008, due to the change to the equity method of accounting for these operations in February 2009 necessitated by the actions of the Government of Newfoundland and Labrador related to expropriation of Newfoundland-based assets of AbitibiBowater Inc., formerly Abitibi-Consolidated Company of Canada ("Abitibi"). Energy sales also decreased due to lower production in Upper New York State and Ontario, partially offset by higher production in Belize. Production levels were primarily a function of rainfall levels. At the end of April 2009, the Chalillo reservoir in Belize was at approximately 40 per cent of its full-supply level, a normal level for this time of the year.

Revenue: Revenue was $3 million lower quarter over quarter. Factors decreasing revenue were: (i) the impact of changing to the equity method of accounting for the financial results of the hydroelectric generation operations in central Newfoundland during the first quarter of 2009, as described above; (ii) lower production in Upper New York State and Ontario; (iii) decreased average wholesale market energy prices per megawatt hour ("MWh") in Ontario, which were $42.98 during the first quarter of 2009 compared to $49.93 for the same quarter in 2008; and (iv) lower average wholesale market energy prices per MWh in Upper New York State, which were US$46.13 during the first quarter of 2009 compared to US$72.91 for the same quarter in 2008. Partially offsetting the above factors was the approximate $1 million favourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue, due to the strengthening of the US dollar against the Canadian dollar quarter over quarter, and the impact of increased production in Belize.

Earnings: Earnings were comparable quarter over quarter. The approximate $0.5 million favourable earnings impact of foreign currency translation and higher earnings from hydroelectric generation operations in Belize related to increased production was offset by the impact of lower production and lower average wholesale market energy

prices in Upper New York State and Ontario. Earnings' contribution associated with generation operations in central Newfoundland was comparable quarter over quarter.

NON-REGULATED - FORTIS PROPERTIES

Non-Regulated - Fortis Properties Financial Highlights (Unaudited) Quarter Ended March 31			
($ millions)	**2009**	2008	Variance
Hospitality Revenue	**31**	29	2
Real Estate Revenue	**16**	16	-
Total Revenue	**47**	45	2
Operating Expenses	**34**	31	3
Amortization	**4**	4	-
Finance Charges	**6**	6	-
Corporate Taxes	**1**	1	-
Earnings	**2**	3	(1)

Revenue: Hospitality revenue was $2 million higher quarter over quarter, driven by revenue contribution from the Sheraton Hotel Newfoundland, which was acquired in November 2008, partially offset by decreased revenue from operations in Ontario and western Canada. Revenue per available room for the first quarter was $64.40 compared to $67.82 for the same quarter in 2008, mainly due to decreased hotel occupancy in all of the Company's operating regions, partially offset by an increase in average room rates driven mainly by operations in Atlantic Canada.

Real Estate revenue was comparable quarter over quarter. The occupancy rate of the Real Estate Division was 96.0 per cent as at March 31, 2009 compared to 96.6 per cent as at March 31, 2008.

Earnings: Earnings were $1 million lower quarter over quarter due to non-recurring transitional operating costs associated with the Sheraton Hotel Newfoundland combined with the impact of decreased hotel occupancies.

In April 2009, Fortis Properties purchased the 214-room Holiday Inn Select in Windsor, Ontario for $7 million.

CORPORATE AND OTHER

Corporate and Other [(1)] Financial Highlights (Unaudited) Quarter Ended March 31			
($ millions)	**2009**	2008	Variance
Revenue	**7**	7	-
Operating Expenses	**3**	3	-
Amortization	**2**	3	(1)
Finance Charges [(2)]	**19**	21	(2)
Corporate Tax Recovery	**(4)**	(5)	1
Preference share dividends	**4**	1	3
Net Corporate and Other Expenses	**(17)**	(16)	(1)

[(1)] Includes Fortis net corporate expenses, net expenses of non-regulated Terasen Inc. corporate-related activities and the financial results of Terasen Inc.'s 30 per cent ownership interest in CustomerWorks Limited Partnership and of Terasen Inc.'s non-regulated wholly owned subsidiary Terasen Energy Services Inc.
[(2)] Includes dividends on preference shares classified as long-term liabilities

Revenue and Net Corporate and Other Expenses: Revenue was comparable quarter over quarter while net corporate and other expenses were $1 million higher quarter over quarter. The increase in net corporate and other expenses was driven by higher preference share dividends due to the issuance of First Preference Shares, Series G during the second quarter of 2008, partially offset by lower finance charges. Finance charges decreased quarter over quarter as a result of lower credit facility borrowing levels and lower interest rates charged on the credit facility borrowings, partially offset by the unfavourable impact of foreign exchange associated with the translation of US dollar-denominated interest expense.

REGULATORY HIGHLIGHTS

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

Nature of Regulation

Regulated Utility	Regulatory Authority	Allowed Common Equity (%)	Allowed Returns (%) 2007	2008	2009	Supportive Features Future or Historical Test Year Used to Set Rates
			ROE			Cost of Service ("COS")/ROE Performance-based rate-setting ("PBR") mechanism through 2009: TGI: 50/50 sharing of earnings above or below the allowed ROE TGVI: 100 per cent retention of earnings from lower-than-forecasted operating and maintenance costs but no relief from increased operating and maintenance costs ROE automatic adjustment formula tied to long-term Canada bond yields
TGI	BCUC	35	8.37	8.62	8.47	
TGVI	BCUC	40	9.07	9.32	9.17	Future Test Year
FortisBC	BCUC	40	8.77	9.02	8.87	COS/ROE PBR mechanism for 2009 through 2011: 50/50 sharing of earnings above or below the allowed ROE up to an achieved ROE that is 200 basis points above or below the allowed ROE – excess to deferral account ROE automatic adjustment formula tied to long-term Canada bond yields Future Test Year
FortisAlberta	Alberta Utilities Commission ("AUC")	37	8.51	8.75	8.51 [1]	COS/ROE ROE automatic adjustment formula tied to long-term Canada bond yields Future Test Year
Newfoundland Power	Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB")	45	8.60 +/- 50 bps	8.95 +/- 50 bps	8.95 +/- 50 bps	COS/ROE ROE automatic adjustment formula tied to long-term Canada bond yields Future Test Year
Maritime Electric	Island Regulatory and Appeals Commission ("IRAC")	40	10.25	10.00	9.75	COS/ROE Future Test Year
FortisOntario	Ontario Energy Board ("OEB") (Canadian Niagara Power) Franchise Agreement (Cornwall Electric)	43.3	9.00	9.00	8.39	Canadian Niagara Power - COS/ROE Cornwall Electric - Price cap with commodity cost flow through Future Test Year – beginning in 2009
			ROA			
Belize Electricity	Public Utilities Commission ("PUC")	N/A	10.00 - 15.00	10.00	10.00 [2]	Four-year COS/ROA agreements Additional costs in the event of a hurricane would be deferred and the Company may apply for future recovery in customer rates. Future Test Year
Caribbean Utilities	Electricity Regulatory Authority ("ERA")	N/A	15.00	9.00 - 11.00	9.00 - 11.00	COS/ROA Rate-cap adjustment mechanism based on published consumer price indices Under the new licences, the Company may apply for a special additional rate to customers in the event of a disaster, including a hurricane. Historical Test Year
Fortis Turks and Caicos	Utility makes annual filings with the Energy Commission	N/A	17.50 [3]	17.50 [3]	17.50 [3]	COS/ROA If the actual ROA is lower than the allowed ROA, due to additional costs resulting from a hurricane or other event, the Company may apply for an increase in customer rates in the following year. Future Test Year

[1] Interim ROE pending the outcome of the AUC's 2009 Generic Cost of Capital Proceeding
[2] Based on the June 2008 Final Decision related to Belize Electricity's 2008/2009 Rate Application
[3] Amount provided under licence. Actual ROAs achieved in 2007 and 2008 were lower than the ROA allowed under the licence due to significant investment occurring at the utility.

<table>
<tr><th colspan="2">Material Regulatory Decisions and Applications</th></tr>
<tr><th>Regulated Utility</th><th>Summary Description</th></tr>
<tr><td>TGI/TGVI</td><td>• Every three months, TGI and TGVI review natural gas and propane commodity prices with the BCUC in order to ensure the flow-through rates charged to customers are sufficient to cover the cost of purchasing natural gas and propane. As approved by the BCUC, the commodity rate for natural gas was unchanged during the first quarter of 2009 while the commodity rate for propane decreased, effective January 1, 2009. Effective April 1, 2009, the BCUC approved decreases in the commodity rates for natural gas and propane. The commodity cost of natural gas and propane is flowed through to customers without markup.
• In December 2008, the BCUC approved a basic customer delivery rate increase of approximately 6 per cent at TGI and approved customer delivery rate increases ranging from zero to 5 per cent at TGVI based on rate class. Basic customer delivery rates for 2009 reflect the decrease in the allowed ROE for 2009 at TGI and TGVI to 8.47 per cent and 9.17 per cent, respectively, resulting from the application of automatic ROE adjustment mechanisms. TGI filed an application with the BCUC in the fourth quarter of 2008 requesting approval to perform extensive rehabilitation of certain underwater transmission pipeline crossings of the South Arm of the Fraser River, serving Vancouver and Richmond. In March 2009, TGI received regulatory approval for this $27 million project, which is anticipated to be completed in 2010.
• TGI and TGVI are currently preparing rate applications related to 2010, which are anticipated to be filed with the BCUC during the summer of 2009. The BCUC approval of rates for 2010 and future years will be required as the current PBR agreements expire at the end of 2009. In addition, TGI and TGVI will be applying for a review of the current generic ROE adjustment mechanisms and the deemed equity component of their capital structures.
• In April 2009, TGI received approval from the BCUC for its new $41.5 million Energy Efficiency and Conservation Program to provide customers with enhanced tools and incentives to manage their natural gas consumption, reduce their energy costs and lower their greenhouse gas emissions. The program is expected to begin in summer 2009.</td></tr>
<tr><td>FortisBC</td><td>• In December 2008, the BCUC approved the Company’s 2009 Revenue Requirements Application, resulting in a general rate increase of 4.6 per cent, effective January 1, 2009. The rate increase is primarily the result of the Company’s capital expenditure program and higher power purchases driven by customer growth and increased electricity demand. Rates for 2009 reflect an allowed ROE of 8.87 per cent as a result of the application of the automatic ROE adjustment mechanism. The approval of the 2009 Revenue Requirements Application also included an extension of the PBR mechanism for the years 2009 through 2011 under terms similar to the previous PBR agreement, except annual gross operating and maintenance expenses, before capitalized overhead, will be set by a formula incorporating customer growth and inflation, i.e., the consumer price index (“CPI”) for British Columbia minus a productivity improvement factor (“PIF”) of 3 per cent in 2009, 1.5 per cent in 2010 and 1.5 per cent in 2011. Should inflation be in excess of 3 per cent, the excess is to be added to the PIF, which effectively caps the CPI at 3 per cent.
• In February 2009, the BCUC issued its decision on FortisBC’s 2009 and 2010 Capital Expenditure Plan. Total gross capital expenditures of $165 million and $156 million were approved for 2009 and 2010, respectively. An additional $16 million of capital expenditures is subject to further regulatory processes.</td></tr>
<tr><td>FortisAlberta</td><td>• In June 2008, the AUC ruled that a review of ROE levels, adjustment mechanisms and utility capital structures in a generic proceeding would be appropriate. In July 2008, the AUC issued its notice of application, preliminary scoping document and minimum filing requirements for the 2009 Generic Cost of Capital Proceeding. The proceeding applies to all gas, electric and pipeline utilities in Alberta that are regulated by the AUC.
• In November 2008, FortisAlberta submitted its evidence with respect to the 2009 Generic Cost of Capital Proceeding as requested by the AUC. A hearing is scheduled for the second quarter of 2009.
• In December 2008, FortisAlberta received regulatory approval for its 2009 distribution rates to recover approved distribution costs. The result was a distribution rate increase of 8.6 per cent, effective January 1, 2009. The rate increase was slightly higher than the rate increase of 7.3 per cent contemplated in the 2008/2009 Negotiated Settlement Agreement (“NSA”), due to the deferred recovery in customer rates in 2009 of the increase in the allowed ROE to 8.75 per cent in 2008. The approved rates for 2009 also reflect the impact of the Company’s union agreement, which was settled after the 2008/2009 NSA was approved. As directed by the AUC, the Company is to continue using the 2007 allowed ROE of 8.51 per cent for 2009, pending the outcome of the 2009 Generic Cost of Capital Proceeding.
• FortisAlberta currently plans to file a comprehensive application dealing with its future revenue requirement during the second quarter of 2009.</td></tr>
<tr><td>Newfoundland Power</td><td>• In November 2008, the PUB approved, as filed, the Company’s 2009 Capital Budget Application for approximately $62 million, with approximately half of the proposed capital expenditures relating to replacing aged and deteriorated components of the electricity system.
• The Company’s allowed ROE of 8.95 per cent remains unchanged for 2009 and, consequently, there has been no change in basic customer rates for 2009.
• Effective July 1, 2009, subject to regulatory approval, customer electricity rates are expected to decrease by 6 per cent on average, reflecting the flow through to customers, by operation of the rate stabilization account, of variances in the cost of fuel used to generate electricity that Newfoundland Hydro sells to Newfoundland Power. The decrease in customer rates will have no impact on Newfoundland Power’s earnings in 2009.
• Newfoundland Power expects to file an application during 2009 to recover increased costs expected in 2010.</td></tr>
</table>

Material Regulatory Decisions and Applications (cont'd)	
Regulated Utility	**Summary Description**
Maritime Electric	• In March 2009, IRAC approved Maritime Electric's 2009 Rate Application, which resulted in an increase in the amount of energy-related costs being collected from customers through the basic rate component of customer billings, effective April 1, 2009. The increase in the reference cost of energy in basic rates from 6.73 cents per kilowatt hour ("kWh") to 7.7 cents per kWh results in a decrease in the amount of energy costs to be collected from customers through the operation of the Energy Cost Adjustment Mechanism ("ECAM"). Additionally, IRAC approved the deferral of Point Lepreau Nuclear Generating Station replacement energy costs for 2009 and an increase in the amortization period of the ECAM to 12 months, effective April 1, 2009. IRAC also approved, as filed, a maximum allowed ROE of 9.75 per cent for 2009, down from an allowed ROE of 10.00 per cent for 2008. The overall impact on residential customer rates for 2009 is an increase of 5.3 per cent based on average consumption of 650 kWh per month.
FortisOntario	• In August 2008, Canadian Niagara Power filed a 2009 Cost of Service Application requesting the rebasing of distribution rates using 2009 as a forward test year. The application assumes a deemed capital structure of 56.7 per cent debt and 43.3 per cent equity and, as required by the OEB, reflects a preliminary ROE of 8.39 per cent. The application proposes distribution rate increases of 4.9 per cent, 9.4 per cent and 7.1 per cent for Fort Erie, Gananoque and Port Colborne, respectively, effective May 1, 2009. The proposed increases are primarily driven by the impact of distribution system upgrades. The hearing process associated with the application commenced during the fourth quarter of 2008. • In March 2009, the OEB announced that it is initiating a consultative process with utilities in Ontario that it regulates to help it determine whether current economic and financial market conditions warrant an adjustment to any cost of capital parameter values determined in accordance with current established methodology. • In April 2009, the OEB issued an Interim Rate Order declaring Canadian Niagara Power's current distribution electricity rates to continue as interim rates, effective May 1, 2009.
Belize Electricity	• In June 2008, the PUC issued its Final Decision on Belize Electricity's 2008/2009 Rate Application which rejected most of the recommendations of a PUC-appointed Independent Expert, engaged to review the PUC's Initial Decision on Belize Electricity's 2008/2009 Rate Application, and failed to increase the overall average electricity rate as requested in the application. The PUC also ordered a BZ$36 million retroactive adjustment associated with Belize Electricity's prior years' financial results. The adjustment, in substance, represented the disallowance of previously incurred fuel and purchased power costs. The PUC also reduced Belize Electricity's targeted allowed ROA to 10 per cent from 12 per cent through a reduction in the VAD component of the average electricity rate. As a direct result of the June 2008 Final Decision, Belize Electricity recorded an $18 million (BZ$36 million) charge ($13 million of which was the Corporation's share) to energy supply costs during the second quarter of 2008. The Final Decision does not impact the Corporation's non-regulated generation operations in Belize. • The Final Decision also proposed the use of an automatic mechanism, to be finalized by the PUC, to adjust monthly, on a two-month lag basis, the cost of power component of the rate to reflect actual costs of power. The automatic adjustment mechanism, which was retroactive effective September 1, 2008, allows for the collection from, or rebate to, customers of actual costs of power which vary from a reference cost of power by more than a threshold of 10 per cent. • In February 2009, the PUC amended the Final Decision on Belize Electricity's 2008/2009 Rate Application (the "Amendment"), effective for the period from January 1, 2009 through June 30, 2009. The Amendment provides for an increase in the VAD component of the average electricity rate to allow Belize Electricity to earn a targeted allowed ROA of 12 per cent but reduces the reference cost of power component of the average electricity rate, due to an overall decline in the cost of power. The Amendment, therefore, allows for an overall decrease in the average electricity rate from BZ44.1 cents per kWh to BZ37.5 cents per kWh. The Amendment also provides for a lower regulated asset value upon which the allowed ROA is calculated, while increasing operating expenses by the same amount, and reduces depreciation, taxes and fees and the related revenue requirement. • Changes made in electricity legislation by the Government of Belize and the PUC, and the June 2008 Final Decision and Amendment, which were based on the changed legislation, have been judicially challenged by Belize Electricity in several proceedings. The judicial process is ongoing with interim rulings, judgments and appeals. The timing or likely final outcome of the proceedings is indeterminable at this time. However, the Supreme Court of Belize has approved an injunction against the Amendment until Belize Electricity's appeal of the June 2008 Final Decision is heard in court. • In April 2009, Belize Electricity filed its Annual Tariff Review Application for the annual tariff period from July 1, 2009 to June 30, 2010 ("2009/2010 Rate Application") proposing a 6 per cent decrease in the average electricity rate, as well as a reversal of the BZ$36 million charge, described above. The PUC has not accepted the 2009/2010 Rate Application on the grounds that an Annual Tariff Review Proceeding is not in effect.
Caribbean Utilities	• In January 2009, a revised Five-Year Capital Investment Plan ("CIP") totalling US$246 million was submitted to the ERA. In March 2009, the ERA approved the Company's 2009 CIP of US$48 million. Capital investment relating to 2010-2013 is still under review by the ERA. • In January 2009, Caribbean Utilities announced a customer-owned renewable energy program. The program allows customers on Grand Cayman to connect renewable energy systems to the Company's distribution system and to generate their own power from renewable energy while remaining connected to Caribbean Utilities' grid. The Company has received a number of interested enquiries. • In April 2009, Caribbean Utilities submitted a report to the ERA indicating an allowable 2.4 per cent increase in customer electricity rates, effective June 1, 2009, in accordance with the rate adjustment mechanism provided under the utility's licence.
Fortis Turks and Caicos	o In March 2009, Fortis Turks and Caicos submitted its 2008 annual regulatory filing outlining the Company's performance in 2008 and its capital expansion plans for 2009.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between March 31, 2009 and December 31, 2008.

Fortis Inc.
Significant Changes in the Consolidated Balance Sheets (Unaudited)
between March 31, 2009 and December 31, 2008

Balance Sheet Account	Increase/ (Decrease) *($ millions)*	Explanation
Accounts receivable	54	The increase was primarily due to the impact of a seasonal increase in sales driven by the Terasen Gas companies and Newfoundland Power, partially offset by the impact of lower fuel factor billings at Caribbean Utilities and Fortis Turks and Caicos associated with a decline in fuel prices.
Regulatory assets - current and long-term	608	The increase was primarily due to the result of recording $534 million in regulatory assets as at March 31, 2009 associated with the recognition of future income taxes upon adoption of amended Section 3465, *Income Taxes,* effective January 1, 2009. The remainder of the increase was mainly due to the regulatory deferral associated with the change in the fair market value of the gas commodity swap and option contracts at the Terasen Gas companies.
Inventories	(138)	The decrease was driven by the normal seasonal reduction of gas in storage at the Terasen Gas companies.
Future income tax assets - current and long-term	31	The increase was due to the recognition of future income taxes upon adoption of amended Section 3465, *Income Taxes,* effective January 1, 2009.
Other assets	(64)	The decrease was driven by a net $61 million reduction associated with the change to the equity method of accounting of the Corporation's interest in the Exploits River Hydro Partnership ("Exploits Partnership"), effective February 13, 2009. Previously, the financial results of the Exploits Partnership were consolidated in the financial statements of the Corporation. Refer to the "Critical Accounting Estimates - Contingencies" section of this MD&A for a further discussion of the Exploits Partnership.
Utility capital assets	144	The increase primarily related to $210 million invested in electricity and gas systems combined with the impact of foreign exchange on the translation of foreign currency-denominated utility capital assets. The increase was partially offset by amortization and customer contributions for the three months ended March 31, 2009.
Goodwill	12	The increase related to the impact of foreign exchange on the translation of US dollar-denominated goodwill combined with an adjustment to goodwill at the Terasen Gas companies associated with the adoption of amended Section 3465, *Income Taxes,* effective January 1, 2009.
Short-term borrowings	(149)	The decrease was driven by the repayment of short-term borrowings by TGI with proceeds from the issuance of long-term debt combined with lower borrowings at the Terasen Gas companies due to seasonality of its operations.
Income taxes payable	(29)	The decrease was mainly due to the timing of income tax payments at the Terasen Gas companies and Newfoundland Power.
Regulatory liabilities - current and long-term	127	The increase was primarily due to the result of recording $56 million in regulatory liabilities as at March 31, 2009 associated with the recognition of future income taxes upon adoption of amended Section 3465, *Income Taxes,* effective January 1, 2009. The remainder of the increase was due to the lower commodity cost of natural gas at the Terasen Gas companies and the lower cost of fuel and purchased power at Belize Electricity during the first quarter of 2009 compared to amounts collected in customer rates during the same time period.
Future income tax liabilities - current and long-term	471	The increase was primarily due to the recognition of future income taxes upon adoption of amended Section 3465, *Income Taxes,* effective January 1, 2009.
Deferred credits	19	The increase was primarily due to the reclassification of $19 million to future income taxes upon adoption of amended Section, 3465, *Income Taxes,* effective January 1, 2009, that were previously netted against other post-employment benefit obligations at the Terasen Gas companies.

Fortis Inc. Significant Changes in the Consolidated Balance Sheets (Unaudited) between March 31, 2009 and December 31, 2008 (cont'd)		
Balance Sheet Account	**Increase/ (Decrease)** *($ millions)*	**Explanation**
Long-term debt and capital lease obligations (including current portion)	162	The increase was primarily due to the issuance of long-term debt and the impact of foreign exchange on the translation of foreign currency-denominated debt, partially offset by a $61 million decrease associated with the change to the equity method of accounting of the Corporation's interest in the Exploits Partnership, effective February 13, 2009. Previously, the financial results of the Exploits Partnership were consolidated in the financial statements of the Corporation. Refer to the "Critical Accounting Estimates - Contingencies" section of this MD&A for a further discussion of the Exploits Partnership. In February 2009, TGI issued $100 million of 30-year unsecured debentures, the net proceeds of which were used to repay short-term borrowings. In February 2009, FortisAlberta also issued $100 million of 30-year debentures, the net proceeds of which were used to repay committed credit facility borrowings and for general corporate purposes. A decrease in committed credit facility borrowings at FortisAlberta was offset by increased committed credit facility borrowings at Newfoundland Power and the Corporation.
Shareholders' equity	70	The increase was mainly due to net earnings applicable to common shares reported for the three months ended March 31, 2009, less common share dividends. The remainder of the increase related to the issuance of common shares under the Corporation's share purchase, dividend reinvestment and stock option plans and a decrease in accumulated other comprehensive loss.

LIQUIDITY AND CAPITAL RESOURCES

The table below outlines the Corporation's consolidated sources and uses of cash for the first quarter of 2009, as compared to the first quarter of 2008, followed by a discussion of the nature of the variances in cash flows quarter over quarter.

Fortis Inc. Summary of Consolidated Cash Flows (Unaudited) Quarter Ended March 31			
($ millions)	**2009**	2008	Variance
Cash, beginning of period	**66**	58	8
Cash provided by (used in)			
Operating activities	**229**	193	36
Investing activities	**(210)**	(148)	(62)
Financing activities	**9**	(36)	45
Cash, end of period	**94**	67	27

Operating Activities: Cash flow from operating activities, after working capital adjustments, was $229 million, $36 million higher than $193 million for the same quarter last year. The increase was driven by FortisAlberta reflecting the impact of the timing of the payment of Alberta Electric System Operator ("AESO") transmission cost accruals in 2008.

Investing Activities: Cash used in investing activities was $62 million higher quarter over quarter. During the first quarter of 2008, TGI received approximately $14 million in proceeds associated with the sale of surplus land. Excluding the impact of the sale of surplus land in 2008, cash used in investing activities was $48 million higher quarter over quarter, driven by higher gross capital expenditures. Gross capital expenditures were $219 million for the first quarter of 2009, $45 million higher than for the same quarter last year. The increase was driven by utility capital asset spending at FortisAlberta, the Terasen Gas companies and Caribbean Utilities.

Financing Activities: Cash provided by financing activities was $9 million during the quarter compared to cash used in financing activities of $36 million during the same quarter in 2008.

Net repayments of short-term borrowings were $150 million during the first quarter of 2009, $117 million higher than net repayments of $33 million during the same quarter in 2008. The net repayments during the first quarter of 2009 were driven by TGI with net proceeds from the issuance of $100 million of unsecured debentures.

Proceeds from long-term debt, net of issue costs, repayments of long-term debt and capital lease obligations and net borrowings (repayments) under committed credit facilities for the first quarter of 2009 compared to the same quarter in 2008 are summarized in the following tables.

Fortis Inc.
Proceeds from Long-Term Debt, Net of Issue Costs (Unaudited)
Quarter Ended March 31

($ millions)	**2009**	2008	Variance
Terasen Gas Companies	**99** [1]	248 [2]	(149)
FortisAlberta	**99** [3]	-	99
Other	**-**	2	(2)
Total	**198**	250	(52)

[1] Issued February 2009, $100 million 6.55% Unsecured Note Debentures by TGI, due February 2039. The net proceeds are being used to repay credit facility borrowings and to repay $60 million of unsecured debentures that mature in June 2009.
[2] Issued February 2008, $250 million 6.05% Senior Unsecured Debentures by TGVI, due February 2038. The net proceeds were used to repay committed credit facility borrowings.
[3] Issued February 2009, $100 million 7.06% Senior Unsecured Debentures, due February 2039. The net proceeds were used to repay committed credit facility borrowings and for general corporate purposes.

Fortis Inc.
Repayments of Long-Term Debt and Capital Lease Obligations (Unaudited)
Quarter Ended March 31

($ millions)	**2009**	2008	Variance
Fortis Properties	**(2)**	(3)	1
Other	**(4)**	(2)	(2)
Total	**(6)**	(5)	(1)

Fortis Inc.
Net (Repayments) Borrowings Under Committed Credit Facilities (Unaudited)
Quarter Ended March 31

($ millions)	**2009**	2008	Variance
Terasen Gas Companies	**-**	(265)	265
FortisAlberta	**(54)**	72	(126)
FortisBC	**5**	-	5
Newfoundland Power	**30**	20	10
Corporate	**24**	(38)	62
Total	**5**	(211)	216

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

Proceeds from the issuance of common shares increased $7 million quarter over quarter, reflecting the impact, effective March 1, 2009, of the Corporation's Amended and Restated Dividend Reinvestment and Share Purchase Plan. The plan provides participating common shareholders a 2 per cent discount on the purchase of common shares, issued from treasury, with reinvested dividends.

Common share dividends were $44 million during the first quarter of 2009, up $5 million from the same quarter last year. The increase was primarily due to an increase in the number of common shares outstanding, primarily as a result of the public issuance of 11.7 million common shares in December 2008 and a higher dividend declared per

common share compared to the same quarter last year. The dividend declared per common share in the first quarter of 2009 was $0.26, while the dividend declared per common share in the first quarter of 2008 was $0.25.

Preference share dividends increased $3 million quarter over quarter as a result of the dividends associated with the 9.2 million First Preference Shares, Series G that were issued during the second quarter of 2008.

Contractual Obligations: Consolidated contractual obligations of Fortis over the next five years and for periods thereafter, as of March 31, 2009, are outlined in the following table. A detailed description of the nature of the obligations is provided in the MD&A for the year ended December 31, 2008.

Fortis Inc.
Contractual Obligations (Unaudited)
As at March 31, 2009

($ millions)	**Total**	≤ 1 year	> 1-3 years	4-5 years	> 5 years
Long-term debt	**5,286**	234	300	309	4,443
Brilliant Terminal Station	**62**	2	5	5	50
Gas purchase contract obligations (based on index prices as at March 31, 2009)	**265**	227	38	-	-
Power purchase obligations					
FortisBC	**2,819**	39	77	77	2,626
FortisOntario	**543**	43	94	98	308
Maritime Electric	**53**	33	2	2	16
Belize Electricity [1]	**297**	14	31	32	220
Capital cost	**396**	17	40	40	299
Joint-use asset and shared service agreements	**62**	3	6	6	47
Office lease – FortisBC	**19**	1	4	2	12
Operating lease obligations	**162**	18	34	28	82
Equipment purchase commitment - Caribbean Utilities	**21**	21	-	-	-
Other	**18**	4	8	5	1
Total	**10,003**	656	639	604	8,104

[1] Includes a new 15-year power purchase agreement with Belize Aquaculture Limited (“BAL”). The agreement provides for the supply of up to 15 MW of capacity by BAL and expires in April 2024.

Other Contractual Obligations:
Caribbean Utilities has a primary fuel supply contract with a major supplier and is committed to purchase 80 per cent of the Company’s fuel requirements from this supplier for the operation of Caribbean Utilities’ diesel-fired generating plant. The contract is for three years terminating in April 2010. The remaining approximate quantities, in millions of imperial gallons, per the contract on an annual basis by fiscal year are: 2009 – 27 and 2010 – 9. The contract contains an automatic renewal clause for the years 2010 through to 2012. Should any party choose to terminate the contract within that two-year period, notice must be given a minimum of one year in advance of the desired termination date.

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

Based on the last completion of actuarial valuations, the Corporation’s consolidated defined benefit pension plan funding contributions are expected to total approximately $18 million for 2009, $15 million for 2010, and $2 million for each of 2011, 2012 and 2013. These pension funding obligations reflect additional obligations determined under December 31, 2008 actuarial valuations, completed in the first quarter of 2009, associated with the defined benefit pension plans at Newfoundland Power and the Corporation, and under a December 31, 2007 actuarial valuation of a defined benefit pension plan at Terasen, also completed in the first quarter of 2009.

Pension funding obligations for 2010 and beyond may increase pending the next completion of actuarial valuations required as at December 31, 2009 and December 31, 2010 related to the defined benefit pension plans of the larger subsidiaries.

Capital Structure: The Corporation’s principal businesses of regulated gas and electricity distribution require ongoing access to capital to allow the utilities to fund maintenance and expansion of infrastructure. Fortis raises debt at the subsidiary level to ensure regulatory transparency, tax efficiency and financing flexibility. To help

ensure access to capital, the Corporation targets a consolidated long-term capital structure containing approximately 40 per cent equity, including preference shares, and 60 per cent debt, as well as investment-grade credit ratings.

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

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

Fortis Inc. Capital Structure (Unaudited) As at				
	March 31, 2009		December 31, 2008	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,453**	**59.1**	5,468	59.5
Preference shares [(2)]	**667**	**7.2**	667	7.3
Common shareholders' equity	**3,116**	**33.7**	3,046	33.2
Total	**9,236**	**100.0**	9,181	100.0

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

The change in the capital structure was driven by net earnings applicable to common shares, net of common share dividends, of $48 million during the first quarter of 2009.

The Corporation's credit ratings are as follows:

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

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

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

During the first quarter of 2009, gross consolidated capital expenditures were $219 million. A breakdown of gross capital expenditures by segment for the first quarter of 2009 is provided in the following table.

Fortis Inc.
Gross Capital Expenditures (Unaudited) [(1)]
Quarter Ended March 31, 2009
($ millions)

Terasen Gas Companies [(2)]	Fortis Alberta [(2)(3)]	FortisBC [(2)]	Newfoundland Power [(2)]	Other Regulated Utilities - Canadian [(2)]	**Total Regulated Utilities - Canadian**	**Regulated Utilities - Caribbean**	**Non-Regulated - Utility** [(4)]	**Fortis Properties**	**Total**
50	90	22	13	12	**187**	**20**	**7**	**5**	**219**

[(1)] Relates to utility capital assets, income producing properties and intangible assets and includes expenditures associated with assets under construction
[(2)] Includes asset removal and site restoration expenditures, net of salvage proceeds, which are permissible in rate base
[(3)] Includes payments made to the AESO for investment in transmission capital projects
[(4)] Includes non-regulated generation, non-regulated gas utility and Corporate capital expenditures

Gross consolidated capital expenditures for 2009 are expected to be approximately $1 billion, unchanged from that disclosed in the MD&A for the year ended December 31, 2008. Planned capital expenditures are based on detailed

forecasts of energy demand, weather, cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from forecasts.

There were no significant changes in the overall expected level, nature and timing of certain capital projects from those disclosed in the MD&A for the year ended December 31, 2008, except as described below for FortisAlberta.

FortisAlberta has revised its forecasted capital expenditures related to the replacement of conventional meters with new Automated Meter Infrastructure ("AMI") technology. In response to the direction of the Alberta Department of Energy on AMI capabilities, FortisAlberta has adjusted the scope of its planned AMI program, which has contributed to an increase in the expected overall cost of the project to $161 million from $124 million as disclosed in the MD&A for the year ended December 31, 2008.

Over the next five years, consolidated gross capital expenditures are expected to total approximately $4.5 billion. Approximately $3.1 billion of the capital spending is expected to be incurred at the Regulated Electric Utilities, driven by FortisAlberta, FortisBC and the Corporation's regulated utility operations in the Caribbean. Approximately $1.2 billion is expected to be incurred at the Regulated Gas Utilities. Capital expenditures at the Regulated Utilities are subject to regulatory approval. Non-regulated capital expenditures are expected to total approximately $200 million over the same period.

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

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

Management expects consolidated long-term debt maturities and repayments to average approximately $170 million annually over the next five years. The combination of available credit facilities and low annual debt maturities and repayments provide the Corporation and its subsidiaries with flexibility in the timing of access to the debt and equity capital markets.

Fortis and its subsidiaries, except for Belize Electricity, were in compliance with debt covenants as at March 31, 2009 and are expected to remain compliant throughout 2009.

As a result of the regulator's Final Decision on Belize Electricity's 2008/2009 Rate Application, Belize Electricity does not meet certain debt covenant financial ratios related to loans totalling $9 million (BZ$14 million), as at March 31, 2009, with the International Bank for Reconstruction and Development and the Caribbean Development Bank. The Company has informed the lenders of the defaults and has requested appropriate waivers. Belize Electricity is also in default of certain debt covenants, which has resulted in the utility being prohibited from incurring new indebtedness or declaring dividends.

As at March 31, 2009, the Corporation and its subsidiaries had consolidated authorized lines of credit of $2.2 billion, of which $1.6 billion was unused, including $544 million unused under the Corporation's $600 million committed revolving credit facility. The credit facilities are syndicated almost entirely with the seven largest Canadian banks, with no one bank holding more than 25 per cent of these facilities. Approximately $2.0 billion of the total credit facilities are committed facilities, the majority of which have maturities between 2011 and 2013.

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

Fortis Inc. **Credit Facilities (Unaudited)**					
($ millions)	**Corporate and Other**	**Regulated Utilities**	**Fortis Properties**	**Total as at March 31, 2009**	Total as at December 31, 2008
Total credit facilities	715	1,502	13	**2,230**	2,228
Credit facilities utilized:					
Short-term borrowings	-	(261)	-	**(261)**	(410)
Long-term debt	(56)	(165)	-	**(221)**	(224)
Letters of credit outstanding	(1)	(102)	(1)	**(104)**	(104)
Credit facilities available	658	974	12	**1,644**	1,490

At March 31, 2009 and December 31, 2008, certain borrowings under the Corporation's and subsidiaries' credit facilities have been classified as long-term debt. These borrowings are under long-term committed credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

Regulated Utilities

During the first quarter of 2009, FortisBC negotiated amendments to its $150 million unsecured committed revolving credit facility, including extending the maturity date of the $50 million portion of the facility to May 2012 from May 2011 and extending the maturity date of the $100 million portion of the facility to May 2010 from May 2009. The amended credit facility agreement is expected to be finalized during the second quarter of 2009.

In March 2009, Maritime Electric renegotiated its $50 million demand credit facility and had it converted into a 364-day revolving committed credit facility.

During the second quarter of 2009, Terasen Inc. expects to renegotiate its $100 million committed revolving credit facility that matures in May 2009.

FINANCIAL INSTRUMENTS

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

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

Fortis Inc. **Financial Instruments (Unaudited)**				
	As at March 31, 2009		As at December 31, 2008	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt, including current portion [1]	**5,251**	**5,239**	5,088	4,959
Preference shares, classified as debt [2]	**320**	**327**	320	329

[1] Carrying value at March 31, 2009 is net of unamortized deferred financing costs of $35 million (December 31, 2008 - $34 million).
[2] Preference shares classified as equity do not meet the definition of a financial instrument; however, the estimated fair value of the Corporation's $347 million preference shares classified as equity was $303 million as at March 31, 2009 (December 31, 2008: carrying value $347 million; fair value $268 million).

Risk Management: The Corporation's earnings from, and net investment in, self-sustaining foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings at the corporate level. The foreign exchange gain or loss on the translation of US dollar-denominated interest expense partially offsets the foreign exchange loss or gain on the translation of the Corporation's foreign subsidiaries' earnings, which are denominated in US dollars or a currency pegged to the US dollar. Belize Electricity's reporting currency is the Belizean dollar, while the reporting currency of Caribbean Utilities, FortisUS Energy Corporation, Belize Electric Company Limited, and Fortis Turks and Caicos is the US dollar. The Belizean dollar is pegged to the US dollar at BZ$2.00 = US$1.00. As at March 31, 2009, all of the Corporation's US$403 million corporately held long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's corporately held US dollar borrowings designated as hedges are recorded in other comprehensive income and serve to help offset unrealized foreign currency gains and losses on the foreign net investments, which are also recorded in other comprehensive income. As at March 31, 2009, the Corporation had approximately US$125 million in foreign net investments remaining to be hedged.

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

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

Fortis Inc.
Derivative Financial Instruments (Unaudited)

	As at March 31, 2009				As at December 31, 2008	
Asset (Liability)	**Term to maturity** *(years)*	**Number of Contracts**	**Carrying Value** *($ millions)*	**Estimated Fair Value** *($ millions)*	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swaps	**< 2**	**2**	**-**	**-**	-	-
Foreign exchange forward contract	**~ 2**	**1**	**8**	**8**	7	7
Natural gas derivatives:						
Swaps and options	**Up to 2.5**	**189**	**(172)**	**(172)**	(84)	(84)
Gas purchase contract premiums	**Up to 2.5**	**32**	**2**	**2**	(8)	(8)

The interest rate swaps are held by Fortis Properties and are designated as hedges of the cash flow risk related to floating-rate long-term debt and mature in July 2009 and October 2010. The effective portion of changes in the value of the interest rate swaps at Fortis Properties is recorded in other comprehensive income.

The foreign exchange forward contract is held by TGVI and is designated as a hedge of the cash flow risk related to approximately US$55 million required to be paid under a contract for the construction of a liquefied natural gas storage facility. The natural gas derivatives are held by the Terasen Gas companies and are used to fix the effective purchase price of natural gas as the majority of the natural gas supply contracts have floating, rather than fixed, prices. The changes in the fair values of the foreign exchange forward contract and natural gas derivatives are deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates. The fair value of the foreign exchange forward contract was recorded in accounts receivable as at March 31, 2009 and as at December 31, 2008. The fair values of the natural gas derivatives were recorded in accounts payable ($170 million) as at March 31, 2009 (December 31, 2008 - accounts payable $92 million).

The interest rate swaps are valued at the present value of future cash flows based on published forward future interest rate curves. The foreign exchange forward contract is valued using the present value of future cash flows based on published forward future foreign exchange market rate curves. The fair values of the natural gas derivatives reflect the estimated amounts, based on published forward curves, that the Terasen Gas companies would have to receive or pay if forced to settle all outstanding contracts at the balance sheet date.

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

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2009, the Corporation had no off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources.

BUSINESS RISK MANAGEMENT

A detailed discussion of the Corporation's significant business risks is provided in the MD&A for the year ended December 31, 2008. There were no changes in the Corporation's significant business risks during the first quarter of 2009 from those disclosed in the MD&A for the year ended December 31, 2008, except for that described below.

Labour Relations: The two collective agreements governing Newfoundland Power's unionized employees represented by the International Brotherhood of Electrical Workers, Local 1620, were ratified by the union in February and April 2009. The collective agreements are effective October 1, 2008 and expire on September 30, 2011.

Impacts of Global Economic Downturn

The significant impacts of the global economic downturn on the Corporation are provided below. The impacts are comparable with those disclosed in the MD&A for the year ended December 31, 2008.

Capital Expenditures: Gross consolidated capital expenditures are expected to be approximately $1 billion for 2009 and $4.5 billion over the next five years. Planned capital expenditures are based on detailed forecasts of customer demand, weather, and cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from forecasts. Significantly reduced energy demand in the Corporation's service territories, as a result of a severe and prolonged downturn in economic conditions, could reduce capital spending which would, in turn, impact rate base and earnings' growth.

Cash Flows: The Corporation does not expect any significant decrease in consolidated annual operating cash flows for 2009, as a result of the continued downturn in the global economy in 2009. The subsidiaries expect to be able to source the cash required to fund their 2009 capital expenditure programs.

Cost of and Access to Capital: The volatility in the global financial and capital markets may increase the cost of, and affect the timing of issuance of, long-term capital by the Corporation and its utilities in 2009. While the cost of borrowing is expected to increase, as new long-term debt is expected to be issued at higher rates due to an increase in credit spreads, the Corporation and its utilities expect to continue to have reasonable access to capital in the near to medium terms. In February 2009, FortisAlberta and TGI each raised $100 million of 30-year unsecured debentures at 7.06 percent and 6.55 per cent, respectively. The rates obtained were, on average, 100 basis points higher than what would have been obtained during the same period in 2008. The cost of renewed and extended credit facilities may also increase going forward; however, any increased interest expense and/or fees are not expected to have a material financial impact on the Corporation and its utilities in 2009, as the majority of the total committed credit facilities have maturities between 2011 and 2013. Due to the regulated nature of the Corporation's utilities, increased borrowing costs are eligible to be recovered in future customer rates.

Regulated Allowed Returns: The ROE adjustment mechanisms tied to long-term Canada bond yields utilized at the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power have resulted in allowed ROEs that are not reflective of the increased cost of capital exhibited by deteriorating financial market conditions, the result of which may negatively impact the regulated utilities' financial condition, results of operations and cash flows. To address the above, TGI and TGVI will be applying for a review of the current generic ROE adjustment mechanisms and the deemed equity component of their capital structures in conjunction with the filing of their 2010 revenue requirements applications, expected during the summer of 2009. Certain Canadian regulators are starting to review the ROE adjustment mechanisms in light of current financial market conditions. FortisAlberta is currently engaged in a Generic Cost of Capital Proceeding with its regulator to review 2009 ROE calculations and capital structure levels for gas, electric and pipeline utilities in Alberta that are regulated by the AUC. The National Energy Board

("NEB") is also undertaking a review of cost of capital and ROE levels and recently issued a decision increasing the regulated total cost of capital of Trans Quebec & Maritimes Inc. ("TQM"), a Canadian regulated natural gas pipeline utility, which translated into an approximate 100 basis points increase in TQM's allowed ROE for 2008. The increase in the total cost of capital and allowed ROE was the result of a change in methodology which now takes into account financial market information which considers, among other things, changes that have impacted financial markets and economic conditions. The NEB is an independent federal agency that regulates several parts of Canada's energy industry. In March 2009, the OEB announced that it is initiating a consultative process with utilities in Ontario that it regulates to help it determine whether current economic and financial market conditions warrant an adjustment to any cost of capital parameter values determined in accordance with current established methodology.

Results of Operations: Achieving organic revenue and earnings growth at Fortis Properties' Hospitality Division may prove challenging in 2009 as a result of the continued downturn in the global economy and its impact on leisure and business travel and hotel stays. In the Caribbean, the level of, and fluctuations in, tourism and related activities, which are closely tied to economic conditions, influence electricity sales as it impacts electricity demand of the large hotels and condominium complexes that are serviced by the Corporation's regulated utilities in that region. As a result, electricity sales growth at the Corporation's Regulated Caribbean Electric Utilities in 2009 is anticipated to be approximately 3 per cent, down slightly from approximately 4 per cent previously disclosed in the MD&A for the year ended December 31, 2008. Electricity sales growth was approximately 6 per cent for 2008. While tourist arrivals to, and related hotel occupancies in, the Caribbean region for 2009 are expected to be lower than last year, tourists to the region typically are of a high-income bracket and are less affected by a recessionary environment. Consequently, tourist arrivals are expected to persist in 2009; albeit diminished in quantity.

Higher energy prices can result in reduced consumption by customers. Natural gas and crude oil exploration and production activities in certain of the Corporation's service territories are closely correlated with natural gas and crude oil prices. The level of these activities can influence energy demand affecting local energy sales in some of the Corporation's service territories.

Defined Benefit Pension Plans: The fair value of the Corporation's consolidated defined benefit pension plan assets decreased approximately 14 per cent during 2008, mainly due to unfavourable market conditions. Market-driven changes impacting the performance of pension plan assets and the discount rates may result in material changes in future pension funding requirements and pension expense. The decline in fair value of the pension plan assets is expected to have the impact of increasing the Corporation's consolidated defined benefit pension plan funding obligations. The full impact of the decrease in the fair value of the pension plan assets on future funding obligations is not determinable until the next completion of actuarial valuations. With the exception of the defined benefit pension plans at Newfoundland Power and the Corporation and one of the defined benefit pension plans at Terasen, the next scheduled actuarial valuations for funding purposes for defined benefit pension plans of the larger subsidiaries are not until December 31, 2009 and December 31, 2010. Based on actuarial valuations completed during the first quarter of 2009 for defined benefit pension plans at Newfoundland Power and the Corporation and one of the defined benefit pension plans at Terasen, consolidated pension funding obligations for 2009 and 2010 are expected to increase by approximately $1 million and $3 million, respectively, and to increase by approximately $2 million in each of 2011, 2012 and 2013 from what was disclosed in the MD&A for the year ended December 31, 2008. Fortis expects defined benefit pension plan funding requirements to be sourced primarily from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

The discount rates used to determine defined benefit pension expense for 2009 have increased compared to rates used to determine defined benefit pension expense for 2008, as a result of the impact of increased credit risk spreads on investment-grade corporate bonds due to volatility in the capital markets. Fortis expects no material increase in its consolidated pension expense for 2009 related to its defined benefit pension plans. The amortization of 2008 losses associated with the pension plan assets is expected to be largely offset by the impact of higher assumed discount rates. Consolidated defined benefit pension plan expense for 2009 will not be materially impacted by the outcome of the actuarial valuations completed for the defined benefit pension plans at Newfoundland Power and the Corporation and one of the defined benefit pension plans at Terasen during the first quarter of 2009.

Any increase in future pension funding requirements and/or pension expense at the regulated utilities is expected to be recovered from, or refunded to, customers in future rates, subject to forecast risk. At the Terasen Gas companies and FortisBC, however, actual pension expense above or below the forecast pension expense approved for recovery

in customer rates for the year is subject to deferral account treatment for recovery from, or refund to, customers in future rates, subject to regulatory approval.

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

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

Credit Ratings: Fortis and its regulated utilities do not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, the current global financial crisis has placed increased scrutiny on rating agencies and rating agency criteria which may result in changes to credit rating practices and policies. There were no changes in the credit ratings for the Corporation and its currently rated subsidiaries during the first quarter of 2009. During the first quarter of 2009, Moody's confirmed its existing credit ratings for TGVI, Newfoundland Power, FortisAlberta and FortisBC, and S&P confirmed its existing credit ratings for Maritime Electric and Caribbean Utilities.

CHANGES IN ACCOUNTING STANDARDS

Rate-Regulated Operations: Effective January 1, 2009, the Accounting Standards Board ("AcSB") amended: (i) Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1100, *Generally Accepted Accounting Principles,* removing the temporary exemption providing relief to entities subject to rate regulation from the requirement to apply the Section to the recognition and measurement of assets and liabilities arising from rate regulation; and (ii) Section 3465, *Income Taxes* to require the recognition of future income tax liabilities and assets, as well as offsetting regulatory assets and liabilities by entities subject to rate regulation.

Effective January 1, 2009, with the removal of the temporary exemption in Section 1100, the Corporation must now apply Section 1100 to the recognition of assets and liabilities arising from rate regulation. Certain assets and liabilities arising from rate regulation continue to have specific guidance under a primary source of Canadian GAAP that applies only to the particular circumstances described therein, including those arising under Section 1600, *Consolidated Financial Statements*, Section 3061, *Property, Plant and Equipment*, Section 3465, *Income Taxes*, and Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*. The assets and liabilities arising from rate regulation, as described in Note 4 to the Corporation's 2008 annual audited consolidated financial statements, do not have specific guidance under a primary source of Canadian GAAP. Therefore, Section 1100 directs the Corporation to adopt accounting policies that are developed through the exercise of professional judgment and the application of concepts described in Section 1000, *Financial Statement Concepts*. In developing these accounting policies, the Corporation may consult other sources, including pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions. Therefore, in accordance with Section 1100, the Corporation has determined that all of its regulatory assets and liabilities qualify for recognition under Canadian GAAP and this recognition is consistent with US Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. Therefore, there was no effect on the Corporation's consolidated financial statements as at January 1, 2009 due to the removal of the temporary exemption from Section 1100.

Effective January 1, 2009, Fortis retroactively recognized future income tax assets and liabilities and related regulatory liabilities and assets, without prior period restatement, for the amount of future income taxes expected to be refunded to, or recovered from, customers in future gas and electricity rates. Prior to January 1, 2009, the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power used the taxes payable method of accounting for income taxes. The effect on the Corporation's consolidated financial statements, as at January 1, 2009, of adopting amended Section 3465, *Income Taxes* included an increase in total future income tax liabilities and total future income tax assets of $487 million and $15 million, respectively; an increase in regulatory

assets and regulatory liabilities of $531 million and $50 million, respectively; and a combined net $9 million increase in other assets, utility capital assets, goodwill, income taxes payable and deferred credits associated with the reclassification of future income taxes that were previously netted against these respective balance sheet items. Included in the future income tax assets and liabilities recorded are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through customer rates.

Goodwill and Intangible Assets: Effective January 1, 2009, the Corporation retroactively adopted the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*. This Section, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs,* establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. As at December 31, 2008, the impact of retroactively adopting Section 3064 was a reclassification of $260 million to intangible assets and related decreases of $258 million to utility capital assets, $1 million to income producing properties and $1 million to other assets, due to the reclassification of the net book value of land, transmission and water rights, computer software costs, franchise costs, customer contracts and other costs.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities: During the first quarter of 2009, the Corporation adopted the new Emerging Issues Committee ("EIC")-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which was issued on January 20, 2009. EIC-173 requires that the Corporation's own credit risk and the credit risk of its counterparties be taken into account in determining the fair value of a financial instrument. As at March 31, 2009, only the Corporation's derivative financial instruments were recorded at fair value, the majority of which were out-of-the-money and recorded as a liability. There was no material effect on the Corporation's interim unaudited consolidated financial statements as a result of adopting EIC-173.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS"): In February 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. On June 27, 2008, the Canadian Securities Administrators ("CSA") issued Staff Notice 52-321, *Early Adoption of IFRS* which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early, on a case-by-case basis, provided that they could demonstrate that they met certain conditions. Fortis is not planning to early adopt IFRS. In March 2009, the AcSB issued a second IFRS Omnibus Exposure Draft confirming that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010 and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section 1506, *Accounting Changes*, paragraph 30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued, but is not yet effective and that the entity has not applied, not be applied with respect to the IFRS Omnibus Exposure Drafts.

Fortis is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. Fortis does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the required information.

Fortis commenced its IFRS conversion project in 2007 and has established a formal project governance structure which includes the audit committees, senior management and project teams from each of the Corporation's subsidiaries. Overall project governance, management and support are coordinated by Fortis Inc. Regular reporting occurs to the Audit Committee of the Board of Directors of Fortis and of the subsidiaries, where appropriate. An external expert advisor has been engaged to assist in the IFRS conversion project.

The Corporation's IFRS conversion project consists of three phases: Scoping and Diagnostics, Analysis and Development, and Implementation and Review.

Phase One: Scoping and Diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, has been completed. The resulting identified areas of accounting difference of highest potential impact to Fortis, based on existing IFRS, are rate-regulated accounting; property,

plant and equipment; investment property; provisions and contingent liabilities; employee benefits; impairment of assets; income taxes; business combinations; and initial adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of IFRS*.

Phase Two: Analysis and Development is nearing completion and involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

The Corporation has completed a preliminary assessment of the impacts of adopting IFRS; however, a final assessment cannot be completed at this time pending the outcome of the project on rate-regulated activities that was recently added to the International Accounting Standard Board's ("IASB's") technical agenda. The IASB is expected to issue an exposure draft addressing rate-regulated activities during the third quarter of 2009.

It is anticipated that the adoption of IFRS will have an impact on information systems requirements. Each of the Corporation's subsidiaries is assessing the need for system upgrades or modifications to ensure an efficient conversion to IFRS. As part of Phase Two, information systems plans are being prepared for implementation in Phase Three. The extent of the impact on each of the subsidiary's information systems is not reasonably determinable at this time.

Several regulatory authorities with jurisdiction over the Corporation's regulated utilities have begun their own IFRS projects to determine the nature of any changes that should be made in regulatory accounting requirements in response to IFRS. The Corporation's regulated utilities have worked and will continue to work with their respective regulatory authorities to identify transitional issues and suggest how those issues might be addressed.

Phase Three: Implementation and Review, expected to commence mid-year 2009, will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across the Corporation's finance and other affected areas, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes and Audit Committee approval of IFRS-compliant financial statements.

Fortis will continue to review all proposed and continuing projects of the IASB, particularly the project on rate-regulated activities that was recently added to the IASB's technical agenda and proposed amendments to IFRS 1 for entities with operations subject to rate regulation, and will participate in any related processes as appropriate.

Business Combinations: In January 2009, the AcSB issued new CICA Handbook Section 1582, *Business Combinations,* together with Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests.* These new standards are effective for fiscal years beginning on or after January 1, 2011. As a result of adopting Section 1582, changes in the determination of the fair value of the assets and liabilities of the acquiree will result in a different calculation of goodwill. Such changes include the expensing of acquisition-related costs incurred during a business acquisition, rather than recording them as a capital transaction, and the disallowance of recording restructuring accruals. Section 1582 will affect the recognition of business combinations completed by the Corporation on or after January 1, 2011 and, as a result, may have a material impact on the Corporation's consolidated earnings and financial position.

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of Sections 1601 and 1602 will result in non-controlling interests being presented as a component of equity, rather than as a liability, on the consolidated balance sheet.

Also, net earnings and components of other comprehensive income attributable to the owners of the parent and to the non-controlling interests are required to be separately disclosed on the statement of earnings. The adoption of Sections 1601 and 1602 is not expected to have a material impact on the Corporation's consolidated earnings, cash flows or financial position.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's interim unaudited consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates and judgments are necessary since the regulatory environments in which the Corporation's utilities operate often require amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates and judgments are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period they become known.

Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes in the nature of the Corporation's critical accounting estimates during the three months ended March 31, 2009 from those disclosed in the Corporation's MD&A for the year ended December 31, 2008, except for that described below related to the accounting for income taxes and contingencies.

Income Taxes: Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of future income taxes resulting from temporary differences between the carrying value of assets and liabilities in the consolidated financial statements and their tax values. The use of estimation with respect to recording future income taxes has increased due to the adoption by the Corporation of amended CICA Handbook Section 3465, *Income Taxes*, effective January 1, 2009. A future income tax asset or liability is determined for each temporary difference based on the future tax rates that are expected to be in effect and management's assumptions regarding the expected timing of the reversal of such temporary differences. Future income tax assets are assessed for the likelihood that they will be recovered from future taxable income. To the extent recovery is not considered more likely than not, a valuation allowance is recorded and charged against earnings in the period that the allowance is created or revised. Estimates of the provision for income taxes, future income tax assets and liabilities and any related valuation allowance might vary from actual amounts incurred.

Contingencies: The Corporation and its subsidiaries are subject to various legal proceedings and claims associated with ordinary course business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial position or results of operations. There were no material changes in the Corporation's contingent liabilities during the three months ended March 31, 2009 from those disclosed in the MD&A for the year ended December 31, 2008, except as disclosed below.

Exploits Partnership

Following the announcement by Abitibi of its intention to close its Grand Falls-Windsor newsprint mill on March 31, 2009, the Government of Newfoundland and Labrador expropriated most of the Newfoundland-based assets of Abitibi. The expropriated assets included the hydroelectric generating facility assets of the Exploits Partnership. The Exploits Partnership is owned 51 per cent by Fortis Properties and 49 per cent by Abitibi.

The Exploits Partnership had previously incurred a term loan from several lenders to finance its assets. As at December 31, 2008, approximately $61 million remained outstanding under this term loan. The term loan is without recourse to Fortis or Abitibi, as partners of the Exploits Partnership, and is secured by both the hydroelectric generating assets and related agreements regarding rights to operate and sell power to Newfoundland Hydro during the term of the loan. Although the expropriation has caused the Exploits Partnership to default on the term loan, to date the lenders have not demanded accelerated repayment of the term loan. The Exploits Partnership made the scheduled term loan payment for the quarter ended March 31, 2009. As at March 31, 2009, the balance outstanding under the term loan was approximately $60 million.

The generation and sale of electricity by the Exploits Partnership continued in the normal course until the newsprint mill closed on February 12, 2009, up to which point Newfoundland Hydro paid the Exploits Partnership for the energy produced on the same basis as the pre-expropriation power purchase agreement. Payment for all energy delivered since February 13, 2009 is currently outstanding from the Government of Newfoundland and Labrador pending resolution of expropriation matters. The day-to-day operations of the hydroelectric generating facilities have been assumed by Nalcor Energy, a crown corporation, as the agent for the Government of Newfoundland and Labrador with respect to this matter.

On March 24, 2009, the Government of Newfoundland and Labrador announced that Abitibi had discontinued discussions with Nalcor Energy regarding compensation for the expropriated assets. Abitibi, which was incorporated in the US, has also indicated that it intends to challenge the expropriation of its assets and seek compensation through the North American Free Trade Agreement.

Historically, the financial statements of the Exploits Partnership were consolidated in the financial statements of Fortis. Pending resolution of the above matters, deferred financing costs of $2 million and utility capital assets of $61 million related to the Exploits Partnership were reclassified to other assets and the $61 million term loan was reclassified as current on the consolidated balance sheet of Fortis as at December 31, 2008.

During the quarter, the combination of uncertainty created by the expropriation and the loss of control over cash flows of the Exploits Partnership has required Fortis to commence reporting its investment in the Exploits Partnership using the equity method of accounting, effective February 13, 2009. Consequently, the assets and liabilities of the Exploits Partnership are no longer consolidated in the accounts of Fortis. Equity earnings recognized during the first quarter of 2009 were equivalent to the amount that would have been recognized in the absence of the expropriation. This approach is consistent with the public statement of the Government of Newfoundland and Labrador that it is not its intention to adversely affect the business interests of lenders or independent partners of Abitibi.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2007 through March 31, 2009. The quarterly information has been obtained from the Corporation's interim unaudited consolidated financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP and as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenue and expenses, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities. The differences and nature of regulation are disclosed in Notes 2 and 4 to the Corporation's 2008 annual audited consolidated financial statements. The quarterly operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Fortis Inc.
Summary of Quarterly Results (Unaudited)

Quarter Ended	Revenue *($ millions)*	Net Earnings Applicable to Common Shares *($ millions)*	Earnings per Common Share Basic *($)*	Diluted *($)*
March 31, 2009	1,201	92	0.54	0.52
December 31, 2008	1,182	76	0.48	0.46
September 30, 2008	727	49	0.31	0.31
June 30, 2008	848	29	0.19	0.18
March 31, 2008	1,146	91	0.58	0.55
December 31, 2007	1,018	79	0.51	0.49
September 30, 2007	651	31	0.20	0.20
June 30, 2007	566	41	0.31	0.27

A summary of the past eight quarters reflects the Corporation's continued organic growth, growth from acquisitions, as well as the seasonality associated with its businesses. Interim results will fluctuate due to the seasonal nature of

gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Given the diversified group of companies, seasonality may vary. Financial results from May 17, 2007 were impacted by the acquisition of Terasen. Virtually all of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters. Financial results for the second quarter ended June 30, 2008 reflected the $13 million unfavourable impact to Fortis of a charge recorded at Belize Electricity as a result of the June 2008 regulatory rate decision. Due to a shift in the quarterly distribution of annual purchased power expense at Newfoundland Power, the utility's earnings in 2008 were lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods in 2007. Newfoundland Power's annual earnings were not impacted by the shift in the quarterly distribution of annual purchased power expense. Financial results from August 1, 2007 were impacted by the acquisition of the Delta Regina in Saskatchewan and from November 2008 were impacted by the acquisition of the Sheraton Hotel Newfoundland.

March 31, 2009/March 31, 2008 - Net earnings applicable to common shares were $92 million, or $0.54 per common share, for the first quarter of 2009, compared to earnings of $91 million, or $0.58 per common share, for the first quarter of 2008. Results were driven by growth in electrical infrastructure investment and customers at the Regulated Electric Utilities in western Canada, partially offset by lower earnings at the Caribbean Regulated Utilities and Fortis Properties. Excluding one-time gains of approximately $2 million at Fortis Turks and Caicos, earnings at the Caribbean Regulated Utilities were $3 million lower quarter over quarter, resulting from reduced electricity sales attributable to cooler weather and the impact of the global economic downturn on energy demand combined with the lower allowed ROAs at Caribbean Utilities and Belize Electricity. The decrease was partially mitigated by the favourable impact of foreign exchange rates associated with the strengthening US dollar quarter over quarter. Fortis Properties' results were reduced by one-time transitional operating costs associated with the Sheraton Hotel Newfoundland, acquired in November 2008, and the impact of lower hotel occupancies.

December 31, 2008/December 31, 2007 - Net earnings applicable to common shares were $76 million, or $0.48 per common share, for the fourth quarter of 2008 compared to earnings of $79 million, or $0.51 per common share, for the fourth quarter of 2007. Fourth quarter results for 2007 were favourably impacted by one-time items totalling approximately $13 million related to: (i) the sale of surplus land at TGI; (ii) the reduction of future income tax liability balances at Fortis Properties related to lower enacted corporate income tax rates; and (iii) an interconnection agreement-related refund at FortisOntario. Excluding these one-time items, earnings were $10 million higher quarter over quarter. The increase was driven by stronger performance and lower corporate taxes at FortisAlberta, lower corporate expenses and $1 million of additional earnings from Caribbean Utilities related to a change in the utility's fiscal year end. The increase was partially offset by the impact of: (i) a lower allowed ROA at Belize Electricity, effective July 1, 2008; (ii) an approximate $1 million loss of revenue at Fortis Turks and Caicos related to Hurricane Ike; and (iii) an approximate $2 million reduction in fourth quarter earnings at Newfoundland Power associated with a shift in the quarterly distribution of the utility's annual purchased power expense.

September 30, 2008/September 30, 2007 - Net earnings applicable to common shares were $49 million, or $0.31 per common share, for the third quarter of 2008 compared to earnings of $31 million, or $0.20 per common share, for the third quarter of 2007. Third quarter 2008 results included a tax reduction of approximately $7.5 million associated with the settlement of historical corporate tax matters at Terasen. Excluding the tax reduction at Terasen, earnings for the third quarter of 2008 were $41.5 million or $0.26 per common share. Excluding the above one-time item, growth in earnings quarter over quarter was mainly due to higher earnings at Newfoundland Power associated with a shift in the quarterly distribution of annual purchased power expense, higher non-regulated hydroelectric production, increased earnings at FortisBC primarily due to lower energy supply costs and higher earnings at FortisAlberta mainly due to higher corporate tax recoveries. The increase was partially offset by lower earnings at Caribbean Regulated Utilities driven by a 3.25 per cent reduction in basic electricity rates at Caribbean Utilities, a lower allowed ROA at Belize Electricity and a loss of revenue at Fortis Turks and Caicos due to the impact of Hurricane Ike.

June 30, 2008/June 30, 2007 - Net earnings applicable to common shares were $29 million, or $0.19 per common share, for the second quarter of 2008 compared to earnings of $41 million, or $0.31 per common share, for the second quarter of 2007. Second quarter 2008 results included a $13 million, or $0.08 per common share, charge representing the Corporation's approximate 70 per cent share of disallowed previously incurred fuel and purchased power costs at Belize Electricity, as well as a $2 million one-time charge at FortisOntario associated with repayment of interconnection-agreement related amounts received in the fourth quarter of 2007. Excluding the above one-time

items, earnings for the second quarter of 2008 were $44 million compared to $41 million for the second quarter of 2007. Earnings were favourably impacted by a full quarter of earnings' contribution from the Terasen Gas companies, higher earnings at Newfoundland Power associated with a shift in the quarterly distribution of annual purchased power expense, increased non-regulated hydroelectric production and improved performance at Fortis Properties. Partially offsetting those items were lower earnings at FortisAlberta associated with higher corporate income taxes and higher corporate financing costs associated with the Terasen acquisition.

OUTLOOK

Gross consolidated capital expenditures are estimated to be approximately $1 billion in 2009 and approximately $4.5 billion over the next five years. The Corporation's capital program is expected to drive growth in earnings and dividends.

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

OUTSTANDING SHARE DATA

As at April 29, 2009, the Corporation had issued and outstanding 169.8 million common shares; 5.0 million First Preference Shares, Series C; 8.0 million First Preference Shares, Series E; 5.0 million First Preference Shares, Series F; and 9.2 million First Preference Shares, Series G. Only the common shares of the Corporation have voting rights.

The number of common shares of Fortis that would be issued if all outstanding stock options, convertible debt and First Preference Shares, Series C and E were converted as at April 29, 2009 is as follows:

Fortis Inc.
Conversion of Securities into Common Shares (Unaudited)
As at April 29, 2009

Security	**Number of Common Shares** *(millions)*
Stock Options	5.1
Convertible Debt	1.4
First Preference Shares, Series C	5.8
First Preference Shares, Series E	9.2
Total	21.5

Additional information, including the Fortis 2008 Annual Information Form, Management Information Circular and Annual Report, is available on SEDAR at www.sedar.com and on the Corporation's website at www.fortisinc.com.

FORTIS INC.

Interim Consolidated Financial Statements
For the three months ended March 31, 2009 and 2008
(Unaudited)

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

	March 31 2009	December 31 2008 (Note 2)
ASSETS		
Current assets		
Cash and cash equivalents	$ 94	$ 66
Accounts receivable	735	681
Prepaid expenses	15	17
Regulatory assets (Note 5)	232	157
Inventories (Note 6)	91	229
Future income taxes (Note 14)	34	-
	1,201	1,150
Other assets	166	230
Regulatory assets (Note 5)	736	203
Future income taxes (Note 14)	51	54
Utility capital assets	7,301	7,157
Income producing properties	544	540
Intangible assets (Note 7)	262	269
Goodwill	1,587	1,575
	$ 11,848	$ 11,178
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 19)	$ 261	$ 410
Accounts payable and accrued charges	870	874
Dividends payable	47	47
Income taxes payable	37	66
Regulatory liabilities (Note 5)	101	45
Current installments of long-term debt and capital lease obligations (Note 8)	236	240
Future income taxes (Note 14)	16	15
	1,568	1,697
Deferred credits	296	277
Regulatory liabilities (Note 5)	472	401
Future income taxes (Note 14)	531	61
Long-term debt and capital lease obligations (Note 8)	5,050	4,884
Non-controlling interest	148	145
Preference shares	320	320
	8,385	7,785
Shareholders' equity		
Common shares (Note 9)	2,462	2,449
Preference shares	347	347
Contributed surplus	9	9
Equity portion of convertible debentures	6	6
Accumulated other comprehensive loss (Note 11)	(43)	(52)
Retained earnings	682	634
	3,463	3,393
	$ 11,848	$ 11,178

Contingent liabilities and commitments (Note 20)

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.

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

	Quarter Ended 2009	2008
Revenue	**$ 1,201**	$ 1,146
Expenses		
Energy supply costs	**707**	668
Operating	**192**	179
Amortization	**91**	83
	990	930
Operating income	**211**	216
Finance charges (Note 13)	**88**	91
Earnings before corporate taxes and non-controlling interest	**123**	125
Corporate taxes (Note 14)	**25**	29
Net earnings before non-controlling interest	**98**	96
Non-controlling interest	**2**	4
Net earnings	**96**	92
Preference share dividends	**4**	1
Net earnings applicable to common shares	**$ 92**	$ 91
Earnings per common share (Note 9)		
Basic	**$ 0.54**	$ 0.58
Diluted	**$ 0.52**	$ 0.55

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.

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

	Quarter Ended 2009	2008
Balance at beginning of period	**$ 634**	$ 551
Net earnings applicable to common shares	**92**	91
	726	642
Dividends on common shares	**(44)**	(39)
Balance at end of period	**$ 682**	$ 603

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.

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

	Quarter Ended 2009	2008
Net earnings	**$ 96**	$ 92
Other comprehensive income		
Unrealized foreign currency translation gains on net investments in self-sustaining foreign operations	**24**	16
Losses on hedges of net investments in self-sustaining foreign operations	**(18)**	(14)
Corporate tax recovery	**3**	2
Change in unrealized foreign currency translation gains, net of hedging activities and tax (Note 11)	**9**	4
Comprehensive income	**$ 105**	$ 96

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.

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

	Quarter Ended	
	2009	2008
Operating activities		
Net earnings	**$ 96**	$ 92
Items not affecting cash		
Amortization - utility capital assets and income producing properties	**79**	74
Amortization - intangible assets	**11**	9
Amortization - other	**1**	-
Future income taxes (Note 14)	**3**	3
Non-controlling interest	**2**	4
Other	**(3)**	(5)
Change in long-term regulatory assets and liabilities	**9**	9
	198	186
Change in non-cash operating working capital	**31**	7
	229	193
Investing activities		
Change in other assets and deferred credits	**(7)**	(1)
Capital expenditures - utility capital assets	**(210)**	(165)
Capital expenditures - income producing properties	**(5)**	(3)
Capital expenditures - intangible assets	**(4)**	(6)
Contributions in aid of construction	**16**	12
Proceeds on sale of capital assets	**-**	15
	(210)	(148)
Financing activities		
Change in short-term borrowings	**(150)**	(33)
Proceeds from long-term debt, net of issue costs	**198**	250
Repayments of long-term debt and capital lease obligations	**(6)**	(5)
Net borrowings (repayments) under committed credit facilities	**5**	(211)
Issue of common shares, net of costs	**13**	6
Dividends		
Common shares	**(44)**	(39)
Preference shares	**(4)**	(1)
Subsidiary dividends paid to non-controlling interest	**(3)**	(3)
	9	(36)
Change in cash and cash equivalents	**28**	9
Cash and cash equivalents, beginning of period	**66**	58
Cash and cash equivalents, end of period	**$ 94**	$ 67

Supplementary information to consolidated statements of cash flows (Note 16)

See accompanying Notes to interim consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

Nature of Operations

Fortis Inc. ("Fortis" or the "Corporation") is principally an international distribution utility holding company. Fortis segments its utility operations by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis also holds investments in non-regulated generation, and commercial real estate and hotels, which are treated as two separate segments. The Corporation's reporting segments allow senior management to evaluate the operational performance and assess the overall contribution of each segment to the Corporation's long-term objectives. Each reporting segment operates as an autonomous unit, assumes profit and loss responsibility and is accountable for its own resource allocation.

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

REGULATED UTILITIES

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

Regulated Gas Utilities - Canadian

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

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

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

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

TGWI owns and operates the propane distribution system in Whistler, British Columbia, providing service to mainly residential and commercial customers.

Regulated Electric Utilities - Canadian

a. *FortisAlberta:* FortisAlberta owns and operates the electricity distribution system in a substantial portion of southern and central Alberta.

b. *FortisBC*: Includes FortisBC Inc., an integrated electric utility operating in the southern interior of British Columbia. FortisBC Inc. owns four hydroelectric generating facilities with a combined capacity of 223 megawatts ("MW"). Included with the FortisBC component of the Regulated Electric Utilities - Canadian segment are the operating, maintenance and management services relating to the 450-MW Waneta hydroelectric generating facility owned by Teck Cominco Metals Ltd., the 269-MW Brilliant Hydroelectric Plant owned by Columbia Power Corporation and the Columbia Basin Trust ("CPC/CBT"), the 185-MW Arrow Lakes Hydroelectric Plant owned by CPC/CBT and the distribution system owned by the City of Kelowna.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Regulated Electric Utilities - Canadian (cont'd)

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

d. *Other Canadian:* Includes Maritime Electric and FortisOntario. Maritime Electric is the principal distributor of electricity on Prince Edward Island. Maritime Electric also maintains on-Island generating facilities with a combined capacity of 150 MW. FortisOntario provides integrated electric utility service to customers in Fort Erie, Cornwall, Gananoque and Port Colborne in Ontario. FortisOntario's operations primarily include Canadian Niagara Power Inc. and Cornwall Street Railway, Light and Power Company, Limited. Included in Canadian Niagara Power's accounts is the operation of the electricity distribution business of Port Colborne Hydro Inc., which has been leased from the City of Port Colborne under a ten-year lease agreement that expires in April 2012.

Regulated Electric Utilities - Caribbean

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

b. *Caribbean Utilities:* Caribbean Utilities is the sole provider of electricity on Grand Cayman, Cayman Islands. The Company has an installed generating capacity of 137 MW. Fortis has an approximate 57 per cent controlling ownership interest in Caribbean Utilities. Caribbean Utilities is a public company traded on the Toronto Stock Exchange (TSX:CUP.U). Previously, Caribbean Utilities had an April 30 fiscal year end whereby, up to and including the third quarter of 2008, its financial statements were consolidated in the financial statements of Fortis on a two-month lag basis. In 2008, Caribbean Utilities changed its fiscal year end to December 31. The change in Caribbean Utilities' fiscal year end eliminates the previous two-month lag in consolidating Caribbean Utilities' financial results.

c. *Fortis Turks and Caicos:* Includes P.P.C. Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd. Fortis Turks and Caicos is the principal distributor of electricity on the Turks and Caicos Islands. The Company has a combined diesel-fired generating capacity of 51 MW.

NON-REGULATED - FORTIS GENERATION

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

b. *Ontario:* Includes 75 MW of water-right entitlement associated with the Niagara Exchange Agreement, which expires April 30, 2009; a 5-MW gas-fired cogeneration plant in Cornwall; and six small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW.

1. DESCRIPTION OF THE BUSINESS (cont'd)

NON-REGULATED - FORTIS GENERATION (cont'd)

c. *Central Newfoundland:* Through the Exploits River Hydro Partnership ("Exploits Partnership"), a partnership between the Corporation, through its wholly owned subsidiary Fortis Properties, and AbitibiBowater Inc., formerly Abitibi-Consolidated Company of Canada ("Abitibi"), 36 MW of additional capacity was developed and installed at two of Abitibi's hydroelectric generating plants in central Newfoundland. Fortis Properties holds directly a 51 per cent interest in the Exploits Partnership and Abitibi holds the remaining 49 per cent interest. The Exploits Partnership sells its output to Newfoundland and Labrador Hydro Corporation ("Newfoundland Hydro") under a 30-year power purchase agreement expiring in 2033. Effective February 13, 2009, Fortis commenced accounting for its investment in the Exploits Partnership using the equity method of accounting. Previously, the Corporation consolidated the financial results of the Exploits Partnership in its financial statements (Note 20).

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

e. *Upper New York State*: Includes the operations of four hydroelectric generating stations in Upper New York State, with a combined capacity of approximately 23 MW, operating under licences from the US Federal Energy Regulatory Commission. Hydroelectric generation operations in Upper New York State are conducted through the Corporation's indirect wholly owned subsidiary FortisUS Energy Corporation ("FortisUS Energy").

NON-REGULATED - FORTIS PROPERTIES

Including a hotel acquired in Ontario in April 2009, Fortis Properties owns 21 hotels with more than 4,000 rooms in eight Canadian provinces and approximately 2.8 million square feet of commercial real estate primarily in Atlantic Canada.

CORPORATE AND OTHER

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

Also included in the Corporate and Other segment are the financial results of CustomerWorks Limited Partnership ("CWLP"). CWLP is a non-regulated shared-services business in which Terasen holds a 30 per cent interest. CWLP operates in partnership with Enbridge Inc. and provides customer service contact, meter reading, billing, credit, and support and collection services to the Terasen Gas companies and several smaller third parties. CWLP's financial results are recorded using the proportionate consolidation method of accounting. While currently not significant, financial results of Terasen Energy Services Inc. ("TES") are also reported in the Corporate and Other segment. TES is a non-regulated wholly owned subsidiary of Terasen that provides alternative energy solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements should be read in conjunction with the Corporation's 2008 annual audited consolidated financial statements. Interim results will fluctuate due to the seasonal nature of gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Virtually all of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters due to seasonality of the business. Given the diversified group of companies, seasonality may vary.

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

All amounts are presented in Canadian dollars unless otherwise stated.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements, following the same accounting policies and methods as those used in preparing the Corporation's 2008 annual audited consolidated financial statements, except as described below.

Effective January 1, 2009, the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Rate-Regulated Operations
Effective January 1, 2009, the Accounting Standards Board of Canada ("AcSB") amended: (i) CICA Handbook Section 1100, *Generally Accepted Accounting Principles,* removing the temporary exemption providing relief to entities subject to rate regulation from the requirement to apply the Section to the recognition and measurement of assets and liabilities arising from rate regulation; and (ii) Section 3465, *Income Taxes* to require the recognition of future income tax liabilities and assets, as well as offsetting regulatory assets and liabilities by entities subject to rate regulation.

Effective January 1, 2009, with the removal of the temporary exemption in Section 1100, the Corporation must now apply Section 1100 to the recognition of assets and liabilities arising from rate regulation. Certain assets and liabilities arising from rate regulation continue to have specific guidance under a primary source of Canadian GAAP that applies only to the particular circumstances described therein, including those arising under Section 1600, *Consolidated Financial Statements*, Section 3061, *Property, Plant and Equipment*, Section 3465*, Income Taxes*, and Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*. The assets and liabilities arising from rate regulation, as described in Note 4 to the Corporation's 2008 annual audited consolidated financial statements, do not have specific guidance under a primary source of Canadian GAAP. Therefore, Section 1100 directs the Corporation to adopt accounting policies that are developed through the exercise of professional judgment and the application of concepts described in Section 1000, *Financial Statement Concepts*. In developing these accounting policies, the Corporation may consult other sources, including pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions. Therefore, in accordance with Section 1100, the Corporation has determined that all of its regulatory assets and liabilities qualify for recognition under Canadian GAAP and this recognition is consistent with US Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. Therefore, there was no effect on the Corporation's consolidated financial statements as at January 1, 2009 due to the removal of the temporary exemption from Section 1100.

Effective January 1, 2009, Fortis retroactively recognized future income tax assets and liabilities and related regulatory liabilities and assets, without prior period restatement, for the amount of future income taxes expected to be refunded to, or recovered from, customers in future gas and electricity rates. Prior to January 1, 2009, the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power used the taxes payable method of accounting for income taxes. The effect on the Corporation's consolidated financial statements, as at January 1, 2009, of adopting amended Section 3465, *Income Taxes* included an increase in total future income tax liabilities and total future income tax assets of $487 million and $15 million, respectively; an increase in regulatory assets and regulatory liabilities of $531 million and $50 million, respectively; and a combined net $9 million increase in other assets, utility capital assets, goodwill, income taxes payable and deferred credits associated with the reclassification of future income taxes that were previously netted against these respective balance sheet items. Included in the future income tax assets and liabilities recorded are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through customer rates.

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

Goodwill and Intangible Assets
Effective January 1, 2009, the Corporation retroactively adopted the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*. This Section, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs,* establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. As at December 31, 2008, the impact of retroactively adopting Section 3064 was a reclassification of $260 million to intangible assets and related decreases of $258 million to utility capital assets, $1 million to income producing properties and $1 million to other assets due to the reclassification of the net book value of land, transmission and water rights, computer software costs, franchise costs, customer contracts and other costs.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
During the first quarter of 2009, the Corporation adopted the new Emerging Issues Committee ("EIC")-173¸ *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which was issued on January 20, 2009. EIC-173 requires that the Corporation's own credit risk and the credit risk of its counterparties be taken into account in determining the fair value of a financial instrument. As at March 31, 2009, only the Corporation's derivative financial instruments were recorded at fair value, the majority of which were out-of-the-money and recorded as a liability. There was no material effect on the Corporation's interim consolidated financial statements as a result of adopting EIC-173.

3. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")
In February 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In March 2009, the AcSB issued a second Omnibus Exposure Draft confirming that publicly accountable enterprises will be required to apply IFRS, in full and without modification, on January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010 and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section 1506, *Accounting Changes,* paragraph 30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft. Fortis is continuing to assess the financial reporting impacts of the adoption of IFRS, including monitoring any International Accounting Standards Board ("IASB") initiatives with the potential to impact rate-regulated accounting under IFRS. The IASB is expected to issue an exposure draft addressing rate-regulated activities during the third quarter of 2009. At this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. Fortis does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be necessary to gather and process the information.

Business Combinations
In January 2009, the AcSB issued new CICA Handbook Section 1582, *Business Combinations,* together with Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests.* These new standards are effective for fiscal years beginning on or after January 1, 2011. As a result of adopting Section 1582, changes in the determination of the fair value of the assets and liabilities of the acquiree will result in a different calculation of goodwill. Such changes include the expensing of acquisition-related costs incurred during a business acquisition, rather than recording them as a capital transaction, and the disallowance of recording restructuring accruals. Section 1582 will affect the recognition of business combinations completed by the Corporation on or after January 1, 2011 and, as a result, may have a material impact on the Corporation's consolidated earnings and financial position.

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of Sections 1601 and 1602 will result in non-controlling interests being presented as a component of equity, rather than as a liability, on the consolidated balance sheet.

3. FUTURE ACCOUNTING CHANGES (cont'd)

Business Combinations (cont'd)
Also, net earnings and components of other comprehensive income attributable to the owners of the parent and to the non-controlling interests are required to be separately disclosed on the statement of earnings. The adoption of Sections 1601 and 1602 is not expected to have a material impact on the Corporation's consolidated earnings, cash flows or financial position.

4. USE OF ESTIMATES

The preparation of the Corporation's interim consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances.

Additionally, certain estimates and judgments are necessary since the regulatory environments in which the Corporation's utilities operate often require amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates and judgments are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period they become known.

Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes in the nature of the Corporation's critical accounting estimates, including that related to contingencies, during the three months ended March 31, 2009 except for those described in Notes 14 and 20 to these interim consolidated financial statements.

5. REGULATORY ASSETS AND LIABILITIES

A summary of the Corporation's regulatory assets and liabilities is provided below. A description of the nature of the regulatory assets and liabilities is provided in Note 4 to the Corporation's 2008 annual audited consolidated financial statements.

($ millions)	**As at March 31, 2009**	As at December 31, 2008
Regulatory Assets		
Future income taxes (Note 2)	**534**	-
Rate stabilization accounts - Terasen Gas companies	**139**	76
Rate stabilization accounts - electric utilities	**76**	78
Alberta Electric System Operator ("AESO") charges deferral	**70**	64
Regulatory other post-employment benefit ("OPEB") plan asset	**54**	51
Income taxes recoverable on OPEB plans	**18**	18
Deferred capital asset amortization	**7**	8
Deferred pension costs	**7**	7
Southern Crossing Pipeline tax reassessment	**7**	7
Energy management costs	**7**	7
Residential unbundling	**5**	7
Other regulatory assets	**44**	37
Total regulatory assets	**968**	360
Less: current portion	**(232)**	(157)
Long-term regulatory assets	**736**	203

5. REGULATORY ASSETS AND LIABILITIES (cont'd)

($ millions)	**As at March 31, 2009**	As at December 31, 2008
Regulatory Liabilities		
Future asset removal and site restoration provision	**340**	337
Rate stabilization accounts - Terasen Gas companies	**89**	32
Rate stabilization accounts - electric utilities	**15**	9
Future income taxes (Note 2)	**56**	-
Unbilled revenue liability	**15**	15
Performance-based rate-setting incentive liabilities	**15**	13
Fair value of the foreign exchange forward contract	**8**	7
Southern Crossing Pipeline deferral	**6**	9
Pension deferral	**4**	4
Other regulatory liabilities	**25**	20
Total regulatory liabilities	**573**	446
Less: current portion	**(101)**	(45)
Long-term regulatory liabilities	**472**	401

6. INVENTORIES

($ millions)	**As at March 31, 2009**	As at December 31, 2008
Gas in storage	**73**	212
Materials and supplies	**18**	17
	91	229

During the quarter ended March 31, 2009, inventories of $468 million (quarter ended March 31, 2008 - $437 million) were expensed and reported in energy supply costs in the interim consolidated statement of earnings. Inventories expensed to operating expenses during the quarter ended March 31, 2009 were $3 million (quarter ended March 31, 2008 - $3 million), which included $2 million (quarter ended March 31, 2008 - $2 million) for food and beverage costs at Fortis Properties.

7. INTANGIBLE ASSETS

	As at March 31, 2009			As at December 31, 2008		
($ millions)	**Cost**	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer software	**314**	**(152)**	**162**	310	(142)	168
Land, transmission and water rights	**128**	**(37)**	**91**	127	(36)	91
Franchise fees, customer contracts and other	**15**	**(6)**	**9**	15	(5)	10
	457	**(195)**	**262**	452	(183)	269

There was no impairment of intangible assets for the quarter ended March 31, 2009 and for the year ended December 31, 2008. Amortization of intangible assets is recorded on a straight-line method basis using amortization rates ranging from 1 per cent to 22 per cent.

Included in the cost of land, transmission and water rights is a total of $57 million (December 31, 2008 - $57 million) not subject to amortization.

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

($ millions)	**As at March 31, 2009**	As at December 31, 2008
Long-term debt and capital lease obligations	**5,100**	4,934
Long-term classification of committed credit facilities (Note 19)	**221**	224
Deferred debt financing costs	**(35)**	(34)
Total long-term debt and capital lease obligations	**5,286**	5,124
Less: Current installments of long-term debt and capital lease obligations	**(236)**	(240)
	5,050	4,884

In February 2009, FortisAlberta issued $100 million of 30-year 7.06% unsecured debentures under a short-form base shelf prospectus that was filed in December 2008.

In February 2009, TGI issued $100 million of 30-year 6.55% unsecured debentures.

During the first quarter of 2009, Fortis began accounting for its investment in the Exploits Partnership using the equity method of accounting (Note 20). As a result, the Exploits Partnership term loan of $61 million classified as current as at December 31, 2008 is no longer being consolidated in the financial statements of Fortis, effective February 13, 2009.

9. COMMON SHARES

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

Issued and Outstanding	**As at March 31, 2009**		As at December 31, 2008	
	Number of Shares *(in thousands)*	**Amount** *($ millions)*	Number of Shares *(in thousands)*	Amount *($ millions)*
Common shares	**169,759**	**2,462**	169,191	2,449

Common shares issued during the period were as follows:

	Quarter Ended March 31, 2009	
	Number of Shares *(in thousands)*	**Amount** *($ millions)*
Balance, beginning of period	**169,191**	**2,449**
Consumer Share Purchase Plan	**15**	**1**
Dividend Reinvestment Plan	**370**	**8**
Employee Share Purchase Plan	**134**	**3**
Stock Option Plans	**49**	**1**
Balance, end of period	**169,759**	**2,462**

Effective March 1, 2009, the Corporation’s Amended and Restated Dividend Reinvestment and Share Purchase Plan provides a 2 per cent discount on the purchase of common shares, issued from treasury, with reinvested dividends.

9. COMMON SHARES (cont'd)

Earnings per Common Share

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding was 169.4 million and 156.6 million for the quarters ended March 31, 2009 and March 31, 2008, respectively.

Diluted earnings per common share are calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

Earnings per common share are as follows:

	Quarter Ended March 31					
	2009			2008		
	Earnings *($ millions)*	**Weighted Average Shares** *(in millions)*	**Earnings per Common Share**	Earnings *($ millions)*	Weighted Average Shares *(in millions)*	Earnings per Common Share
Basic Earnings per Common Share	**92**	**169.4**	**$0.54**	91	156.6	$0.58
Effect of potential dilutive securities:						
Stock options	-	**0.7**		-	1.2	
Preference shares (Note 13)	**4**	**13.9**		4	12.8	
Convertible debentures	**1**	**1.4**		-	1.7	
Diluted Earnings per Common Share	**97**	**185.4**	**$0.52**	95	172.3	$0.55

10. STOCK-BASED COMPENSATION PLANS

In January 2009, 22,980 Deferred Share Units ("DSUs") were granted to the Corporation's Board of Directors representing the equity component of their annual compensation and their annual retainers in lieu of cash. Each DSU represents a unit with an underlying value equivalent to the value of one common share of the Corporation. In January 2009, 3,632 DSUs were paid out to a retired member of the Board of Directors of Fortis at $23.74 per DSU for a total of approximately $0.1 million.

In March 2009, 31,353 Performance Share Units ("PSUs") were paid out to the President and Chief Executive Officer ("CEO") of the Corporation at $23.39 per PSU as determined by the Human Resources Committee of the Board of Directors of Fortis for a total of approximately $0.7 million. The payout was made upon the three-year maturation period in respect of the PSU grant made in March 2006, and the President and CEO satisfying the payment requirements. In March 2009, 40,000 PSUs were granted to the President and CEO of the Corporation. Each PSU represents a unit with an underlying value equivalent to the value of one common share of the Corporation.

In March 2009, the Corporation granted 1,037,156 options to purchase common shares under its 2006 Stock Option Plan at the five-day volume weighted average trading price of $22.29 immediately preceding the date of grant. The options vest evenly over a four-year period on each anniversary of the date of grant. The options expire seven years after the date of grant. The fair value of each option granted was $4.10 per option.

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

The fair value was estimated on the date of grant using the Black-Scholes fair value option-pricing model and the following assumptions:

Dividend yield (%)	3.19
Expected volatility (%)	24.3
Risk-free interest rate (%)	3.75
Weighted average expected life (years)	4.5

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss includes unrealized foreign currency translation gains and losses, net of hedging activities, gains and losses on cash flow hedging activities and gains and losses on discontinued cash flow hedging activities.

	Quarter Ended March 31, 2009			Quarter Ended March 31, 2008		
($ millions)	**Opening balance January 1**	**Net change**	**Ending balance March 31**	Opening balance January 1	Net change	Ending balance March 31
Unrealized foreign currency translation (losses) gains, net of hedging activities and tax	**(46)**	**9**	**(37)**	(82)	4	(78)
Losses on derivative instruments designated as cash flow hedges, net of tax	**(1)**	**-**	**(1)**	(1)	-	(1)
Net losses on derivative instruments previously discontinued as cash flow hedges, net of tax	**(5)**	**-**	**(5)**	(5)	-	(5)
Accumulated Other Comprehensive (Loss) Income	**(52)**	**9**	**(43)**	(88)	4	(84)

12. EMPLOYEE FUTURE BENEFITS

The Corporation and its subsidiaries each maintain one or a combination of defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans ("RRSPs") for its employees. The cost of providing the defined benefit arrangements was $6 million for the quarter ended March 31, 2009 (quarter ended March 31, 2008 - $7 million). The cost of providing the defined contribution arrangements and group RRSPs for the quarter ended March 31, 2009 was $4 million (quarter ended March 31, 2008 - $3 million).

13. FINANCE CHARGES

	Quarter Ended March 31	
($ millions)	**2009**	2008
Interest - Long-term debt and capital lease obligations	**83**	81
- Short-term borrowings	**5**	9
Interest charged to construction	**(4)**	(2)
Interest earned	**-**	(1)
Dividends on preference shares classified as debt (Note 9)	**4**	4
	88	91

14. CORPORATE TAXES

Prior to January 1, 2009, the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power used the taxes payable method of accounting for income taxes. The effect on the Corporation's consolidated financial statements, as at January 1, 2009, of adopting amended Section 3465, *Income Taxes* included an increase in total future income tax liabilities and total future income tax assets of $487 million and $15 million, respectively; an increase in regulatory assets and regulatory liabilities of $531 million and $50 million, respectively; and a combined net $9 million increase in other assets, utility capital assets, goodwill, income taxes payable and deferred credits associated with the reclassification of future income taxes that were previously netted against these respective balance sheet items.

Included in the future income tax assets and liabilities recorded are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through customer rates and the separate disclosure of future income tax assets and liabilities that previously were not recognized.

Future income taxes are provided for temporary differences. Future income tax assets and liabilities are comprised of the following:

($ millions)	**As at March 31, 2009**	As at December 31, 2008
Future income tax liability (asset)		
Utility capital assets	**472**	17
Income producing properties	**26**	26
Regulatory assets	**24**	35
Intangible assets	**7**	3
Other assets	**25**	2
Deferred credits	**(42)**	(14)
Loss carryforwards	**(31)**	(28)
Share issue and debt financing costs	**(8)**	(14)
Unrealized foreign currency translation losses on long-term debt	**(7)**	(5)
Regulatory liabilities	**(4)**	-
Net future income tax liability	**462**	22
Current future income tax asset	**(34)**	-
Current future income tax liability	**16**	15
Long-term future income tax asset	**(51)**	(54)
Long-term future income tax liability	**531**	61
Net future income tax liability	**462**	22

The adoption of amended Section 3465, *Income Taxes* on January 1, 2009 also resulted in additional future income tax expense of $17 million for the quarter ended March 31, 2009 and an offsetting regulatory adjustment to future income expense for the same amount. The regulatory adjustment represents the difference between the future income tax expense recognized under amended Section 3465, *Income Taxes* and that recovered from customers in rates during the quarter ended March 31, 2009.

The components of the provision for corporate taxes are as follows:

($ millions)	**Quarter Ended March 31 2009**	2008
Current taxes - Canadian	**22**	26
Future income taxes - Canadian	**20**	3
Less: Regulatory adjustment	**(17)**	-
	3	3
Corporate taxes	**25**	29

14. CORPORATE TAXES (cont'd)

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

	Quarter Ended March 31	
($ millions, except as noted)	**2009**	2008
Combined Canadian federal and provincial statutory income tax rate	**33.0%**	33.5%
Statutory income tax rate applied to earnings before corporate taxes and non-controlling interest	**41**	42
Preference share dividends	**1**	1
Difference between Canadian statutory rate and rates applicable to foreign subsidiaries	**(3)**	(3)
Difference in Canadian provincial statutory rates applicable to subsidiaries in different Canadian jurisdictions	**(3)**	(2)
Items capitalized for accounting but expensed for income tax purposes	**(10)**	(10)
Pension costs	**(1)**	(1)
Other	**-**	2
Corporate taxes	**25**	29
Effective tax rate	**20.3%**	23.2%

As at March 31, 2009, the Corporation had approximately $116 million (December 31, 2008 - $104 million) in non-capital and capital loss carryforwards of which $12 million (December 31, 2008 - $12 million) has not been recognized in the consolidated financial statements. The non-capital loss carryforwards expire between 2009 and 2029.

15. SEGMENTED INFORMATION

Information by reportable segment is as follows:

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Quarter ended March 31, 2009 *($ millions)*	**Terasen Gas Companies - Canadian**	Fortis Alberta	Fortis BC	NF Power	Other Canadian [1]	**Total Electric Canadian**	**Electric Caribbean** [2]	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**669**	79	72	169	70	**390**	**83**	**16**	**47**	**7**	**(11)**	**1,201**
Energy supply costs	**468**	-	22	127	47	**196**	**46**	**1**	**-**	**-**	**(4)**	**707**
Operating expenses	**67**	34	17	14	7	**72**	**14**	**4**	**34**	**3**	**(2)**	**192**
Amortization	**25**	22	10	11	4	**47**	**11**	**2**	**4**	**2**	**-**	**91**
Operating income	**109**	23	23	17	12	**75**	**12**	**9**	**9**	**2**	**(5)**	**211**
Finance charges	**32**	11	7	8	5	**31**	**4**	**1**	**6**	**19**	**(5)**	**88**
Corporate taxes (recovery)	**19**	-	2	3	2	**7**	**-**	**2**	**1**	**(4)**		**25**
Non-controlling interest	**-**	-	-	-	-	**-**	**2**	**-**	**-**	**-**	**-**	**2**
Net earnings (loss)	**58**	12	14	6	5	**37**	**6**	**6**	**2**	**(13)**	**-**	**96**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Net earnings (loss) applicable to common shares	**58**	12	14	6	5	**37**	**6**	**6**	**2**	**(17)**	**-**	**92**
Goodwill	**908**	227	221	-	63	**511**	**168**	**-**	**-**	**-**	**-**	**1,587**
Identifiable assets	**4,057**	1,661	1,079	1,166	527	**4,433**	**888**	**223**	**562**	**131**	**(33)**	**10,261**
Total assets	**4,965**	1,888	1,300	1,166	590	**4,944**	**1,056**	**223**	**562**	**131**	**(33)**	**11,848**
Gross capital expenditures [3]	**50**	90	22	13	12	**137**	**20**	**7**	**5**	**-**	**-**	**219**
Quarter ended March 31, 2008												
Revenue	**635**	73	66	164	70	**373**	**75**	**19**	**45**	**7**	**(8)**	**1,146**
Energy supply costs	**437**	-	21	122	49	**192**	**40**	**2**	**-**	**-**	**(3)**	**668**
Operating expenses	**61**	33	16	14	7	**70**	**11**	**4**	**31**	**3**	**(1)**	**179**
Amortization	**24**	20	9	10	4	**43**	**7**	**2**	**4**	**3**	**-**	**83**
Operating income	**113**	20	20	18	10	**68**	**17**	**11**	**10**	**1**	**(4)**	**216**
Finance charges	**33**	9	7	8	4	**28**	**5**	**2**	**6**	**21**	**(4)**	**91**
Corporate taxes (recovery)	**22**	-	1	4	2	**7**	**1**	**3**	**1**	**(5)**	**-**	**29**
Non-controlling interest	**-**	-	-	-	-	**-**	**4**	**-**	**-**	**-**	**-**	**4**
Net earnings (loss)	**58**	11	12	6	4	**33**	**7**	**6**	**3**	**(15)**	**-**	**92**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Net earnings (loss) applicable to common shares	**58**	11	12	6	4	**33**	**7**	**6**	**3**	**(16)**	**-**	**91**
Goodwill	**907**	227	221	-	63	**511**	**131**	**-**	**-**	**-**	**-**	**1,549**
Identifiable assets	**3,509**	1,340	929	1,006	494	**3,769**	**681**	**244**	**537**	**110**	**(23)**	**8,827**
Total assets	**4,416**	1,567	1,150	1,006	557	**4,280**	**812**	**244**	**537**	**110**	**(23)**	**10,376**
Gross capital expenditures [3]	**40**	72	24	13	7	**116**	**11**	**3**	**3**	**1**	**-**	**174**

[1] Includes Maritime Electric and FortisOntario
[2] Includes Belize Electricity, Caribbean Utilities and Fortis Turks and Caicos
[3] Relates to utility capital assets, including amounts for AESO transmision capital projects, and to income producing properties and intangible assets

15. SEGMENTED INFORMATION (cont'd)

Inter-segment transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The significant inter-segment transactions primarily related to the sale of energy from Fortis Generation to Belize Electricity, electricity sales from Newfoundland Power to Fortis Properties and finance charges on inter-segment borrowings. The significant inter-segment transactions for the three months ended March 31, 2009 and 2008 were as follows.

Significant Inter-Segment Transactions *($ millions)*	**Quarter Ended March 31**	
	2009	2008
Sales from Fortis Generation to		
Regulated Electric Utilities - Caribbean	**4**	3
Sales from Newfoundland Power to Fortis Properties	**1**	1
Inter-segment finance charges on borrowings from:		
Corporate to Regulated Electric Utilities - Caribbean	**2**	-
Corporate to Fortis Generation	**-**	1
Corporate to Fortis Properties	**2**	2

16. SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter Ended March 31	
($ millions)	**2009**	2008
Interest paid	**85**	79
Income taxes paid	**65**	7

17. CAPITAL MANAGEMENT

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

Each of the Corporation's regulated utilities maintains its own capital structure in line with the deemed capital structure reflected in the utilities' customer rates. Fortis generally finances a significant portion of acquisitions with proceeds from common and preference share issuances.

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

	As at March 31, 2009		As at December 31, 2008	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,453**	**59.1**	5,468	59.5
Preference shares [(2)]	**667**	**7.2**	667	7.3
Common shareholders' equity	**3,116**	**33.7**	3,046	33.2
Total	**9,236**	**100.0**	9,181	100.0

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

17. CAPITAL MANAGEMENT (cont'd)

Certain of the Corporation's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 70 per cent of the Corporation's consolidated capital structure, as defined by the long-term debt agreements. As at March 31, 2009, the Corporation and its subsidiaries, except for Belize Electricity, were in compliance with their debt covenants.

As a result of the regulator's Final Decision on Belize Electricity's 2008/2009 Rate Application, Belize Electricity does not meet certain debt covenant financial ratios related to loans totalling $9 million (BZ$14 million) as at March 31, 2009. The Company has informed the lenders of the defaults and has requested appropriate waivers. Belize Electricity is also in default of certain debt covenants which have resulted in the utility being prohibited from incurring new indebtedness or declaring dividends.

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

18. FINANCIAL INSTRUMENTS

Fair Values

There has been no change during the three months ended March 31, 2009 in the designation of the Corporation's financial instruments from that disclosed in the Corporation's 2008 annual audited consolidated financial statements. The carrying values of the Corporation's financial instruments included in current assets, current liabilities, other assets and deferred credits in the consolidated balance sheets of Fortis approximate their fair values, reflecting the short-term maturity, normal trade credit terms and/or the nature of these instruments. The carrying values and fair values of the Corporation's long-term debt and preference shares are as follows:

	As at March 31, 2009		As at December 31, 2008	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt, including current portion [(1)(2)]	**5,251**	**5,239**	5,088	4,959
Preference shares, classified as debt [(1)(3)]	**320**	**327**	320	329

[(1)] Carrying value is measured at amortized cost using the effective interest rate method.
[(2)] Carrying value at March 31, 2009 is net of unamortized deferred financing costs of $35 million (December 31, 2008 - $34 million).
[(3)] Preference shares classified as equity are excluded from the requirements of the CICA Handbook Section 3855, *Financial Instrument, Recognition and Measurement*; however, the estimated fair value of the Corporation's $347 million preference shares classified as equity was $303 million as at March 31, 2009 (December 31, 2008 – carrying value $347 million; fair value $268 million).

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

18. FINANCIAL INSTRUMENTS (cont'd)

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

			As at March 31, 2009		As at December, 31, 2008	
Asset (Liability)	**Term to Maturity** *(years)*	**Number of Contracts**	**Carrying Value** *($ millions)*	**Estimated Fair Value** *($ millions)*	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swaps [(1)]	**< 2**	**2**	**-**	**-**	-	-
Foreign exchange forward contract	**~ 2**	**1**	**8**	**8**	7	7
Natural gas derivatives: [(2)]						
Swaps and options	**Up to 2.5**	**189**	**(172)**	**(172)**	(84)	(84)
Gas purchase contract premiums	**Up to 2.5**	**32**	**2**	**2**	(8)	(8)

[(1)] Interest rate swap contracts mature in July 2009 and October 2010. The contracts have the effect of fixing the rate of interest on the non-revolving credit facilities of Fortis Properties at 6.16 per cent and 5.32 per cent, respectively.
[(2)] The fair values of the natural gas derivatives were recorded in accounts payable as at March 31, 2009 and December 31, 2008.

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

19. FINANCIAL RISK MANAGEMENT

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

Credit risk	Risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument.
Liquidity risk	Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.
Market risk	Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Corporation is exposed to the following market risks: • Foreign exchange risk • Interest rate risk • Commodity price risk

Credit Risk

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

19. FINANCIAL RISK MANAGEMENT (cont'd)

Credit Risk (cont'd)

FortisAlberta has a concentration of credit risk as a result of its distribution-service billings being to a relatively small group of retailers and, as at March 31, 2009, its gross credit risk exposure was approximately $87 million, representing the projected value of retailer billings over a 60-day period. The Company has reduced its exposure to less than $5 million by obtaining from the retailers either a cash deposit, bond, letter of credit, an investment-grade credit rating from a major rating agency or by having the retailer obtain a financial guarantee from an entity with an investment-grade credit rating.

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

The aging analysis of the Corporation's consolidated trade and other accounts receivable is as follows:

($ millions)	**As at March 31, 2009**	As at December 31, 2008	As at March 31, 2008
Not past due	**610**	587	600
Past due 0-30 days	**93**	70	95
Past due 31-60 days	**23**	14	22
Past due 61 days and over	**20**	19	22
	746	690	739
Less: allowance for doubtful accounts	**(19)**	(16)	(14)
	727	674	725

As at March 31, 2009, other receivables due from customers of $8 million and the receivable associated with the foreign exchange forward contract of $8 million will be received over the next five years, with $9 million expected to be received in 2009, $4 million over 2010 and 2011, $1 million over 2012 and 2013 and $2 million in 2014.

Liquidity Risk

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

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

Committed credit facilities at Fortis are available for interim financing of acquisitions and for general corporate purposes. Depending on the timing of cash payments from the subsidiaries, borrowings under the Corporation's committed credit facility may be required from time to time to support the servicing of debt and payment of dividends. Over the next five years, average consolidated annual long-term debt maturities and repayments are expected to be approximately $170 million. The combination of available credit facilities and low annual debt maturities and repayments provide the Corporation and its subsidiaries with flexibility in the timing and access to capital markets.

19. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk (cont'd)

As at March 31, 2009, the Corporation and its subsidiaries had consolidated credit facilities of $2.2 billion, of which $1.6 billion was unused. The credit facilities are almost entirely syndicated with the seven largest Canadian chartered banks with no one bank holding more than 25 per cent of these facilities.

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

($ millions)	Corporate and Other	Regulated Utilities	Fortis Properties	**Total as at March 31, 2009**	Total as at December 31, 2008
Total credit facilities	715	1,502	13	**2,230**	2,228
Credit facilities utilized:					
Short-term borrowings	-	(261)	-	**(261)**	(410)
Long-term debt (Note 8)	(56)	(165)	-	**(221)**	(224)
Letters of credit outstanding	(1)	(102)	(1)	**(104)**	(104)
Credit facilities available	658	974	12	**1,644**	1,490

As at March 31, 2009 and December 31, 2008, certain borrowings under the Corporation's and its subsidiaries' credit facilities have been classified as long-term debt. These borrowings are under long-term committed credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

During the first quarter of 2009, FortisBC negotiated amendments to its $150 million unsecured committed revolving credit facility, including extending the maturity date of the $50 million portion of the facility to May 2012 from May 2011 and the maturity date of the $100 million portion of the facility to May 2010 from May 2009. The amended credit facility agreement is expected to be finalized during the second quarter of 2009.

In March 2009, Maritime Electric renegotiated its $50 million demand credit facility and had it converted into a 364-day revolving committed credit facility.

The following is an analysis of the contractual maturities of the Corporation's financial liabilities as at March 31, 2009.

Financial Liabilities

($ millions)	≤ 1 year	>1-3 years	4-5 years	>5 years	**Total**
Short-term borrowings	261	-	-	-	**261**
Trade and other accounts payable	700	-	-	-	**700**
Natural gas derivatives	130	40	-	-	**170**
Dividends payable	47	-	-	-	**47**
Customer deposits	1	2	2	2	**7**
Long-term debt, including current portion [(1)]	234	300	309	4,443	**5,286**
Interest obligations on long-term debt	324	632	590	4,472	**6,018**
Preference shares, classified as debt	-	-	-	320	**320**
	1,697	974	901	9,237	**12,809**

[(1)] Excluding deferred financing costs of $35 million included in the carrying value as per Note 8

19. FINANCIAL RISK MANAGEMENT (cont'd)

Market Risk

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

As at March 31, 2009, all of the Corporation's corporately held US$403 million of long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. As at March 31, 2009, the Corporation had approximately US$125 million in foreign net investments remaining to be hedged. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's corporately held US dollar borrowings that are designated as hedges are recorded in other comprehensive income and serve to help offset unrealized foreign currency exchange gains and losses on the foreign net investments, which are also recorded in other comprehensive income.

TGVI's US dollar payments under a contract for the construction of a liquefied natural gas storage facility expose TGVI to fluctuations in the US dollar-to-Canadian dollar exchange rate. TGVI has entered into a foreign exchange forward contract to hedge this exposure. TGVI has regulatory approval to defer any increase or decrease in the fair value of the foreign exchange forward contract for recovery from, or refund to, customers in future rates.

Interest Rate Risk
The Corporation and its subsidiaries are exposed to interest rate risk associated with short-term borrowings and floating-rate debt. The Corporation and its subsidiaries may enter into interest rate swap agreements to help reduce this risk and, during the first quarter of 2009, Fortis Properties was party to interest rate swap agreements that effectively fixed the interest rates on their variable-rate borrowings. The Terasen Gas companies and FortisBC have regulatory approval to defer any increase or decrease in interest expense resulting from fluctuations in interest rates associated with variable-rate debt for recovery from, or refund to, customers in future rates.

Commodity Price Risk
The Terasen Gas companies are exposed to commodity price risk associated with changes in the market price of natural gas. This risk is minimized by entering into natural gas derivatives that effectively fix the price of natural gas purchases. The natural gas derivatives are recorded on the balance sheet at fair value and any change in the fair value is deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates.

20. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

The Corporation and its subsidiaries are subject to various legal proceedings and claims associated with ordinary course business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's consolidated financial position or results of operations. The Corporation's contingent liabilities are consistent with disclosures in the Corporation's 2008 annual audited consolidated financial statements, except for that described below.

20. CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

Contingent liabilities (cont'd)

Exploits Partnership

Following Abitibi's announcement of its intention to close its Grand Falls-Windsor newsprint mill on March 31, 2009, the Government of Newfoundland and Labrador expropriated most of the Newfoundland-based assets of Abitibi. The expropriated assets included the hydroelectric generating facility assets of the Exploits Partnership. The Exploits Partnership is owned 51 per cent by Fortis Properties and 49 per cent by Abitibi.

The Exploits Partnership had previously incurred a term loan from several lenders to finance its assets. As at December 31, 2008, approximately $61 million remained outstanding under this term loan. The loan is without recourse to Fortis or Abitibi, as partners of the Exploits Partnership, and is secured by both the hydroelectric generating assets and related agreements regarding rights to operate and sell power to Newfoundland Hydro during the term of the loan. Although the expropriation has caused the Exploits Partnership to default on the term loan, to date the lenders have not demanded accelerated repayment of the term loan. The Exploits Partnership made the scheduled term loan payment for the quarter ended March 31, 2009. As at March 31, 2009, the balance outstanding under the term loan was approximately $60 million.

The generation and sale of electricity by the Exploits Partnership continued in the normal course until the newsprint mill closed on February 12, 2009, up to which point Newfoundland and Labrador Hydro paid the Exploits Partnership for the energy produced on the same basis as the pre-expropriation power purchase agreement. Payment for all energy delivered since February 13, 2009 is currently outstanding from the Government of Newfoundland and Labrador pending resolution of expropriation matters. The day-to-day operations of the hydroelectric generating facilities have been assumed by Nalcor Energy, a crown corporation, as the agent for the Government of Newfoundland and Labrador with respect to this matter.

On March 24, 2009, the Government of Newfoundland and Labrador announced that Abitibi had discontinued discussions with Nalcor Energy regarding compensation for the expropriated assets. Abitibi, which was incorporated in the US, has also indicated that it intends to challenge the expropriation of its assets and seek compensation through the North American Free Trade Agreement.

Historically, the financial statements of the Exploits Partnership were consolidated in the financial statements of Fortis. Pending resolution of the above matters, deferred financing costs of $2 million and utility capital assets of $61 million related to the Exploits Partnership were reclassified to other assets and the $61 million term loan was reclassified as current on the consolidated balance sheet of Fortis as at December 31, 2008.

During the quarter, the combination of uncertainty created by the expropriation and the loss of control over cash flows of the Exploits Partnership has required Fortis to commence reporting its investment in the Exploits Partnership using the equity method of accounting, effective February 13, 2009. Consequently, the assets and liabilities of the Exploits Partnership are no longer consolidated in the accounts of Fortis. Equity earnings recognized during the first quarter of 2009 were equivalent to the amount that would have been recognized in the absence of the expropriation. This approach is consistent with the public statement of the Government of Newfoundland and Labrador that it is not its intention to adversely affect the business interests of lenders or independent partners of Abitibi.

Commitments

There were no material changes in the nature and amount of the Corporation's commitments from the commitments disclosed in the Corporation's 2008 annual audited consolidated financial statements, except for those described below.

20. CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

Commitments (cont'd)

Belize Electricity has entered into a new 15-year power purchase agreement with Belize Aquaculture Limited ("BAL"). The agreement provides for the supply of up to 15 MW of capacity by BAL and expires in April 2024. The agreement totals approximately $279 million to 2024.

Based on the last completion of actuarial valuations, the Corporation's consolidated defined benefit pension plan funding contributions are expected to total approximately $18 million for 2009, $15 million for 2010 and $2 million for each of 2011, 2012 and 2013. These pension funding obligations reflect additional obligations determined under December 31, 2008 actuarial valuations, completed in the first quarter for 2009, associated with defined benefit pension plans at Newfoundland Power and the Corporation, and under a December 31, 2007 actuarial valuation of a defined benefit pension plan at Terasen, also completed in the first quarter of 2009.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with current period classifications the most significant of which was the reclassification of $48 million from other assets to utility capital assets on the consolidated balance sheet as at December 31, 2008 related to the net book value of amounts paid to AESO for transmission capital projects at FortisAlberta.

Dates – Dividends* and Earnings

Expected Earnings Release Dates

August 5, 2009 November 5, 2009
February 4, 2010 April 29, 2010

Dividend Record Dates

May 8, 2009 August 7, 2009
November 6, 2009 February 5, 2010

Dividend Payment Dates

June 1, 2009 September 1, 2009
December 1, 2009 March, 1, 2010

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

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Share Listings

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

Fortis Common Shares ($) Quarter Ended March 31		
	2009	**2008**
High	**25.06**	29.89
Low	**21.52**	26.36
Close	**22.14**	29.21