H. Stanley Marshall, President and CEO, Fortis Inc.

Thank you, Mr. Chair. Good morning shareholders, ladies and gentlemen.

As this will be my last report to Fortis shareholders, I will take the opportunity at the end to thank the many people who have contributed to the success of our company over the years.

But first, I want to address normal business.

I’ll begin by introducing the CEOs of our operating companies present this morning. I would ask them to stand as they are introduced.

- John Walker, FortisBC;
- Karl Smith, FortisAlberta;
- Steve Lant, CH Energy
- Jim Laurito, Central Hudson
- Earl Ludlow, Newfoundland Power;
- Bill Daley, FortisOntario;
- Fred O’Brien, Maritime Electric;
- Richard Hew, Caribbean Utilities;
- Eddinton Powell, Fortis Turks and Caicos; and
- Nora Duke, Fortis Properties.

Also joining us today are some senior officers of UNS Energy Corporation: Paul Bonavia, Executive Board Chair of UNS Energy; David Hutchens, CEO of UNS Energy; and Kevin Larson, Senior VP, CFO and Treasurer of UNS Energy.

I will begin with some of the highlights of 2013, and then follow with an overview of our pending acquisition of UNS Energy.

Barry Perry, our Chief Financial Officer, will review the financial performance of the Company last year. He will also discuss our capital program and highlight some potential growth opportunities.
Following this, I’ll make my closing remarks and Barry will follow with his concluding comments.

Then, we’ll be pleased to take any questions.

After the meeting, please join us for lunch where you will have an opportunity to talk to our Directors and senior management.

Slide 2 – Forward-Looking Statement

This slide is a note of caution about forward-looking statements and a reminder that actual results may vary significantly from forecasts.

Slide 3 – Fortis Today

Fortis is the largest investor-owned electric and gas distribution utility in Canada. Our utilities currently serve 2.5 million customers.

Total assets have grown to $17.9 billion.

Approximately 95% of assets are regulated utilities and contracted hydroelectric generation assets.

Fortis has nine utilities. Seven of these are electric utilities, located in five Canadian provinces and two Caribbean countries. Fortis also has a natural gas utility in
British Columbia, and last June we acquired Central Hudson Gas & Electric, which serves 377,000 customers in New York State.

The midyear 2014 rate base of our regulated utilities is expected to be $10.7 billion.

Our non-utility business represents $675 million of assets and is comprised of 23 hotels and 2.7 million square feet of commercial office and retail space.

**Slide 4 – A Decade of Utility Asset Growth**

Fortis has grown dramatically over the last decade.

Our assets have grown by a compound annual growth rate of 23% for the 10-year period through 2013.

In addition to the US$1.5 billion acquisition of Central Hudson in 2013, two other large acquisitions during the last decade were the $3.7 billion acquisition of FortisBC (Gas) in 2007 and the $1.5 billion acquisition of FortisAlberta and FortisBC (Electric) in 2004.

Growth has also occurred through ongoing investment. Over the past five years, our total utility investment was more than $5 billion to ensure reliability of service to customers and to meet growth in energy demand.
Slide 5 - Record 41 Consecutive Years Dividend Growth

Fortis has increased its annualized dividend to common shareholders for 41 consecutive years, the record for a public corporation in Canada.

Our dividend payout ratio was 71% in 2013.

Over the past 10 years, dividends have increased at a compound annual growth rate of approximately 10%.

Slide 6 – A Decade of Strong Shareholder Returns

Over the past 10 years, Fortis delivered an average annual total return to shareholders of 11%.

Over the same period, we outperformed the TSX Composite and Utilities Indices, which each delivered average annual performance of approximately 8%. 
Slide 7 – Pending Acquisition of UNS Energy

Turning now to our pending acquisition of UNS Energy Corporation…

Slide 8 – Acquisition of UNS Energy

Last December, Fortis announced the acquisition of UNS Energy Corporation for a purchase price of US$4.3 billion, including the assumption of approximately US$1.8 billion debt on closing.

UNS Energy owns three utilities serving 657,000 electricity and gas customers in the state of Arizona. Its largest utility serves the city of Tucson.

To finance a portion of the acquisition, Fortis sold $1.8 billion in Convertible Debentures. Proceeds from the first installment of approximately $600 million were received in January 2014.

The closing of the acquisition, which is expected to occur by the end of 2014, is subject to certain government and regulatory approvals, including approval by the Arizona Corporation Commission.

The approval process for the acquisition is progressing well.

In March 2014 UNS Energy common shareholders approved the acquisition by Fortis and in April 2014 the U.S. Federal Energy Regulatory Commission approved the transaction.
The Administrative Law Judge hearing at the Arizona Corporation Commission will commence on June 16th.

Post closing, Fortis utilities will serve more than 3 million customers.

**Slide 9 – Acquisition Rational**

The acquisition is consistent with our strategy of investing in high-quality regulated utility assets in Canada and the United States and is expected to be accretive to earnings per common share in the first full year after closing, excluding one-time acquisition-related costs.

The acquisition will further mitigate business risk for Fortis by enhancing the diversification of our regulated assets, resulting in no more than one-third of total assets being located in any one jurisdiction.

UNS Energy is a single-state utility that operates within a supportive regulatory environment.

Favourable local economic conditions support continuing growth. Growth in the Arizona economy has been above the U.S. national average for several decades.

UNS Energy has forecast that its capital investment will total approximately US$2 billion over the period 2014 through 2018. Rate base on closing is expected to be US$3 billion.

When we close, total assets of Fortis will increase by approximately one-third to approach $25 billion.

UNS Energy has an experienced management team, with strong regulatory expertise. We are confident that David and his team will continue to provide good service to their customers in Arizona.
Slide 10 – Increased Diversification

Post the acquisition of UNS Energy, the Corporation’s 2015 midyear rate base is forecast to be $15.4 billion.

FortisBC will account for 33%, UNS Energy 22% and FortisAlberta 18% of the total. Newfoundland Power will represent 6%.

Slide 11 – Transition Slide

I will now turn the presentation over to Barry.

Barry Perry, VP Finance and CFO, Fortis Inc.

Thank you, Stan.
Slide 12 – Annual Results

Looking at our results for 2013:

Results for 2013 reflect the Corporation’s acquisition of Central Hudson in June 2013 for US$1.5 billion, including the assumption of US$518 million of debt on closing.

Revenues were up largely due to the addition of Central Hudson in June 2013.

Fortis achieved net earnings attributable to common equity shareholders of $353 million, $38 million higher than earnings of $315 million for 2012. Earnings per common share were $1.74 compared to $1.66 for 2012.

The Corporation’s earnings for 2013 were affected by three significant items.

First, earnings were reduced by $34 million of expenses related to utility acquisitions, mainly Central Hudson. In the prior year, the Corporation incurred approximately $8 million of acquisition-related expenses.

Second, earnings for 2013 were favourably impacted by reduced income taxes of $23 million, related to the long-delayed passing of legislation related to taxes on preferred share dividends. In the prior year, the Corporation had income tax expenses of $4 million related to this matter.

Third, an extraordinary gain of approximately $20 million was recognized in 2013 related to the settlement of expropriation matters associated with the Exploits River Hydro Partnership.

Excluding these three items, net earnings attributable to common equity shareholders were $344 million for 2013, up $17 million from earnings of approximately $327 million for 2012, and earnings per common share were $1.70 for 2013 compared to $1.72 for 2012.

Earnings for 2013 were negatively impacted by the outcome of the generic cost of capital decision at FortisBC, which reduced earnings per share by 9 cents.
We are also off to a good start to 2014. Central Hudson is performing as expected and we sold Griffith Energy Services for US$95 million. Griffiths, an oil-delivery business, was acquired as part of the Central Hudson deal. Results for 2014 will be affected by the interest costs associated with the Debentures issued to finance UNS Energy.

Slide 13 – Financial Strength

Fortis is one of the highest-rated utility holding companies in North America.

Fortis debt is rated A- by Standard & Poor’s and A(low) by DBRS.

In December 2013, after the announcement by Fortis that it had entered into an agreement to acquire UNS Energy, DBRS placed the Corporation’s credit rating under review with developing implications. Similarly, S&P revised its outlook on the Corporation to negative from stable. S&P indicated that an outlook revision to stable would likely occur when the Debentures are converted to common equity on closing of the transaction.

As at March 31, 2014, Fortis had consolidated credit facilities of $2.7 billion, of which $2.4 billion was unused.

As at March 31, 2014, the Corporation’s long-term debt maturities and repayments are expected to average $310 million annually over the next five years. The combination of available credit facilities and relatively low annual debt maturities and repayments beyond 2014 will provide the Corporation and its subsidiaries with flexibility in the timing of access to capital markets.
Slide 14 – Significant Regulatory Proceedings

There are significant regulatory proceedings underway at our largest utilities.

Multi-year performance-based rate applications are progressing in British Columbia and a cost of capital proceeding is continuing at FortisAlberta.

Central Hudson will file a general rate application in the second half of 2014 to establish rates effective mid-2015. Regulatory approval of the acquisition of Central Hudson included a two-year delivery-rate freeze through June 30, 2015. Over the same two-year period, Central Hudson committed to invest US$215 million in capital expenditures.

Slide 15 – 2014F Capital Program

Our capital program for 2014 is well underway and is expected to exceed $1.4 billion.

Approximately 46% of our total capital program pertains to sustaining capex, 37% is to meet customer growth, and the remaining 17% is associated with other activities.

Approximately 70% of this year’s capital plan will be occurring in Alberta and British Columbia.

It is worth focusing on these two jurisdictions for a few moments.
AGM Presentation (May 2014) Speaking Notes

Slide 16 – FortisAlberta

FortisAlberta is our fastest-growing utility.

In the 10 years since we acquired the Company, its rate base has quadrupled. FortisAlberta’s midyear 2014 rate base is forecast to be $2.5 billion.

Alberta continues to lead the country in economic activity and its economic growth to 2035 is expected to surpass the national average. Energy remains the key driver of Alberta’s economy, accounting for one-fifth of the province’s GDP.

Five of the 10 municipalities in Canada with the highest population growth are in FortisAlberta’s service territory.

The Company’s capital program is forecast at approximately $400 million annually over the next five years.

Now to FortisBC…

Slide 17 – FBC LNG Opportunities

Our gas and electric utilities in British Columbia continue to do well.

We are very optimistic about future opportunities for the expansion of gas infrastructure in British Columbia associated with liquefied natural gas.
FortisBC’s existing gas infrastructure provides a competitive advantage for several projects in the Lower Mainland.

Northwest British Columbia and Oregon also have potential opportunities for pipeline infrastructure investment, and a number of projects have been proposed by other parties. In most cases, these projects require new pipelines to be built, increasing costs, risks and time to market.

Our projects have significant advantages and we continue to move several opportunities forward.

Slide 18 – Tilbury LNG Expansion Facility

Our first LNG opportunity is the $400 million Tilbury LNG Expansion Facility located on the Fraser River, in Delta, British Columbia.

The expansion is expected to include a second LNG tank and a new liquefier, both to be in service in 2016.

The regulated investment has been approved by the provincial government but remains subject to certain other approvals, which should be received shortly.

The facility site location is also suitable for further expansion.
The second opportunity being pursued by FortisBC is the pipeline expansion for the Woodfibre LNG Export Terminal.

FortisBC has been requested to expand the pipeline to the Woodfibre LNG facility, a privately owned LNG processing and export facility near Squamish, British Columbia. The facility is expected to be operational Q1/2017, subject to environmental and other approvals.

The pipeline expansion, which is not currently in FortisBC’s 5-year capital plan, would represent a regulated investment of approximately $400 million.

British Columbia is also the home of our Waneta Hydroelectric Expansion Project.

The non-regulated Waneta Project, located near the U.S. border in southeast British Columbia, is expected to be completed in spring 2015. The $900 million 335-MW project is currently on time and within budget.

Approximately $603 million has been invested in the Waneta Expansion since construction began in late 2010. $126 million is expected to be spent in 2014.

Fortis owns 51% of the Waneta Project and Columbia Power Corporation and Columbia Basin Trust, two Crown corporations, own the remaining 49%.
Following the completion of the Waneta Project, the output will be sold to BC Hydro and FortisBC Electric under 40-year agreements. Fortis will operate and maintain the facility.

**Slide 21 – Rate Base Growth including UNS Energy**

Over the five years through 2018, the Corporation’s capital program is expected to exceed $8 billion and includes $1.5 billion of capital expenditures at UNS Energy for the period 2015 through 2018, and completion of the Waneta Expansion and Tilbury Expansion Projects.

Capital investment should allow rate base to increase at a combined compound annual growth rate of approximately 7% through 2018.

Over the next five years, total investment in energy infrastructure is expected to increase by approximately 74% from $10.2 billion in 2013 to $17.7 billion in 2018.

Potential future growth associated with other LNG opportunities, such as the pipeline expansion to the Woodfibre site, may add to this growth.

**Slide 22 – Transition Slide**

I will now turn the presentation back to Stan.
H. Stanley Marshall, President and CEO, Fortis Inc.

Thank you, Barry.

Normally I would take a few minutes to talk about our focus going forward. Since Barry will be at the helm at the end of this year, I will leave it to him.

Barry, I’d like to take this opportunity to thank you for your support over the past 10 years and to congratulate you on your appointment. You’ve earned the right to succeed me and I’m confident that, under your leadership, Fortis will continue to serve our customers well while the Corporation continues to pursue profitable growth for our shareholders.

I’d also like to thank the many employees of Fortis and our subsidiaries, both past and present, who have made our company so successful over the past 25 years. Some are here this morning, many are not. I’d also like to thank you, our shareholders, for supporting our vision.

I would express my gratitude to two individuals who were with me at the beginning of Fortis and remain with me today. The first is John Walker, who you all recognize. John and I are known for having heated debates, overcoming our differences and facing adversity as brothers. The next person you may not recognize so I would ask her to stand. Annette Carberry was the first regular employee to be hired by Fortis and has been my assistant for the past 25 years. She is the one who kept my office together, despite all the travel over the years. Thank you, Annette.

Now let’s hear what Barry has to say about Fortis going forward.

Slide 23 – Focus Going Forward

Barry Perry, VP Finance and CFO, Fortis Inc.

Thank you, Stan.
There are a couple of rules we live by.

First, we are committed to providing our customers with safe, reliable, cost-effective energy service. This is our Number One priority.

Second, we will continue to be responsive to our regulators to help ensure we can achieve reasonable outcomes. During 2014 there are significant regulatory processes occurring in British Columbia, Alberta and New York.

Fortis is at the beginning of a very exciting period.

We expect to close the UNS Energy transaction by the end of 2014 and look forward to the earnings contributions from Central Hudson and UNS Energy in 2015.

Once we close the UNS Energy transaction, we will have achieved our diversification strategy. No one jurisdiction will represent more than one-third of our assets.

Our five-year capital program is expected to exceed $8 billion. Our capital program is expected to be approximately $1.4 billion for 2014 and will be over $2 billion for 2015. The Waneta Hydro Expansion Project is in its last year of construction and the Tilbury LNG Expansion is ramping up.

We continue to pursue additional opportunities for growth, such as the Woodfibre LNG pipeline expansion. Any success here will be upside to our growth profile.

Our investment in energy infrastructure to serve our three million customers is expected to grow by an average annual growth rate of 7% over the next five years. This growth should translate into comparable earnings per share growth and support future dividend increases.

**Slide 24 – Discussion**

Thank you for your attention.

We would be pleased to take any questions you may have.

CHECK AGAINST DELIVERY