FORTIS INC.

RENEWAL ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2003

March 31, 2004

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DEFINITIONS OF CERTAIN TERMS

Certain terms used in this Renewal Annual Information Form are defined below:

"Abitibi-Consolidated" means Abitibi-Consolidated Company of Canada;

"Aquila Alberta" means Aquila Networks Canada (Alberta) Ltd.;

"Aquila British Columbia" means Aquila Networks Canada (British Columbia) Ltd.;

"BACONGO" means Belize Alliance for Conservation Non-Government Organization;

"BECOL" means Belize Electric Company Limited;

"Belize Electricity" means Belize Electricity Limited;

"Canadian Niagara Power" means Canadian Niagara Power Inc.;

"Caribbean Utilities" means Caribbean Utilities Company, Limited;

"CAW" means Canadian Auto Workers-Retail/Wholesale;

"CDH" means Cornwall District Heating Company, Limited;

"Central Newfoundland Energy" means Central Newfoundland Energy Inc.;

"CFE" means Comission Federal de Electricidad;

"Chalillo Project" means Chalillo Hydroelectric Project;

"Cornwall Electric" means Cornwall Street Railway, Light and Power Company, Limited;

"Corporation" means Fortis Inc.;

"CPRSA" means Cost of Power Rate Stabilization Account;

"CRA" means Canada Revenue Agency;

"Eastern Ontario Power" means Eastern Ontario Power Inc., formerly Granite Power Distribution Corporation;

"Electricity Act" means *1992 Electricity Act (Belize)*;

"Emera" means Emera Inc.;

“EMS” means Environmental Management System;

“Enbridge” means Enbridge Energy Distribution Inc.;

“Exploits Partnership Project” means the Exploits River Hydro Partnership Project;

“FERC” means Federal Energy Regulatory Commission;

“Fortis” means Fortis Inc.;

“FortisOntario” means FortisOntario Inc., successor to Canadian Niagara Power Company, Limited;

“FortisOntario Generation” means FortisOntario Generation Corporation, formerly Granite Power Generation Corporation;

“Fortis Properties” means Fortis Properties Corporation;

“FortisUS Energy” means FortisUS Energy Corporation;

“GEC” means General Expense Capital;

“Granite Power Distribution” means Granite Power Distribution Corporation, subsequently renamed Eastern Ontario Power Corporation.

“Granite Power Generation” means Granite Power Generation Corporation and its subsidiary Gananoque Water Power Company;

“GWh” means gigawatt hour;

“HCRSA” means Hurricane Cost of Power Rate Stabilization Account;

“HERE” means Hotel Employees and Restaurant Employees Union;

“IBEW” means International Brotherhood of Electrical Workers;

“IMO” means Independent Electricity Market Operator of Ontario;

“ISO” means International Organization for Standardization;

“kWh” means kilowatt hour;

“kV” means kilovolt;

“Maritime Electric” means Maritime Electric Company, Limited;

“**MW**” means megawatt;

“NB Power” means New Brunswick Power Corporation;

“Newfoundland Hydro” means Newfoundland & Labrador Hydro;

“Newfoundland Power” means Newfoundland Power Inc., formerly Newfoundland Light & Power Co. Limited;

“Niagara Mohawk” means Niagara Mohawk Power Corporation;

“OPGI” means Ontario Power Generation Inc.;

“PCB” means polychlorinated biphenyl;

“PEI” means Prince Edward Island;

“Point Lepreau Station” means the NB Power Point Lepreau Nuclear Generating Station;

“Port Colbourne Hydro” means Port Colbourne Hydro Inc.;

“Power Act” means *Electrical Power Control Act, 1994 (Newfoundland & Labrador);*

“PUB” means Newfoundland & Labrador Board of Commissioners of Public Utilities;

“PUC” means Public Utilities Commission (Belize);

“**RevPar**” means revenue per available room;

“Rideau Falls” means Rideau Falls Limited Partnership;

“Rideau St. Lawrence” means Rideau St. Lawrence Holdings Inc.;

“UFCW” means United Food and Commercial Workers;

“**Warrant**” means Series E First Preference Share Purchase Warrant;

“Westario Power” means Westario Power Holdings Inc.;

CORPORATE STRUCTURE

Fortis Inc. ("Fortis" or the "Corporation") includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to inherent risks and uncertainties surrounding future expectations generally. Such events include, but are not limited to, general economic, market and business conditions, regulatory developments, weather and competition. Fortis cautions readers that should certain events or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. For additional information with respect to certain of these risks or factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian Securities Regulatory Authorities. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Except as otherwise stated, the information in this renewal annual information form is given as of March 31, 2004.

All figures are expressed in Canadian dollars unless otherwise stated.

Fortis Inc.

Fortis is a holding company that was incorporated as 81800 Canada Ltd. under the *Canada Business Corporations Act* on June 28, 1977, and continued under the *Corporations Act* (Newfoundland) on August 28, 1987. Its articles were amended; on October 12, 1987 to change its name to Fortis Inc.; on October 15, 1987, to set out the rights, privileges and conditions attached to the Common Shares; on September 11, 1990, to designate 2,000,000 First Preference Shares, Series A; on July 22, 1991, to replace the rights, privileges, restrictions and conditions attaching to the First Preference Shares as a class, and the Second Preference Shares as a class; on December 13, 1995, to designate 2,000,000 First Preference Shares, Series B; on May 27, 2003, to designate 5,000,000 First Preference Shares, Series C; and on January 23, 2004, to designate 8,000,000 First Preference Shares, Series D and E. Fortis redeemed 100 per cent of its outstanding First Preference Shares, Series A and Series B on September 30, 1997 and December 2, 2002, respectively. On June 3, 2003, Fortis issued 5,000,000 Cumulative Redeemable Convertible Preference Shares, Series C. On January 29, 2004, Fortis issued 8,000,000 First Preference Units. Each First Preference Unit consists of one Series D First Preference Share of the Corporation and one Series E First Preference Share Purchase Warrant.

Utility

Fortis is principally a diversified international electric utility holding company. It holds all the common shares of Newfoundland Power and, through Fortis Properties**,** holds all the common shares of Maritime Electric, which are the principal distributors of electricity in the provinces of Newfoundland and Labrador and Prince Edward Island, respectively. Through Maritime Electric, it owns FortisUS Energy, which operates four hydroelectric generating stations in the State of New York.

Fortis also holds all the common shares of FortisOntario. On April 1, 2003, FortisOntario was amalgamated with Canadian Niagara Power Company, Limited, which had previously amalgamated with CDH. FortisOntario owns and operates the 75-MW Rankine Generating Station in Niagara Falls, Ontario and a 5-MW gas-fired cogeneration plant that provides district heating to sixteen commercial customers in Cornwall, Ontario. FortisOntario has three wholly owned subsidiaries, Canadian Niagara Power, Cornwall Electric and FortisOntario Generation and its subsidiary Gananoque Water Power Company ("collectively known as Granite Power Generation"). Canadian Niagara Power is an Ontario-based electric distribution utility that distributes electricity to approximately 15,100 customers in the Town of Fort Erie, 9,300 customers in Port Colborne and to approximately 3,800 customers primarily situated in Gananoque, Ontario. Cornwall Electric is an Ontario-based electric transmission and distribution utility that supplies electricity to approximately 22,900 customers in the City of Cornwall, South Glengarry, South Stormont and the Ontario portion of the Mohawk Territory of Akwesasne. Granite Power Generation generates electricity from six hydroelectric generating stations with a combined capacity of approximately 8 MW.

Fortis also owns 100 per cent of Central Newfoundland Energy, whose principal activity is its 51 per cent interest in the Exploits Partnership Project. The project is a partnership with Abitibi-Consolidated to construct, install and operate additional capacity at Abitibi-Consolidated's hydroelectric plant at Grand Falls-Windsor and to redevelop the forestry company's hydroelectric plant at Bishop Falls, both in Newfoundland and Labrador.

Fortis, through a wholly owned subsidiary incorporated under the laws of the Cayman Islands, holds a 95 per cent interest in BECOL. BECOL owns and operates the Mollejon hydroelectric facility, located on the Macal River in Belize, Central America. Fortis, through wholly owned subsidiaries incorporated under the laws of the Cayman Islands, also holds 68 per cent of the outstanding shares of Belize Electricity, the main commercial generator, transmitter and distributor of electricity in the country of Belize, Central America.

Fortis holds approximately 38 per cent interest in Caribbean Utilities, the provider of electricity on the island of Grand Cayman, Cayman Islands.

On September 15, 2003, Fortis entered into agreements to acquire all of the shares of Aquila Alberta and Aquila British Columbia from two indirect subsidiaries of Aquila, Inc., a U.S. energy company based in Kansas City, Missouri, for aggregate consideration of approximately $1.4 billion subject to certain adjustments. The closing of the transaction is subject to fulfillment of customary conditions including receipt of required regulatory approvals. The transaction is expected to close in the first half of 2004. On a consolidated basis, Aquila Alberta and Aquila British Columbia provide electricity to more than 525,000 customers primarily in southern and central Alberta and southern British Columbia.

Non-Utility

Fortis operated one non-utility subsidiary in 2003. Through its non-utility subsidiary, Fortis Properties, Fortis has investments in commercial real estate in Atlantic Canada and hotel operations in Atlantic Canada and Ontario.

Principal Subsidiaries

The following table lists the principal subsidiaries of the Corporation, their jurisdictions of incorporation and the percentage of votes attaching to voting securities held directly or indirectly by the Corporation as at December 31, 2003. This list excludes certain subsidiaries, the total assets of which constituted less than 10 per cent of the Corporation's 2003 consolidated assets and total revenues of which constituted less than 10 per cent of the Corporation's 2003 total revenues.

Principal Subsidiaries	**Incorporated under the laws of**	**Percentage of votes attaching to voting securities held directly or indirectly by the Corporation**
Newfoundland Power Inc.	Newfoundland and Labrador	93.7 (1)
Maritime Electric Company, Limited and its wholly-owned subsidiary, FortisUS Energy Corporation (2)	Canada New York	100
FortisOntario Inc. and its wholly-owned subsidiaries Canadian Niagara Power Inc, Cornwall Street Railway and Power Company, Limited and Granite Power Generation Corporation	Ontario	100
Belize Electricity Limited	Belize	68 (3)
Fortis Properties Corporation	Newfoundland and Labrador	100

(1) Fortis owns all the Common Shares, 182,300 First Preference Shares, Series G, 32,086 First Preference Shares, Series B, 13,000 First Preference Shares, Series D, and 1,400 First Preference Shares, Series A of Newfoundland Power Inc., which, at December 31, 2003, represented 93.7 per cent of its voting securities. The remaining 6.3 per cent of Newfoundland Power's voting securities consist of First Preference Shares, Series A, B, D and G, which are held by the public.

(2) Maritime Electric Company, Limited is a wholly owned subsidiary of Fortis Properties Corporation.

(3) Fortis owns 68 per cent of the Ordinary Shares of Belize Electricity Limited through three wholly owned subsidiaries incorporated under the laws of the Cayman Islands. The Government of Belize and residents of Belize own the remaining Ordinary Shares.

GENERAL DEVELOPMENT OF THE BUSINESS

Utility Investments - Canada

Fortis became the parent company of Newfoundland Power through a statutory arrangement effective December 29, 1987.

Fortis expanded its electrical power distribution business through investment in Maritime Electric in 1990 and the subsequent acquisition of that company in 1994.

Fortis' utility investments in Ontario commenced with the acquisition of a 50 per cent interest in Canadian Niagara Power Company, Limited in 1996. Canadian Niagara Power Company, Limited, at that time, owned and operated the 75-MW Rankine Generating Station in Niagara Falls and distributed electricity to approximately 13,500 customers in the Town of Fort Erie. In 2000, Canadian Niagara Power Company, Limited restructured to separate its generation business from its transmission and distribution business. Its transmission and distribution business operates under Canadian Niagara Power, a wholly owned subsidiary of Canadian Niagara Power Company, Limited and currently distributes electricity to approximately 15,100 customers in the Town of Fort Erie. In April 2002, Canadian Niagara Power entered into a ten-year agreement with the City of Port Colborne to lease the business of Port Colborne Hydro, which distributes electricity to approximately 9,300 customers in Port Colborne. In July 2002, Fortis acquired the remaining 50 per cent interest in Canadian Niagara Power Company, Limited.

On October 17, 2002, Fortis increased its investment in the province of Ontario. Fortis acquired a 100 per cent interest in Cornwall Electric and its wholly owned subsidiary, CDH. Cornwall Electric is an Ontario-based electric transmission and distribution utility that supplies electricity to approximately 22,900 customers in the City of Cornwall, South Glengarry, South Stormont and the Ontario portion of the Mohawk Territory of Akwesasne. CDH operates a 5-MW gas-fired cogeneration plant that provides district heating to sixteen commercial customers in Cornwall.

On December 23, 2002, Fortis' utility investments in Ontario were reorganized. CDH, which was held by Cornwall Electric, was sold to Canadian Niagara Power Company, Limited and was amalgamated on January 1, 2003 and continued operations as Canadian Niagara Power Company, Limited. In addition, Fortis transferred its ownership interest in Cornwall Electric to Canadian Niagara Power Company, Limited. On April 1, 2003, Fortis further reorganized its utility investments in Ontario through the amalgamation of Canadian Niagara Power Company, Limited with FortisOntario and continued operations as FortisOntario.

On April 1, 2003, FortisOntario and Canadian Niagara Power acquired the operating subsidiaries of Granite Power Corporation. Granite Power Corporation primarily consisted of Granite Power Distribution and Granite Power Generation. Granite Power Distribution distributes electricity to approximately 3,800 customers primarily situated in Gananoque, Ontario. Granite Power Generation generates electricity from five hydroelectric generating stations with a combined capacity of 6 MW. On October 1, 2003, Granite Power Generation purchased the management contract and 14 of 17 partnership units of Rideau Falls. On December 29, 2003, the remaining three partnership units were purchased. Rideau Falls operates a 2-MW hydroelectric generating station in Ottawa. On December 31, 2003, the partnership was dissolved and the assets were combined with Granite Power Generation.

On January 1, 2004, Fortis' utility investments in Ontario were again reorganized. Canadian Niagara Power and Granite Power Distribution were amalgamated and continued operations as Canadian Niagara Power.

On September 15, 2003, Fortis entered into agreements to acquire all of the shares of Aquila Alberta and Aquila British Columbia. The closing of the transaction is subject to fulfillment of customary conditions including receipt of required regulatory approvals. The transaction is expected to close in the first half of 2004. On a consolidated basis, Aquila Alberta and Aquila British Columbia provide electricity to more than 525,000 customers primarily in southern and central Alberta and southern British Columbia.

Utility Investments – Caribbean Region and United States

The Corporation extended electrical power distribution and generation activities internationally during 1999 with the acquisition of a 67 per cent interest in Belize Electricity. Since 1999, Fortis has been acquiring incremental shares in Belize Electricity from other shareholders. These additional shares purchased over the last several years have increased Fortis' investment in Belize Electricity approximately 1 per cent to 68 per cent.

In 1999, the Corporation purchased generating facilities in New York State through its wholly owned subsidiary, FortisUS Energy. Continued international expansion occurred in 2000 with the purchase of two additional hydroelectric generating stations in New York State through FortisUS Energy. The shares of FortisUS Energy are now held by Maritime Electric; a wholly owned subsidiary of Fortis Properties. Fortis Properties is a wholly owned subsidiary of the Corporation.

Continued international expansion occurred in 2000 with the acquisition of a 20 per cent interest in Caribbean Utilities.

In 2001, Fortis increased its investment in the country of Belize with the acquisition of a 95 per cent interest in BECOL, operator of a hydroelectric facility located on the Macal River.

By the first quarter of 2002, Fortis had increased its ownership interest in Caribbean Utilities to 22.48 per cent. On January 30, 2003, Fortis increased its investment in Caribbean Utilities to approximately 38 per cent.

Non-Utility Investments - Canada

Fortis Properties’ real estate operations commenced with the 1989 acquisition of the Fortis Building in St. John’s, Newfoundland and Labrador, which houses the head office of the Corporation. Prior to 1992, Fortis Properties’ real estate portfolio consisted of a number of commercial properties in downtown St. John’s. Through Fortis Properties, the Corporation has concentrated on selectively expanding its real estate and hospitality service businesses with several acquisitions from 1992 through to 1999. In 1992, Fortis Properties acquired commercial property in Corner Brook, Newfoundland and Labrador and, in 1993 it acquired shopping centers located in Corner Brook and St. Anthony, Newfoundland and Labrador. In 1995, Fortis Properties purchased two office properties in Halifax, Nova Scotia. However, one of these buildings, the Centennial Building, was subsequently sold for $11.5 million in June 2001.

In 1995, Fortis Properties purchased shopping centers in Gander and Marystown, Newfoundland and Labrador. In December 1995, Fortis Properties acquired four Holiday Inn-franchised hotels in Newfoundland, immediately selling the two smaller properties and retaining the hotels in St. John's and Corner Brook. In July 1996, the Delta Sydney, Holiday Inn Sydney and the Sydney Inn in Sydney, Nova Scotia were added to the hotel portfolio. Fortis Properties closed the Sydney Inn in September 1997 and subsequently sold the property in December 1997. Fortis Properties increased its ownership of properties adjacent to the Fortis Building in St. John’s by acquiring two small office buildings in 1997. On February 1, 1999, Fortis Properties acquired the 150-room Mount Peyton Hotel in Grand Falls-Windsor, Newfoundland and Labrador. Fortis Properties acquired an initial 50 per cent equity interest in Brunswick Square Ltd. in August 1999 and the remaining 50 per cent interest of Brunswick Square Ltd. was acquired in December 2000. Brunswick Square Ltd. was subsequently amalgamated with Fortis Properties.

In late 2000, Fortis Properties began a period of significant expansion by acquiring three major properties in Atlantic Canada. In December 2000, Fortis Properties acquired the Blue Cross Centre in Moncton, New Brunswick from subsidiaries each of Aliant Inc. and Atlantic Blue Cross Care, and the Fort William Building in St. John’s, Newfoundland and Labrador from a subsidiary of Aliant Inc. Further expansion occurred in 2001 with the opening of its seventh hotel, the Four Points by Sheraton Halifax, Halifax, Nova Scotia and the acquisition of TD Place in St. John’s, Newfoundland and Labrador. In 2002, Fortis Properties acquired Cabot Place I and the Delta St. John’s Hotel and Conference Centre in St. John’s, Newfoundland and Labrador, and King’s Place in Fredericton, New Brunswick. In February 2002, Fortis Properties acquired the 100 per cent ownership of Maritime Electric through a transfer from Fortis. In 2003, Fortis Properties expanded its area of operations by acquiring four hotels in Ontario located in Cambridge, Kitchener, Sarnia and Peterborough.

Newfoundland Power

The principal asset of Fortis is its interest in Newfoundland Power, which in 2003 represented 34.5 per cent of the Corporation's total assets and 45.6 per cent of the Corporation's total revenue.

Newfoundland Power is an electric utility that operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. Newfoundland Power serves approximately 222,000 residential and commercial customers in 600 communities constituting 85 per cent of all electrical consumers in the Province and meets a peak demand of 1,135 MW. Over the past five years, residential customers have consistently represented approximately 86 per cent of Newfoundland Power's total customers, and sales to residential customers have consistently generated approximately 60 per cent of Newfoundland Power's revenue. At December 31, 2003, Newfoundland Power had net fixed assets, excluding contributions in aid of construction, of $622.4 million compared to $588.3 million as at December 31, 2002. Revenue was $384.2 million in 2003 compared to $369.6 million in 2002.

FortisOntario

Fortis' utility investments in Ontario are comprised of FortisOntario and its wholly owned subsidiaries Canadian Niagara Power, including the operations of Port Colborne Hydro, Cornwall Electric and Granite Power Generation. In total, its distribution operations serve approximately 51,100 customers in the Fort Erie, Port Colborne, Cornwall and Gananoque areas of Ontario and meet a peak demand of 256 MW. FortisOntario owns and operates the 75-MW Rankine Generating Station at Niagara Falls, the 5-MW District Heating cogeneration plant in Cornwall and six small hydroelectric generating stations with a combined capacity of approximately 8 MW. The Company owns international transmission facilities at Fort Erie, Ontario. FortisOntario also owns a 10 per cent interest in each of Westario Power and Rideau St. Lawrence, two regional electric distribution companies formed in 2000 that, together, serve over 27,000 customers.

Fortis' investments in Ontario have been formed from a series of acquisitions since 1996. These investments have been reorganized and continue operations as FortisOntario.

<table>
<tr><th colspan="4">Fortis’ Ontario Investments</th></tr>
<tr><th>Utility</th><th>Location</th><th>Purchase Date</th><th>($ million)
Purchase Price</th></tr>
<tr><td>Canadian Niagara Power Company, Limited</td><td rowspan="2">Fort Erie</td><td>50 per cent acquired
October 10, 1996</td><td rowspan="2">73.7</td></tr>
<tr><td>Canadian Niagara Power</td><td>50 per cent acquired
July 1, 2002</td></tr>
<tr><td>Port Colborne Hydro[1]</td><td>Port Colborne</td><td>April 2, 2002</td><td>[1]</td></tr>
<tr><td>Cornwall Electric
Cornwall District Heating</td><td>Cornwall</td><td>October 17, 2002</td><td>67.7</td></tr>
<tr><td>Granite Power Generation and Distribution</td><td>Gananoque</td><td>April 1, 2003</td><td rowspan="2">11.1</td></tr>
<tr><td>Rideau Falls</td><td>Rideau Canal, Ottawa</td><td>October 1, 2003 and
December 29, 2003</td></tr>
<tr><td colspan="4">(1) On April 2, 2002, Canadian Niagara Power leased the electricity distribution business of Port Colborne Hydro Inc. from the City of Port Colborne under a ten-year lease agreement with an option to purchase such assets at the end of its lease term for fair market value. The total value of the transaction is estimated at $15.6 million.</td></tr>
</table>

At December 31, 2003, FortisOntario had consolidated net fixed assets of $106.3 million and revenue of $158.0 million for the year then ended compared to $90.2 million of net fixed assets and $85.7 million of revenue for the prior year.

Maritime Electric

Maritime Electric is an electric utility, which directly supplies approximately 69,000 residential, commercial and industrial customers, or just over 90 per cent of the electricity consumers in the Province of Prince Edward Island, and meets a peak demand of 204 MW. At December 31, 2003, Maritime Electric, excluding FortisUS Energy, had net fixed assets of $191.3 million compared to $184.0 million as at December 31, 2002. Operating revenue was $96.3 million in 2003 compared to $92.3 million in 2002.

Maritime Electric is the owner of FortisUS Energy. In 1999, FortisUS Energy acquired two hydroelectric generating plants in upper New York State from Harza Engineering Company, Inc. for a purchase price of US$19.8 million. In 2000, FortisUS Energy purchased two additional hydroelectric generating plants in upper New York State from Niagara Mohawk for a purchase price of $6.9 million. These four hydroelectric plants have a combined generating capacity of 23 MW. At December 31, 2003, FortisUS Energy had net fixed assets of $22.3 million compared to $27.6 million as at December 31, 2002. Operating revenue was $4.6 million in 2003 compared to $3.7 million in 2002.

BECOL

In January 2001, Fortis, through a wholly owned subsidiary, purchased a 95 per cent interest in BECOL from Duke Energy Group, Inc. for an aggregate purchase price of $103.1 million. BECOL owns and operates the Mollejon hydroelectric facility, located on the Macal River in Belize, Central America. The facility is a 25-MW generating plant capable of delivering average annual energy of 80 GWh, and is the only commercial hydroelectric facility in Belize. BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement.

BECOL commenced construction of the Chalillo Project in May 2003 following approval by the PUC. The US$30 million development is an upstream storage and hydroelectric generating facility that is expected to increase BECOL's energy production from an average of 80 GWh to 170 GWh. Construction is scheduled for completion by mid-2005.

At December 31, 2003, BECOL had net fixed assets of $68.3 million compared to $71.7 million as at December 31, 2002. Revenue was $10.5 million in 2003 compared to $16.6 million in 2002.

Belize Electricity

During the fourth quarter of 1999, Fortis acquired a 67 per cent interest in Belize Electricity from the Government of Belize and another investor for an aggregate purchase price of $36.8 million. Belize Electricity is the main commercial generator, transmitter and distributor of electricity in Belize, Central America. Belize Electricity directly supplies over 63,000 residential, commercial and industrial customers in Belize and meets a peak demand of 57 MW. Since 1999, Fortis has been acquiring incremental shares in Belize Electricity from other shareholders. The additional shares purchased over the last several years have increased Fortis' investment in Belize Electricity approximately 1 per cent to 68 per cent.

At December 31, 2003, Belize Electricity had net fixed assets of $192.3 million (BZ$296.6 million) compared to $200.8 million (BZ$254.6 million) as at December 31, 2002. Revenue was $72.5 million (BZ$105.0 million) in 2003 compared to $77.8 million (BZ$99.0 million) in 2002.

Caribbean Utilities

On March 2, 2000, Fortis acquired 4,750,000 Class A Ordinary Shares of Caribbean Utilities for a cash purchase price of US$11.50 per share. Fortis' shares represented an approximately 20 per cent interest in Caribbean Utilities, the provider of electricity on the island of Grand Cayman, Cayman Islands. On July 12, 2001, the Corporation acquired 25,000 Class A Ordinary Shares of Caribbean Utilities for a cash purchase price of US$11.00 per share.

In March and April 2002, Fortis acquired an aggregate of 662,700 Class A Ordinary Shares of Caribbean Utilities for a cash purchase price of US$12.23 per share. On January 30, 2003, Fortis acquired an additional 3,863,695 Class A Ordinary Shares of Caribbean Utilities, approximately 15.9 per cent of the outstanding Class A Shares, for a cash purchse price of US$11.90 per share. Following these purchases, Fortis beneficially owns 9,301,395 Class A Shares, or approximately 38 per cent of the outstanding Class A Shares.

Caribbean Utilities has the exclusive right to generate, transmit, distribute and supply electricity to the Island of Grand Cayman, Cayman Islands pursuant to a 25-year licence issued in 1986. It currently has an installed capacity of 123 MW and a peak load of 79 MW. Caribbean Utilities serves over 20,000 customers. Caribbean Utilities shares are listed for trading on the Toronto Stock Exchange.

Fortis Properties

Fortis has owned all the issued and outstanding shares of Fortis Properties since the inception of Fortis Properties in 1989. Fortis Properties owns and manages commercial real estate in Newfoundland and Labrador, Nova Scotia and New Brunswick and hotel properties in Atlantic Canada and Ontario.

Fortis Properties' real estate operations commenced with the 1989 acquisition of the Fortis Building in St. John's, Newfoundland and Labrador, which houses the head office of Fortis. Prior to 1992, Fortis Properties' real estate portfolio consisted of a number of commercial properties in downtown St. John's. In 1992, Fortis Properties acquired commercial property in Corner Brook, Newfoundland and Labrador and, in 1993 it acquired shopping centers located in Corner Brook and St. Anthony, Newfoundland and Labrador. Fortis Properties experienced significant growth in 1995, more than doubling the value of its real estate assets with the purchase of two office properties in Halifax, Nova Scotia and shopping centers in Gander and Marystown, Newfoundland and Labrador. The Centennial Building, one of the two Halifax office properties, was subsequently sold in 2001 for $11.5 million. In December 1995, Fortis Properties acquired four Holiday Inn-franchised hotels in Newfoundland immediately selling the two smaller properties and retaining the hotels in St. John's and Corner Brook. In July 1996, the Delta Sydney, Holiday Inn Sydney and the Sydney Inn in Sydney, Nova Scotia were added to the hotel portfolio. Fortis Properties closed the Sydney Inn in September 1997 and subsequently sold the property in December 1997. Fortis Properties increased its ownership of properties adjacent to the Fortis Building in St. John's by acquiring two small office buildings in 1997. On February 1, 1999, Fortis Properties acquired the 150-room Mount Peyton Hotel in Grand Falls-Windsor, Newfoundland and Labrador.

Fortis Properties acquired an initial 50 per cent equity interest in Brunswick Square Ltd. in August 1999 from Scotiabank for a cash cost of $10.1 million. The remaining 50 per cent equity interest of Brunswick Square Ltd. was acquired from a subsidiary of Aliant Inc. in December 2000 for a purchase price of $6.2 million. Brunswick Square Ltd. was subsequently amalgamated with Fortis Properties.

Since December 2000, Fortis Properties has experienced significant growth in its income-producing properties, primarily through acquisition. The following table summarizes commercial, retail and hotel properties purchased or constructed since December 2000.

Hotel, Commercial and Retail Properties acquired since December 2000

Property	Location	Type of Property	Purchase or Construction Date	Price *($ million)*
Fort William Building	St. John’s, NL	Office	December 2000	(1)
Blue Cross Centre	Moncton, NB	Office and Retail	December 2000	(1)
TD Place portfolio (2)	St. John’s, NL	Office and Retail	September 2001	8.3
Four Points by Sheraton (3)	Halifax, NS	Hotel	September 2001	14.2
Cabot Place I	St. John’s, NL	Office	February 2002	14.3
Kings Place	Fredericton, NB	Office and Retail	April 2002	27.7
Delta St. John’s	St. John's, NL	Hotel	December 2002	25.9
Holiday Inn Kitchener	Kitchener-Waterloo, ON	Hotel	October 2003	(4)
Holiday Inn Peterborough	Peterborough, ON	Hotel	October 2003	(4)
Holiday Inn Sarnia	Point Edward, ON	Hotel	October 2003	(4)
Holiday Inn Cambridge	Cambridge, ON	Hotel	October 2003	(4)

(1) The Fort William Building and Blue Cross Centre were purchased for the aggregate purchase price of $52.7 million.
(2) In addition to TD Place, this acquisition included six parcels of land used for parking and a 14,716 square foot office property
(3) This hotel property represents the first ground up construction project for Fortis Properties.
(4) This portfolio of hotels was purchased for an aggregate purchase price of $43.2 million.

NARRATIVE DESCRIPTION OF THE BUSINESS

Newfoundland Power

Newfoundland Power is the principal distributor of electricity in the Province of Newfoundland and Labrador serving approximately 222,000 customers, representing approximately 85 per cent of the Province's electricity customers. The balance of the population is served by the Province's other electric utility, Newfoundland Hydro, a Crown corporation that also serves several larger industrial customers. Newfoundland Power owns and operates 30 small generating stations and approximately 10,000 kilometres of transmission and distribution lines. Approximately 90 per cent of the electricity that Newfoundland Power sells to its customers is purchased from Newfoundland Hydro. Newfoundland Power generates the remainder of its energy requirements.

Market and Sales

Newfoundland Power serves a wide range of electricity consumers. Annual weather-adjusted energy sales (see "Regulation") have increased from 4,765 GWh in 2002 to 4,882 GWh in 2003. Revenue increased from $369.6 million in 2002 to $384.2 million in 2003.

The following chart compares 2003 and 2002 revenues and energy sales:

	Revenue (1) $ million / per cent		**Gigawatt Hour Sales (1) GWh/ per cent**	
	2003	**2002**	**2003**	**2002**
Residential	**225.9/58.8**	217.8/59.0	**2,909/59.6**	2,843/59.7
Commercial	**139.2/36.2**	134.2/36.3	**1,937/39.7**	1,887/39.6
Street Lighting	**11.0/2.9**	10.7/2.9	**36/0.7**	35/0.7
Other(2)	**8.1/2.1**	6.9/1.8	**--/--**	--/--
Total	**384.2/100.0**	369.6/100.0	**4,882/100.0**	4,765/100.0

(1) Revenue and GWh sales reflect weather-adjusted values related to Newfoundland Power's Weather Normalization Reserve.
(2) Includes revenue from sources other than the sale of electricity.

Properties

Newfoundland Power's principal properties are office, garage and warehouse buildings, 30 generating stations, and electric utility and related assets located throughout Newfoundland Power's service territory. Newfoundland Power owns substantially all of such assets, which are subject to a fixed and floating charge under a trust deed that secures Newfoundland Power's First Mortgage Sinking Fund Bonds.

Power Supply

Approximately 90 per cent of Newfoundland Power's power supply is purchased from Newfoundland Hydro. The principal terms of the supply arrangements with Newfoundland Hydro are regulated by the PUB on a similar basis to that upon which Newfoundland Power's service to its customers is regulated.

Newfoundland Power owns and operates 30 small generating plants that generate approximately ten per cent of the electricity sold by Newfoundland Power to its customers. Newfoundland Power's hydro plants have a total capacity of approximately 94.6 MW. Its diesel plants and gas turbines have a total capacity of approximately 5.9 MW and 43.9 MW, respectively.

Regulation

Under the provisions of the *Public Utilities Act* (Newfoundland and Labrador), the PUB has regulatory jurisdiction over Newfoundland Power in respect of rates, capital expenditures, issuance of securities, terms of service and related matters. In exercising its jurisdiction over rates, the PUB is required to observe the power policy declared by the Government of Newfoundland and Labrador in the *Power Act* which includes the policy statement that rates should be reasonable and not unjustly discriminatory, sufficient to provide a just and reasonable return to the producer or retailer and such that industrial customers shall not be required to subsidize the cost of power provided to rural customers.

The PUB has ordered Newfoundland Power to provide out of its revenue a reserve account known as the Weather Normalization Reserve to adjust for the effect of variations in weather and stream flow when measured against long-term averages. The operation of the Weather Normalization Reserve, in effect, protects against year-to-year income volatility resulting from abnormal weather conditions. The PUB reviews the balance in the Weather Normalization Reserve and the underlying calculations each year. The financial statements of Newfoundland Power are adjusted to reflect the effect of this reserve account.

Newfoundland Power and Newfoundland Hydro each have established a Rate Stabilization Account, with the PUB's approval, to absorb fluctuations between estimated and actual costs of fuel burned by Newfoundland Hydro to produce the electricity that it sells to Newfoundland Power. These reserve accounts are conceptually similar to the Weather Normalization Reserve except that they protect against large fluctuations in the cost and quantity of fuel oil used to generate electricity. The accounts operate to permit these fluctuations to be reflected, in part, in the rates Newfoundland Power charges its customers without the requirement of a rate hearing. Newfoundland Power's rates are adjusted on July 1 of each year to reflect changes in the Rate Stabilization Accounts.

In 1998, following a public hearing into Newfoundland Power's cost of capital, the PUB issued an order implementing an automatic annual adjustment formula for adjusting rates. The formula is based on an equity risk premium approach where Newfoundland Power's return on equity is based on the sum of the risk free cost of capital (i.e. long-term Government of

Canada bond yield) and a risk premium which varies based upon changes to the risk free cost of capital. The PUB also determined that it would undertake a review of the performance of the automatic adjustment formula after it had been used for three consecutive years.

In 2003, the PUB completed a review of the automatic annual adjustment formula. In its June 20, 2003 Order, the PUB determined that an appropriate return on equity for 2003 and 2004 was 9.75 per cent, or 4.15 per cent above forecast long-term Government of Canada bond yields. The PUB also ordered that the automatic adjustment formula be utilized to set rates for 2005, 2006 and 2007. The PUB ordered Newfoundland Power to move to the Asset Rate Base method for determining rate base and beginning in 2003 include average deferred charges in rate base. For 2003, the PUB determined a rate of return on rate base of 8.96 per cent within a range of 8.78 per cent to 9.14 per cent to reflect an allowed return on equity of 9.75 per cent.

The June 20, 2003 Order resulted in a 0.15 per cent decrease in rates effective August 1, 2003 and a rebate to customers of $2.7 million. In addition to the rebate, the Order also returned $944,000 of excess revenue made available through operating efficiencies and a tax refund in 2001. The total refund to customers including taxes was $4.2 million.

On May 21, 2003, Newfoundland Hydro applied to the PUB to increase rates charged to Newfoundland Power and its other customers. If the application is approved, it will result in a 12.0 per cent increase to Newfoundland Power or approximately 6.5 per cent to Newfoundland Power customers. The application also included proposals to change the energy only rate charged to Newfoundland Power to a demand energy rate and to make modifications to the Rate Stabilization Account to deal with the continued growing deficit balance in the account. Newfoundland Power intervened during the proceedings and presented evidence. The PUB is expected to issue an order in the first half of 2004.

Income Taxes

In 1995, CRA issued notices of reassessment to Newfoundland Power for the years 1988 to 1993. Newfoundland Power filed notices of objection in 1995 and paid $15.6 million to CRA, which represented one-half of the amounts in dispute. These notices dealt with two major issues.

Firstly, CRA disallowed certain amounts capitalized by Newfoundland Power for regulatory and accounting purposes but claimed as expenses for tax purposes (the "GEC issue"). This issue was subsequently resolved in May 2000 and, as a result, Newfoundland Power received a refund of $8.8 million from CRA including $6.8 million in interest.

Secondly, the reassessments included in income the value of electricity consumed in December 1993 but not billed until January 1994 (the "unbilled revenue issue"). Newfoundland Power's practice is to recognize and record revenue on the billed basis in accordance with regulatory requirements. In May 2000, CRA reaffirmed its position with regard to the unbilled revenue issue. Newfoundland Power filed notices of objection with CRA and continued to make representations to CRA in support of its position. In October 2002, Newfoundland Power received a Notification of Confirmation from the Minister of Revenue confirming that the 1993 income tax assessment was made in accordance with the provisions of the *Income Tax Act (Canada)*. In December 2002, Newfoundland Power filed an appeal to the Tax Court of Canada.

Newfoundland Power believes that it has reported its tax position appropriately. However, should Newfoundland Power be unsuccessful, a liability of approximately $15.5 million representing income tax and interest thereon as of December 31, 2003 would arise. An application by Newfoundland Power to the PUB to have the liability considered in the rate making process will be made should this occur.

Newfoundland Power records deferred income taxes in accordance with PUB orders. The method used results in deferred taxes being recorded only on certain differences between the books of account and the tax return. As a result, the effective tax rate is subject to fluctuation. In 2003, the effective tax rate was 33.2 per cent, down from the 35.8 per cent reported in 2002. The effective tax rate is expected to remain in the 33 per cent range in the near term.

Human Resources

At December 31, 2003, Newfoundland Power had 601 regular employees of which 330 were members of bargaining units represented by the IBEW.

Newfoundland Power has two collective agreements with its union staff, one for craft employees and one for clerical employees. In December 2003, the Company reached tentative agreements with both groups. A vote by membership in January 2004 resulted in the clerical group accepting their agreement and the craft group rejecting their agreement. The conciliation process commenced with the craft bargaining unit and a tentative agreement was reached in mid-March. The conciliator's report was subsequently submitted to the Minister of Labour. The membership will begin voting on April 2, 2004 and the ballots will be counted on April 19, 2004. The tentative collective agreements currently provide for expiry on September 30, 2008. To date, Newfoundland Power has not experienced any material labour issues.

Environmental Matters

Newfoundland Power is subject to various federal, provincial and local laws and regulations pertaining to the environment, including those relating to the generation, storage, handling, disposal and emission of various substances and wastes.

Newfoundland Power is committed to meeting the requirements of all environmental legislation and to complying with all accepted standards of environmental protection. In addition, Newfoundland Power has created and implemented an environmental policy and related procedures, including emergency response procedures in the event of adverse environmental occurrences. Newfoundland Power conducts ongoing education programs for its employees to inform them of environmental issues and to encourage environmental responsibility.

In 2003, an independent certified environmental auditor conducted an audit of Newfoundland Power's EMS in accordance with the requirements of the ISO 14001 standard. This audit and follow-up action plans are some of the tools Newfoundland Power uses to make continual improvement to its EMS.

An annual surveillance audit of Newfoundland Power's EMS for its generation function was conducted by an ISO 14001 Registrar in 2003. Based on the results of this audit, the Registrar has renewed Newfoundland Power's ISO 14001 Registration for its generation function.

Newfoundland Power continued with its program to identify and replace distribution transformers at risk of spillage. In addition, oil, containing PCBs, continues to be removed from service and disposed of through a licenced PCB waste disposal company. Future PCB waste generated as a result of Newfoundland Power's PCB phase out and destruction program will be addressed on an ongoing basis.

Newfoundland Power is committed to operating in an environmentally responsible manner. Newfoundland Power continues to monitor its environmental compliance and to implement procedures and safeguards necessary to ensure ongoing compliance with environmental requirements, to prevent environmental problems to the extent reasonably possible and to address expeditiously any such problems that may arise.

Environmental laws and regulations had no material effect on the capital expenditures, earnings or competitive position of Newfoundland Power in 2003 and, based on current law, facts and circumstances, are not expected to have such effect in the future.

FortisOntario

Fortis' utility investments in Ontario comprised FortisOntario and its wholly owned subsidiaries Canadian Niagara Power, including the operations of Port Colborne Hydro, Cornwall Electric and Granite Power Generation. In total, its distribution operations serve approximately 51,100 customers in the Fort Erie, Port Colborne, Cornwall and Gananoque areas of Ontario and meets a peak demand of 256 MW. FortisOntario owns and operates the 75-MW Rankine Generating Station at Niagara Falls, the 5-MW District Heating cogeneration plant in Cornwall and six small hydroelectric generating stations with a combined capacity of approximately 8 MW. The Company owns international transmission facilities at Fort Erie, Ontario. FortisOntario also owns a ten per cent interest in each of Westario Power and Rideau St. Lawrence, two regional electric distribution companies formed in 2000 that, together, serve over 27,000 customers.

The following table provides an overview of FortisOntario's operations.

FortisOntario				
Distribution [1]				
Company	**Service Territory**	**Customers (#)**	**Peak Demand (MW)**	**Employees (#)**
Canadian Niagara Power	Fort Erie	15,100	58	58
Canadian Niagara Power	Port Colborne [2]	9,300	38	8
Cornwall Electric	Cornwall	22,900	143	50
Granite Power[3]	Gananoque	3,800	17	11
Total		**51,100**	**256**	**146** [4]
Generation				
Facility	**Location**	**Capacity (MW)**	**Generation Type**	
Rankine	Niagara Falls	74.6	Hydro	
Granite Power [5]	Rideau Canal, Gananoque, Ottawa	7.7	Hydro	
Cornwall District Heating	Cornwall	5.2	Gas/Cogeneration	
Total		**87.5**		

(1) FortisOntario also owns a ten per cent interest in each of Westario Power and Rideau St. Lawrence Power.
(2) FortisOntario signed a ten-year operating lease agreement with the City of Port Colborne in 2002.
(3) Granite Power Distribution was amalgamated with Canadian Niagara Power on January 1, 2004.
(4) Includes 19 employees in Corporate and Generation Operations.
(5) Includes six hydroelectric plants ranging in capacity from 0.1 to 2.4 MW.

Market and Sales

On April 14, 1999, FortisOntario became the first Ontario-based company to be awarded a licence by the FERC to market energy in the United States of America. The FERC licence provides FortisOntario with an alternative market for the sale of electricity should problems arise in the functioning of the wholesale market in Ontario.

Total consolidated energy sales for FortisOntario was 1,899 GWh in 2003 compared to 1,120 GWh in 2002. FortisOntario's revenue increased from $85.7 million in 2002 to $158.0 million in 2003. Acquisitions and the restructuring of the Ontario electricity market were the primary reasons for the increase. Prior to May 1, 2002, FortisOntario's generation output was first used to supply electricity directly to its distribution customers. The remaining generation was then sold into wholesale markets, primarily in New York. FortisOntario's unregulated generation business now sells the majority of its production entirely into the Ontario market and its regulated distribution business meets most of its sales requirements from power purchased from that market.

The following chart compares 2003 and 2002 revenues and energy sales by service territory:

	Revenue [1] $ million / per cent		Gigawatt Hour Sales[1] GWh / per cent	
	2003	**2002**	**2003**	**2002**
FortisOntario	**39.1/24.8**	28.1/32.8	**657/34.6**	553/49.4
Fort Erie	**34.2/21.7**	30.9/36.1	**285/15.0**	285/25.5
Port Colborne	**16.5/10.4**	13.8/16.1	**187/9.8**	146/13.0
Gananoque	**5.6/3.5**	-	**62/3.3**	-
Cornwall	**62.6/39.6**	12.9/15.0	**708/37.3**	136/12.1
Total	**158.0/100**	85.7/100	**1,899/100**	1,120/100

(1) Revenue and Gigawatt-hour sales reflect 100 per cent of sales of Canadian Niagara Power and sales of Cornwall Electric, Port Colborne Hydro, Granite Power and Rideau Falls from the date of acquisition or date of lease.

The following chart compares 2003 and 2002 revenues and energy sales by customer class:

	Revenue [1] $ million / per cent		Gigawatt-Hour Sales[1] GWh / per cent	
	2003	**2002**	**2003**	**2002**
Residential	**50.0/31.6**	21.1/24.6	**517/27.2**	199/17.8
Commercial	**63.5/40.2**	33.1/38.7	**725/38.2**	363/32.4
Wholesale	**38.8/24.6**	27.1/31.6	**657/34.6**	553/49.3
Other[2]	**5.7/3.6**	4.4/5.1	**-**	5/0.5
Total	**158.0/100**	85.7/100	**1,899/100**	1,120/100

(1) Revenue and Gigawatt-hour sales reflect 100 per cent of sales of Canadian Niagara Power and sales of Cornwall Electric, Port Colborne Hydro, Granite Power and Rideau Falls from the date of acquisition or date of lease.
(2) Includes revenue from sources other than the sale of electricity.

Power Supply

Energy provided by a water and power exchange agreement with the Ontario Hydro successor company, OPGI, totaled 653 GWh in 2003. Under this agreement, water, which would otherwise be used at FortisOntario's Rankine Generating Station, is diverted to an OPGI plant where it can produce substantially more energy due to the relative locations on the Niagara River of the OPGI and FortisOntario facilities. FortisOntario receives energy from OPGI that is essentially equivalent to that which would have been generated at the Rankine Generating Station from the same water supply. The water agreement, formally entered into in 1971, is automatically renewed on a yearly basis unless terminated by written notice given by either party prior to the end of March in each year. FortisOntario believes the agreement provides significant economic advantages to each party and that its termination is unlikely. Negotiations are underway with OPGI to formalize this agreement until 2009.

FortisOntario's licence to divert water from the Niagara River will expire on April 30, 2009. Ontario's Lieutenant Governor in Council may, in its sole discretion, extend this licence for a further 20-year term.

Canadian Niagara Power purchases its power requirements for Fort Erie and Port Colborne from the IMO. Under the Standard Supply Code of the Ontario Energy Board, Canadian Niagara Power is obliged to supply all its customers who have not signed a contract with a retailer. The power is supplied at market prices with no mark-up. As of December 31, 2003, designated customers and low volume customers with annual usage less than 250,000 kWh receive this power at 4.3 cents per kWh. Effective April 1, 2004, a two-block pricing regime will be implemented for all customers who currently get the 4.3 cent rate. The first 750 kWh per month will be priced at 4.7 cents and any consumption above that amount will be priced at 5.5 cents. Any difference between this price and the market price is settled with the IMO. Power requirements for Gananoque are met through 15 per cent of power purchase from Granite Power Generation at market prices and 85 per cent of power purchases from Hydro One Networks Inc. at market prices. The power is supplied at market prices with no mark-up. As of December 31, 2003, customers with annual usage less than 250,000 kWh receive this power at 4.3 cents per kWh. Any difference between this price and the market price is settled with Hydro One Networks.

Cornwall Electric purchases 95 per cent of its power requirements from Hydro Quebec under two fixed term contracts. The first contract, which represents around 40 per cent of the power supply, expires in 2019. The second contract, which supplies the remainder of the power from Hydro Quebec, is a twelve-month rolling contract. The CDH plant generates the remaining five per cent of the power requirement in Cornwall.

Regulation

Canadian Niagara Power was historically subject to minimal regulation in connection with its energy activities and was not subject to any form of rate regulation, other than under a franchise agreement with the Town of Fort Erie. Under Ontario's *Electricity Act* and the *Ontario Energy Board Act*, (collectively the "*Acts*") Canadian Niagara Power is now subject to the same regulation as all distributors and transmitters of electricity in Ontario.

As a result of regulatory changes implemented on May 1, 2002, FortisOntario restructured and continued to operate its generation business separate from its transmission and distribution businesses. Its transmission and distribution business operates under Canadian Niagara Power, a wholly owned subsidiary of FortisOntario. Distribution and transmission assets remain regulated on a cost of service basis.

On December 9, 2002, the Ontario government enacted Bill 210, the *Electricity Pricing, Conservation and Supply Act, 2002,* which introduced a 4.3 cent per kWh retail commodity price cap for low volume and designated customers and implemented a freeze on transmission and distribution rate increases until May 1, 2006. During the period of the rate freeze, the Ontario government subsidized the difference between the competitive wholesale price paid to generators and the fixed commodity price charged to low volume customers.

Currently, the transmission rates and Fort Erie distribution rates have been set based on a 9.88 per cent return on equity. Port Colborne distribution has implemented two-thirds of a phase-in of rates to the 9.88 per cent return and currently charges rates based on a 6.91 per cent rate of return. Gananoque has fully implemented its distribution rates based on a 9.88 per cent return on equity.

On December 18, 2003, Bill 4, the *Ontario Energy Board Amendment Act, 2003* was passed into law. This legislation replaced the 4.3 cent commodity price cap with a two-tiered pricing structure to be implemented April 1, 2004. At that time, low volume and designated customers who are currently capped at 4.3 cents per kWh will pay 4.7 cents for the first 750 kWh of electricity consumed each month, while electricity consumed in excess of this ceiling will be priced at 5.5 cents per kWh. Additionally, electricity distributors will be allowed to begin to recover a portion of the distribution costs incurred in preparing for the introduction of competition in the Ontario electricity market in May 2002. Starting April 1, 2004, these costs can be recovered over a four-year period. Local distribution companies, such as Canadian Niagara Power, are regulated by the Ontario Energy Board. Distribution charges represent less than 20 per cent of an average monthly electricity bill, yet local distributors are responsible for collecting the remaining 80 per cent of the electricity bill which includes fees paid to the IMO, transmitters, generators and provincial stranded debt.

Cornwall Electric has been given legislative exemption from many aspects of the *Acts* and is instead subject to a 35-year Franchise Agreement with the City of Cornwall, dated July 31, 1998. Rates under the Franchise Agreement are determined based on the aggregate of a flow-through of the contracted cost of power and a revenue requirement for other operating costs. The revenue requirement is reset each year based on a formula including adjustments for inflation, load growth and customer growth.

The *National Energy Board Act* (Canada) provides that a permit is required for the export of electricity to the United States. FortisOntario holds all necessary permits for the sale and export of electricity to the United States and is licenced by FERC to sell electricity at market rates to utilities in the United States

Human Resources

At December 31, 2003, FortisOntario had 146 employees, of which 54 were represented by the IBEW, Local 636 in the Niagara Region, five were represented by the IBEW, Local 636 in Gananoque and 36 were represented by the Canadian Union of Public Employees, Local 1371. The collective agreements governing these employees expire on May 31, 2006, July 31, 2006 and April 30, 2005, respectively.

Environmental Matters

FortisOntario is subject to environmental regulation under various federal, provincial and local laws and regulations including those relating to the generation, storage, handling, disposal and emission of various substances and wastes. FortisOntario conducts its operations with a view to complying with all applicable federal, provincial and local environmental laws and regulations. Environmental policies and procedures are reviewed periodically and are updated as required. New procedures are developed as required and employees affected by the new or updated procedures receive appropriate training. Environmental laws and regulations had no material effect on the capital expenditures, earnings or competitive position of FortisOntario in 2003 and, based on current laws, facts and circumstances, are not expected to have such an effect in the future.

Maritime Electric

Maritime Electric is the primary distributor of electricity in the Province of Prince Edward Island, operating an integrated system providing for the generation, transmission and distribution of electricity throughout the Island. Maritime Electric provides service directly to approximately 69,000 customers or just over 90 per cent of the electrical consumers in the Province. While Maritime Electric owns and operates generating plants in Charlottetown and Borden-Carleton, PEI, it purchases almost all of the energy it distributes to its customers from NB Power and Emera under various contracts and entitlement agreements. Maritime Electric's energy delivery system is linked to the mainland power grid by two submarine cables between PEI and New Brunswick, which are leased from the Government of Prince Edward Island.

Maritime Electric also owns 100 per cent of the common shares of FortisUS Energy, which operates four hydroelectric generating stations in the State of New York. These four hydroelectric plants have a combined generating capacity of 23 MW.

Market and Sales

Maritime Electric serves residential, commercial and industrial electricity consumers. Energy sales on PEI were 958 GWh in 2003, a 2.2 GWh increase over energy sales of 937 GWh in 2002. Energy sales for FortisUS Energy were 86 GWh compared to 82 GWh in 2002. Consolidated revenue for 2003 was $100.9 million, 5.1 per cent increase from 2002 revenue of $96.0 million.

The following chart compares 2003 and 2002 operating revenues and energy on Prince Edward Island:

	Revenue (1) $ million / per cent		**Gigawatt Hour Sales (1) GWh / per cent**	
	2003	**2002**	**2003**	**2002**
Residential	**44.7/46.5**	42.7/46.3	**397/41.4**	382/40.7
Commercial	**47.2/49.0**	47.2/51.1	**555/58.0**	550/58.7
Street Lighting	**1.3/1.3**	1.2/1.3	**6/0.6**	5/0.6
Other (2)	**3.1/3.2**	1.2/1.3	**-**	-
Total	**96.3/100**	92.3/100	**958/100**	937/100

(1) Excludes FortisUS Energy sales.
(2) Includes revenue from sources other than from the sale of electricity.

Maritime Electric's wholly owned subsidiary, FortisUS Energy, produced 86 GWh in 2003 compared to 82 GWh last year. In 2003, total revenue was $4.6 million compared to $3.7 million last year. In 2003, higher than anticipated unit prices for electricity positively impacted revenue. Approximately 30 per cent of the energy sales to National Grid USA are under fixed-price contracts, expiring in 2006, and the remaining energy sales are at market prices.

Energy Supply

Maritime Electric currently meets its energy supply requirements through purchases from NB Power and Emera with the balance supplied from on-Island generation facilities. In 2003, Maritime Electric purchased 988.3 GWh of the 1,039.9 GWh required to meet its customers' needs from NB Power and Emera. The balance was met through the Company's on-Island generation and the purchase of 20.1 GWh of wind energy produced on PEI. Maritime Electric's generation facilities have a total installed capacity of approximately 100 MW. Its oil-fired steam plant and gas turbines have a total capacity of 60 MW and 40 MW, respectively. This capacity is currently used primarily for peaking and emergency purposes.

In excess of 30 per cent of the energy that Maritime Electric purchases from NB Power comes from the Point Lepreau Station. During 2003, the Point Lepreau Station had an annual capacity factor of 85.5 per cent compared to 67.9 per cent in 2002.

During 1998, NB Power announced the results of an independent audit of the Point Lepreau Station, which concluded that its remaining life was less than the estimate that had been used by NB Power for the purposes of calculating depreciation. Accordingly, the consultant and NB Power's external auditors recommended that NB Power reduce the Point Lepreau Station's net book value by $450 million. Maritime Electric's obligations in respect of the Station Unit Participation Agreement required a payment of approximately $6.0 million in 2001, which is being amortized over the estimated life of the Point Lepreau Station.

It is anticipated that future energy prices will gravitate towards prices in the New England market, which are influenced by natural gas-fired generation. For this reason, Maritime Electric believes that off-Island energy purchases must be reduced and is actively investigating the feasibility of on-Island gas-fired generation with the PEI Government.

In June 2003, Maritime Electric's Board of Directors approved the construction of a 50-MW gas turbine at a cost of approximately $35 million. This unit, which will be capable of running on light oil or natural gas, will be used for peaking purposes and will help address the loading issues on the submarine cable.

Regulation

Since 1994, Maritime Electric has been regulated by the *Maritime Electric Company Limited Regulation Act*, (Prince Edward Island). This legislation eliminated the traditional cost of service form of regulation and replaced it with a form of price cap regulation under which the rates charged by Maritime Electric decreased by one per cent every six months until the rates reached the required level of not more than 110 per cent of the rates charged by NB Power for equivalent service to New Brunswick consumers.

Legislative changes proclaimed in October 2001 provided Maritime Electric with the ability to recover, from customers, 90 per cent of energy related costs above $0.05 per kWh. In addition, the legislation provided for a further adjustment to rates to bring Maritime Electric’s return on average common equity 75 per cent of the way towards a target return of 11.0 per cent on average common equity. These adjustments helped reduce Maritime Electric’s exposure to increases in energy related costs and provide earnings stability.

Maritime Electric's governing legislation also provided that system reliability must not be less than the average annual levels achieved during the period from 1990 through 1993. System reliability has consistently exceeded this target. Maritime Electric's customers experienced 1.74 hours of interrupted service in 2003 compared with the legislated benchmark of 5.42 hours per year.

The *Maritime Electric Company Limited Regulation Act* required the Company to maintain at least 40 per cent of its capital structure in the form of common equity. At December 31, 2003, the common equity component of the Company’s capital structure was 42.7 per cent compared to 39.6 per cent in 2002. Effective April 1, 2003, the Company increased its electricity rates by 13.34 per cent.

In December 2003, the Government of PEI passed legislation returning Maritime Electric to traditional cost of service regulation. Under this new regime, rates on PEI will no longer be linked to rates in New Brunswick but will be based on the costs incurred to provide service on PEI. Maritime Electric believes that this change will result in more certainty and predictability and ultimately a more stable regulatory environment. On January 1, 2004, the *Maritime Electric Company Limited Regulation Act* was repealed and Maritime Electric is now regulated by the Island Regulatory and Appeals Commission under the provisions of the *Electric Power Act*.

Human Resources

At December 31, 2003, Maritime Electric and FortisUS Energy had 179 full-time employees, of which 126 Maritime Electric employees were represented by the IBEW, Local 1432. The collective agreement governing these employees expires on December 31, 2004.

Environmental Matters

Maritime Electric is subject to environmental regulation under various federal, provincial and local laws and regulations including those relating to the generation, storage, handling, disposal and emission of various substances and wastes. Maritime Electric conducts its operations with a view to complying with all applicable federal, provincial and local environmental laws and regulations. Environmental policies and procedures are reviewed periodically and are updated as required. New procedures are developed as required and employees affected by the new or updated procedures receive appropriate training.

During 2003, Maritime Electric continued its program of environmental audits and site assessments on selected properties. Environmental laws and regulations had no material effect on the capital expenditures, earnings or competitive position of Maritime Electric in 2003 and, based on current laws, facts and circumstances, are not expected to have a material effect in the future.

BECOL

BECOL was incorporated under the laws of Belize in 1991 with Dominion Energy Central America Inc., a wholly owned subsidiary of Dominion Energy Inc. of Virginia (USA) owning 95 per cent of the ordinary shares and the remaining five per cent owned by the Social Security Board of Belize, a statutory body controlled by the Government of Belize. In November 1999, Dominion Energy sold all its interest in BECOL to Duke Energy International, which in turn sold this interest to Fortis in January 2001.

BECOL was originally formed to develop and manage the hydroelectric potential of the Macal River in Western Belize. The first project undertaken by BECOL was the 25-MW, run-of-river hydroelectric plant at Mollejon and a 115 kV transmission line which was later sold to Belize Electricity. The Mollejon project was developed under a build, own, operate and transfer arrangement with the Government of Belize. The plant was commissioned with all units operational in November 1995 and began commercial operations in April 1996, selling all of its output to Belize Electricity. BECOL currently employs 18 full time personnel, none of whom are participants in collective agreements.

BECOL is an unregulated power producer and operates under a set of agreements with the Government of Belize and Belize Electricity including a 50-year Power Purchase Agreement and a Franchise Agreement. Under these agreements, the Mollejon Plant will be transferred to the Government of Belize in 2037 after which it is to be leased by BECOL for a further 15 years. The Franchise Agreement grants BECOL the right to use the water in the Macal River, upstream of the Mollejon plant, for hydroelectric generation. The Government of Belize has agreed not to grant any rights, or take any action that would impede the amount or quality of water flow on the upper Macal River. BECOL was afforded full duty-free and tax-free status and the Government warrants that there is no limitation upon the repatriation or free exchange of funds.

BECOL commenced construction of the Chalillo Project in May 2003 following approval by the PUC. The US$30 million development is an upstream storage and hydroelectric generating facility that is expected to increase BECOL's energy production from an average of 80 GWh to 170 GWh. Construction, which had been delayed by a series of legal challenges by an environmental group, is scheduled for completion by mid-2005.

Environmental Matters

BECOL is a leader in environmental management in Belize, and made its operations compliant with the ISO 14001 international environmental standards in 2002. Regular audits by external environmental auditors are planned to ensure continued compliance.

Belize Electricity

Belize Electricity is the primary commercial generator, transmitter and distributor of electricity in Belize, Central America. Serving over 63,000 customers, Belize Electricity meets a peak demand of 57 MW from multiple sources, which include power purchases from the Mollejon hydroelectric facility, from CFE, the Mexican state-owned power company and from its own diesel-fired generation and gas turbine. All major load centers are connected to Belize's national electricity system, which, in turn is connected to the Mexican electricity system, allowing Belize Electricity to optimize its power supply options.

Market and Sales

Annual energy sales increased 10.3 per cent to 308 GWh in 2003 compared to 279 GWh in 2002. Revenue was BZ$105.0 million in 2003 compared to BZ$99.0 million in 2002.

The following chart compares 2003 and 2002 revenue and energy sales.

	Revenue BZ$ million / per cent		**Gigawatt Hour Sales GWh / per cent**	
	2003	**2002**	**2003**	**2002**
Residential	**57.3/54.6**	55.4/56.0	**176/57.2**	159/57.1
Commercial [1]	**35.0/33.4**	32.1/32.4	**109/35.4**	99/35.3
Street Lighting	**9.1/8.6**	8.5/8.6	**23/7.4**	21/7.6
Other [2]	**3.6/3.4**	3.0/3.0	**-**	-
Total	**105.0/100**	99.0/100	**308/100**	279/100

(1) Includes revenue sources classified as commercial, industrial and Government of Belize.
(2) Includes revenue from sources other than from the sale of electricity.

Economic growth in the commercial sector mainly in the aquaculture and tourism segments and sales derived from the rural electrification program and a recent housing boom positively impacted sales.

Power Supply

Belize Electricity purchased and produced 348 GWh of electricity in 2003. Belize Electricity purchased 61 GWh from the Mollejon hydroelectric facility and 189 GWh from CFE. The balance, or 98 GWh, was produced by the Belize Electricity's diesel-fired generation, which has an installed capacity of 49 MW inclusive of a 22-MW gas turbine generating facility commissioned in July 2003.

The Power III Project, a multi-year project that is being implemented in partnership with the Government of Belize, continued to extend first-time power and street lighting to many rural areas in Belize. During 2003, 25 miles of distribution lines were installed making service available to more than 18,209 housing lots. Significant progress was made with the Power IV Project, which aims to connect isolated load centers in southern Belize to the national grid. At December 31, 2003, 94 per cent of the transmission line to the southernmost town in the country was completed. The project, when completed, will enable Belize Electricity to close two of its last three remaining isolated diesel plants.

With Belize Electricity experiencing annual growth in energy demand of between 8 to 10 per cent in recent years, the Company continues to face opportunities to increase generation supply to improve its ability to meet peak power demand and have back-up capacity in case of loss of supply from any of the three main sources. In July 2003, Belize Electricity commissioned a 22-MW gas turbine generating station. During 2003, Belize Electricity signed a Power Purchase agreement with Hydro Maya, a 2.8-MW hydroelectric operation in the southern part of the country. This facility is scheduled to come on line by January 2006.

Regulation

Belize Electricity is regulated by the PUC under the terms of an amendment to the *Electricity Act* and the *Public Utilities Commission Act* of *1999.* In 1999, the *Electricity Act* was amended to establish a new regulatory framework including the formation of the PUC. The amendments to the *Electricity Act* introduced new and transparent tariff setting methodologies and established new reliability and service standards. The regulatory structure provides incentive to Belize Electricity to provide customers with reliable power and quality service and to manage the electricity delivery process as efficiently as possible.

Effective January 1, 2000, the PUC established the CPRSA. The account is designed to normalize changes in the price of electricity due to fluctuating fuel costs. It will stabilize electricity rates for consumers while providing Belize Electricity with a mechanism that permits, over time, the full recovery of its cost of electricity. Effective July 1, 2002, the HCRSA was also established to normalize hurricane reconstruction cost impacts on customers.

Belize Electricity's licence to generate, transmit and supply electricity in Belize expires in 2015. Under the terms of the licence, Belize Electricity has the right of first refusal on any subsequent licence. If the licence is not renewed for any reason, Belize Electricity will be entitled to receive, upon the transfer of its electric utility assets to a new operator, the greater of market value or 120 per cent of the net book value of these assets.

The PUC has approved by-laws that govern the tariffs, rates and charges for the transmission and supply of electricity. The by-laws also govern quality of service standards for existing and new services. These by-laws mandate a BZ$0.05 per kWh decrease in electricity rates for the period 2000 through 2005. The quality of service standards will be monitored and formalized over a transition period from January 1, 2000 through June 30, 2005 and will become effective July 1, 2005. Rates have been reduced by BZ$0.04 per kWh, in total, since Fortis acquired the Company in October 1999. These decreases in rates are part of Fortis' commitment to reduce rates by BZ$0.05 per kWh over a five-year period.

Human Resources

At December 31, 2003, Belize Electricity had 242 full-time employees, of which 127 were represented by the Belize Energy Workers Union. Belize Electricity's collective agreement with the Union was signed on November 29, 2000 and is to be reviewed every five years.

Environment

As part of its ongoing commitment to fully comply with internationally acceptable environmental standards, Belize Electricity focused environmental initiatives on generating plants still in operation in 2003. An environmental plan was implemented in the latter part of 2003 aimed at making Belize Electricity's generation operations ISO 14001 compliant within three years.

Environmental laws and regulations had no material effect on the capital expenditures, earnings or competitive position of Belize Electricity in 2003 and, based on current law, facts and circumstances, are not expected to have a material effect in the future.

Caribbean Utilities

Caribbean Utilities operates the only public electric utility on the Island of Grand Cayman, Cayman Islands. Caribbean Utilities serves approximately 20,000 customers with installed capacity of 123 MW and meets a peak load of 79 MW. The aggregate annual energy sold by Caribbean Utilities was 429 GWh for the fiscal year ended April 30, 2003.

Fortis acquired its original interest in Caribbean Utilities in March 2000 when it purchased 4,750,000 shares representing an approximately 20 per cent interest. Fortis entered into a Shareholder Agreement with Caribbean Utilities' major shareholder whereby Fortis was granted a right of first refusal on that shareholder's 32 per cent interest in Caribbean Utilities. Fortis also entered into a Standstill Agreement that would limit the number of additional shares Fortis could purchase in Caribbean Utilities.

On July 12, 2001, the Corporation acquired 25,000 Class A Ordinary Shares of Caribbean Utilities, from market, for a cash purchase price of US$11.00 per share. Fortis increased its interest in the first quarter of 2002 by approximately two per cent when it purchased 662,700 Class A Ordinary Shares through multiple transactions. On January 30, 2003, Fortis acquired an additional 3,863,695 Class A Ordinary Shares, approximately 15.9 per cent of the outstanding Class A Ordinary Shares at that time. Following these purchases, Fortis beneficially owns 9,301,395 Class A Ordinary Shares, or approximately 38 per cent of the outstanding Class A Ordinary Shares.

Under a new Standstill Agreement that will expire on March 3, 2008, Caribbean Utilities has agreed to nominate four Fortis nominees for election to the Caribbean Utilities Board of Directors and in turn, Fortis has agreed not to vote its Class A Ordinary Shares against Caribbean Utilities' management nominees to the Caribbean Utilities Board of Directors. Caribbean Utilities has also granted Fortis a pre-emptive right to participate in any subsequent issuances of voting securities (other than under existing share issuance plans and compensation arrangements) so as to permit Fortis to maintain its proportionate interest in Caribbean Utilities.

Effective January 30, 2003, with the increase in voting control to 38 per cent and four nominees to the Board of Directors, Fortis is now accounting for this investment on the equity basis of accounting. Previously, Fortis accounted for this investment on the cost basis whereby only dividend income received from Caribbean Utilities was included in Fortis' income.

Regulation

Caribbean Utilities operates the only public electric utility on the Island of Grand Cayman, Cayman Islands pursuant to a 25-year exclusive licence, expiring in 2011. Under the terms of the licence, Caribbean Utilities is permitted to earn a rate of return on rate base of 15 per cent and is permitted to flow through fuel costs to customers. Caribbean Utilities submitted a proposal in July 2002 to extend its current licence and replace the 15 per cent return on rate base mechanism for adjusting consumer rates with a price cap mechanism. Under the formula, electricity rates would be tied to published inflation indices with fuel costs, regulatory costs and government levies as flow through recoveries. Management of Caribbean Utilities is currently negotiating the proposal with the Government and the existing licence will remain in effect until such time as an agreement is reached.

Human Resources

Caribbean Utilities has approximately 217 non-unionized, full-time employees. Approximately 58 per cent of the employees are shareholders in Caribbean Utilities, and an Employee Share Purchase Plan exists to encourage employee ownership of Class A Ordinary Shares.

Environmental Matters

Caribbean Utilities' believes that Caribbean Utilities conforms to all Cayman Islands planning regulations. There are environmental risks associated with Caribbean Utilities' operations, such as risks involved in the storage and handling of diesel fuel and emissions resulting from the burning of such fuel and the disposal of waste oil. Although environmental regulations in the Cayman Islands are less onerous than those in force in North America, Caribbean Utilities' believes it acts responsibly in environmental matters and continues to monitor its operations in this regard.

Caribbean Utilities continues to promote its Energy Smart program with the objective of educating its customers about energy efficiency and conservation at home and in the workplace. Caribbean Utilities has identified three areas of environmental priority as a result of previous and ongoing studies and investigations: exhaust emissions, oily waste and noise levels. Caribbean Utilities' commitment to environmental responsibility is also demonstrated in its ISO certification plans. Caribbean Utilities has implemented ISO 14001 environmental management system and expects to receive certification by May 2004.

Central Newfoundland Energy

Central Newfoundland Energy, a non-regulated, wholly owned subsidiary of Fortis, holds a 51 per cent interest in the Exploits Partnership Project with Abitibi-Consolidated. The Exploits Partnership was established in 2001 to develop additional capacity at Abitibi-Consolidated's hydroelectric generating plant at Grand Falls-Windsor and to redevelop the forestry company's 50-hertz hydroelectric generating plant at Bishop's Falls, in central Newfoundland, to increase annual energy production by approximately 140 GWh.

The $65 million Exploits Partnership Project was completed in November 2003 and commenced operations thereafter. Safety and environment were key elements in project planning and were closely monitored throughout the construction process. Abitibi-Consolidated continues to use the historical annual generation while the additional energy of approximately 140 GWh, as a result of the Project, is sold to Newfoundland Hydro under a 25-year take-or-pay power purchase agreement, which is exempt from regulation.

Fortis Properties

Fortis Properties is a leading owner/operator of real estate and hotel properties throughout Atlantic Canada. Fortis Properties also owns hotel properties in Ontario. As a wholly owned subsidiary of Fortis, Fortis Properties is a vehicle for diversification and growth outside the electric utility business. In 2003, Fortis Properties derived approximately 45 per cent of its revenue from real estate operations and 55 per cent of its revenue from hotel operations. Fortis Properties derived approximately 64 per cent of its operating earnings from real estate operations and 36 per cent of its operating earnings from hotel operations.

Real Estate Division

Fortis Properties real estate division posted strong results in 2003. Anchored by high quality tenants with long-term leases, strong retention of tenants enabled the division to end the year with 94.5 per cent occupancy, compared to 94.2 per cent in 2002. Rental rates remained stable during the year. In contrast, the national office occupancy was approximately 86.4 per cent at the end of 2003, a reduction of 1.7 per cent from last year. The softness experienced in the national market is due to the negative world events that occurred during the year. Market supply remained stable, with new construction limited to suburban markets, and development dependant upon pre-leased buildings.

The following chart sets out the office and retail properties currently owned by Fortis Properties, in each case as legal and beneficial owner:

Property	Location	Type of Property	Gross Lease Area (square feet)
Fort William Building	St. John’s, NL	Office	188,170
Cabot Place I	St. John’s, NL	Office	133,327
TD Place	St. John’s, NL	Office	93,019
Fortis Building	St. John’s, NL	Office	82,325
Multiple Office	St. John’s, NL	Office and Retail	69,613
Millbrook Mall	Corner Brook, NL	Retail	121,936
Fraser Mall	Gander, NL	Retail	101,591
Marystown Mall	Marystown, NL	Retail	86,891
Fortis Tower	Corner Brook, NL	Office	70,245
Viking Mall	St. Anthony, NL	Retail	64,872
Maritime Centre	Halifax, NS	Office and Retail	560,197
Brunswick Square	Saint John, NB	Office and Retail	511,032
Kings Place	Fredericton, NB	Office and Retail	290,661
Blue Cross Centre	Moncton, NB	Office and Retail	265,661

Hospitality Division

Fortis Properties’ Hospitality Division achieved improvements in both occupancy and room rates in 2003. Average occupancy improved to 64.6 per cent from 62.2 per cent in 2002, while the average daily rate increased significantly to $108.32 compared to $99.66 in 2002. These improvements resulted in RevPar increasing for the eighth consecutive year to $69.98, a 13 per cent increase over last year. These achievements were realized during a year of unprecedented challenges. The SARS outbreak, the war in Iraq, and the rising Canadian dollar imposed uncertainty throughout the hospitality and travel industry.

During the year, Fortis Properties expanded its hotel portfolio from eight to twelve with the purchase of four hotels in Ontario. Acquired for the purchase price of $43.2 million, these hotels are located in Sarnia, Kitchener, Cambridge and Peterborough. The Ontario acquisition expanded Fortis Properties’ hotel portfolio to approximately 2,100 rooms.

The hotel properties owned and managed by Fortis Properties are summarized as follows:

Hotels	Location	Number of Guest Rooms	Conference Facilities (square feet)
Delta St. John's	St. John's, NL	276	18,000
Holiday Inn St. John's	St. John's, NL	250	11,000
Mount Peyton	Grand Falls-Windsor, NL	150	4,433
Holiday Inn Corner Brook	Corner Brook, NL	101	4,932
Four Points by Sheraton	Halifax, NS	177	5,500
Days Inn Sydney	Sydney, NS	165	1,000
Delta Sydney	Sydney, NS	152	6,265
Delta Brunswick	Saint John, NB	255	12,776
Holiday Inn Kitchener	Kitchener-Waterloo, ON	183	7,797
Holiday Inn Peterborough	Peterborough, ON	153	6,600
Holiday Inn Sarnia	Point Edward, ON	151	8,400
Holiday Inn Cambridge	Cambridge, ON	143	5,828

Human Resources

At December 31, 2003, Fortis Properties employed over 1,300 employees, of which 479 were represented by the following unions:

Property	Union	Expiry of Agreement	Number of Unionized Employees
Holiday Inn St. John's	CAW	August 31, 2006	53
Delta St. John's	UFCW	December 31, 2006	163
Holiday Inn Corner Brook	CAW	March 11, 2004[(1)]	57
East Side Mario's	CAW	July 31, 2004	87
Days Inn Sydney	HERE	December 31, 2004	37
Delta Sydney	CAW	September 30, 2005	82
Total			**479**

(1) Negotiations are currently ongoing.

Environmental Matters

Fortis Properties is committed to meeting the requirements of environmental standards related to its business operations. In assessing new properties, all buildings and hotels must meet environmental standards. This process is also applied to existing properties, ensuring environmental compliancy of all facilities.

Environmental laws and regulations had no material effect on the capital expenditures, earnings or competitive position of Fortis Properties in 2003.

FORTIS INC.
SELECTED CONSOLIDATED FINANCIAL INFORMATION
Three-Year Summary (Audited)

	For Year Ended December 31 (in $ millions except per share amounts)		
	2003	**2002**	**2001[(1)]**
Operating Revenue [(2)]	843,080	715,465	628,254
Earnings before non-controlling interest and discontinued operations	81,451	67,481	56,738
Earnings before discontinued operations	73,630	63,252	52,876
Earnings applicable to Common Shares	73,630	63,252	53,597
Total assets	2,210,581	1,986,999	1,624,752
Long-term debt (net of current portion)	1,031,358	940,910	746,092
Non-controlling interest	36,770	39,955	36,419
Preference Shares	122,992	-[(3)]	50,000
Common shareholders' equity	614,665	585,843	449,519
Earnings per Common Share before discontinued operations	4.25	3.89	3.55
Earnings per Common Share	4.25	3.89	3.60
Diluted earnings per Common Share before discontinued operations	4.10	3.85	3.54
Diluted earnings per Common Share	4.10	3.85	3.59
Dividends paid per Common Share	2.08	1.94	1.87
Dividends paid per Preferred Share	0.6766	1.4916[(3)]	1.4875

(1) Comparative 2001 results have been restated to reflect the adoption of the Canadian Institute of Chartered Accountants' recommendations on accounting for foreign exchange gains and losses.
(2) Operating revenue reflects weather-adjusted values related to Newfoundland Power's Weather Normalization Reserve.
(3) The $50 million First Preference Shares, Series B were redeemed in December 2002.

Quarterly Revenue and Earnings (Unaudited)
(in $ millions except per share amounts))

Quarter ended	Operating Revenue	Earnings before Non-controlling interest	Earnings applicable to Common Shares	
			Aggregate	Per Share
March 31, 2002	182,755	15,745	14,994	0.99
June 30, 2002	166,565	17,575	16,545	1.05
September 30, 2002	169,927	19,452	17,989	1.05
December 31, 2002	196,218	14,709	13,724	0.80
March 31, 2003	235,429	20,610	19,960	1.15
June 30, 2003	205,582	22,330	20,796	1.20
September 30, 2003	191,445	20,901	18,114	1.05
December 31, 2003	210,624	17,611	14,760	0.85

DIVIDEND POLICY

Dividends on Common Shares of Fortis are declared at the discretion of the Board of Directors. Fortis paid cash dividends on its Common Shares of $2.08 in 2003, $1.94 in 2002, and $1.87 in 2001. On December 11, 2003, the Board of Directors increased the regular quarterly dividend to $0.54, payable March 1, 2004.

In October 2000, Fortis issued $100 million of 7.4 per cent Senior Unsecured Debentures due October 2010. The trust deed pertaining to the issue of such debentures contains a covenant which provides that Fortis shall not declare or pay any dividends (other than stock dividends or cumulative preferred dividends on preferred shares not issued as stock dividends) or make any other distribution on its shares if, immediately thereafter, its consolidated funded obligations would be in excess of 75 per cent of its total consolidated capitalization.

In June 2003, Fortis issued 5,000,000 Cumulative Redeemable Convertible First Preference Shares, Series C for gross proceeds of $125 million. The Preference Shares are entitled to fixed cumulative preferential cash dividends at a rate of $1.3625 per share per annum. On or after June 10, 2010, Fortis may, at its option, redeem for cash the Preference Shares, in whole at any time or in part from time to time, at $25.75 per share if redeemed before June 1, 2011, at $25.50 per share if redeemed on or after June 1, 2011 but before June 1, 2012, at $25.25 per share if redeemed on or after June 1, 2013 plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

In October 2003, Fortis issued 6,310,000 Subscription Receipts at $55.50 each for gross proceeds of $350,205,000. The gross proceeds of the Subscription Receipts offering will be used, subsequent to receipt of all required approvals and satisfaction or waiver of applicable closing conditions, to finance a portion of the purchase consideration for the Alberta and British Columbia utility acquisitions. The gross proceeds from the sale of Subscription Receipts are held by an escrow agent pending, among other things, receipt of all regulatory and government approvals required to finalize the acquisition by Fortis of the Canadian regulated electricity assets of Aquila, Inc., and fulfillment or waiver of all other outstanding conditions precedent to closing the acquisition. Each Subscription Receipt entitles the holder thereof to receive, on satisfaction of the closing conditions referred to above, and without payment of additional consideration, one Common Share of Fortis and a cash payment equal to the dividends declared on Fortis' Common Shares during the period from October 8, 2003 to the date of issuance of the Common Shares in respect of the Subscription Receipts. In the event that the applicable closing conditions are not satisfied prior to June 30, 2004, or if either of the share purchase agreements relating to the acquisition is terminated prior to such time, the holders of Subscription Receipts will be entitled to receive an amount equal to the full subscription price thereof plus their pro rata share of the interest earned or income generated on such amount.

In January 2004, Fortis issued 8,000,000 First Preference Units. Each First Preference Unit consists of one Series D First Preference Share of the Corporation and one Series E First Preference Share Purchase Warrant. If the Corporation closes its acquisition of all the outstanding shares of Aquila Alberta and Aquila British Columbia by June 30, 2004, the holder of a Series D First Preference Share will have the right to convert on July 15, 2004, September 1, 2004 or December 1, 2004 such Series D First Preference Share into 0.25 of a Series E First Preference Share, provided such holder concurrently exercises one Warrant. Each Warrant will entitle the holder to acquire 0.75 of a Series E First Preference Share upon payment of $18.75 per Warrant. Consequently, each First Preference Unit will entitle the holder to obtain one fully paid and freely-tradable Series E First Preference Share in the event the acquisition closes by June 30, 2004. The Series D First Preference Shares and the Series E First Preference Shares, if issued, will initially yield 4.9 per cent per annum for a 12-year term.

MANAGEMENT DISCUSSION AND ANALYSIS

Reference is made to the Management Discussion and Analysis on pages 31 through 52 of the 2003 Annual Report to Shareholders, which pages are incorporated herein by reference.

MARKET FOR SECURITIES

The Corporation’s Common Shares, Series C First Preference Shares, Subscription Receipts and First Preference Units are listed on the Toronto Stock Exchange and trade under the ticker symbols FTS, FTS.PR.C, FTS.R and FTS.UN, respectively.

DIRECTORS AND OFFICERS

The following chart sets out the name and municipality of residence of each of the directors of Fortis and indicates the principal occupations within five preceding years. All directors are elected annually. In 1998, the Board of Directors adopted, as a policy, that directors would normally retire after a term of ten years or the year following their 70th birthday.

DIRECTORS

Name	Principal Occupations Within Five Preceding Years	Director Since
ANGUS A. BRUNEAU (1) (2) St. John's, Newfoundland and Labrador	Chair of the Corporation	1987
C. BRUCE CHAFE (1) St. John's, Newfoundland and Labrador	Corporate Director Mr. Chafe is a former senior partner of Deloitte & Touche, LLP. He retired from this position in 1997.	1997
DARRYL D. FRY (2) Osprey, Florida	Corporate Director Mr. Fry is the former Chairman and Chief Executive Officer of Cytec Industries. He retired from these positions in 1998 and 1999, respectively.	1998
GEOFFREY F. HYLAND (1) Alton, Ontario	Mr. Hyland is the President and Chief Executive Officer of ShawCor Ltd. (Formerly Shaw Industries Ltd.) and has held this position since 1995.	2001
LINDA L. INKPEN (2) St. Phillip's, Newfoundland and Labrador	Medical Practitioner	1994
H. STANLEY MARSHALL St. John's, Newfoundland and Labrador	President and Chief Executive Officer of the Corporation	1995
JOHN S. McCALLUM (1) Winnipeg, Manitoba	Dr. McCallum is a Professor of Finance in the Faculty of Management of the University of Manitoba in Winnipeg and has held this position since 1973.	2001
ROY P. RIDEOUT (2) Halifax, Nova Scotia	Corporate Director Mr. Rideout retired as Chairman and Chief Executive Officer of Clarke Inc. in October 2002. From 1993 until his appointment at Clarke Inc., Mr. Rideout was the President and Chief Operating Officer of Newfoundland Capital Corporation, the former parent of Clarke Inc.	2001

(1) These individuals serve on the Audit Committee.
(2) These individuals serve on the Governance and Human Resources Committee.

The following chart sets out the name and municipality of residence of each of the officers of Fortis and indicates the office held.

OFFICERS

Name and Municipality of Residence	Office
H. Stanley Marshall St. John's, Newfoundland and Labrador	President and Chief Executive Officer (1)
Barry V. Perry Mount Pearl, Newfoundland and Labrador	Vice President, Finance and Chief Financial Officer (2)
Ronald W. McCabe St. John's, Newfoundland and Labrador	General Counsel and Corporate Secretary (3)
Donna G. Hynes St. John's, Newfoundland and Labrador	Assistant Secretary (4)

(1) Mr. Marshall was appointed President and Chief Operating Officer effective October 1, 1995. Effective May 1, 1996, Mr. Marshall became Chief Executive Officer.
(2) Mr. Perry was appointed Vice President, Finance and Chief Financial Officer effective January 1, 2004. Prior to that time, Mr. Perry was Vice President, Finance and Chief Financial Officer of Newfoundland Power.
(3) Mr. McCabe was appointed General Counsel and Corporate Secretary effective January 1, 1997.
(4) Ms. Hynes was appointed Assistant Secretary effective December 8, 1999. She joined Fortis as Manager, Investor and Public Relations in October 1999 and prior to that time was employed by Newfoundland Power.

The directors and officers of Fortis, as a group, beneficially own, directly or indirectly, or exercise control or direction over 118,846 common shares, representing 0.68 per cent of the issued and outstanding Common Shares of Fortis. The Common Shares are the only voting securities of the Corporation.

ADDITIONAL INFORMATION

Fortis shall provide to any person or company, upon request to the Corporate Secretary of Fortis:

(a) when Fortis is in the course of a distribution of its securities pursuant to a short form prospectus or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:

(i) one copy of the latest Renewal Annual Information Form of Fortis together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;

(ii) one copy of the comparative Financial Statements of Fortis for the most recently completed financial year in respect of which such Financial Statements have been issued, together with the Report thereon of the auditors of Fortis and one copy of any interim Financial Statements of Fortis subsequent thereto;

(iii) one copy of the Management Information Circular of Fortis in respect of the most recent Annual Meeting of the shareholders of Fortis which involved the election of directors; and

(iv) one copy of any other documents which are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above;

(b) at any time, the documents referred to in clauses (a) (i), (ii) and (iii) above provided that Fortis may require the payment of a reasonable charge from such a person or company who is not a holder of securities of Fortis.

Further additional information, including officers' and directors' remuneration and indebtedness, principal holders of the securities of Fortis, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Management Information Circular of Fortis dated March 31, 2004 for the May 12, 2004 Annual Meeting of Shareholders. Additional financial information is provided in the comparative financial statements for the year ended December 31, 2003.

Requests for additional copies of the above mentioned documents as well as this Renewal Annual Information Form should be directed to the Office of the Corporate Secretary, Fortis Inc., P.O. Box 8837, St. John's, Newfoundland and Labrador, A1B 3T2 (telephone: 709.737.2800).