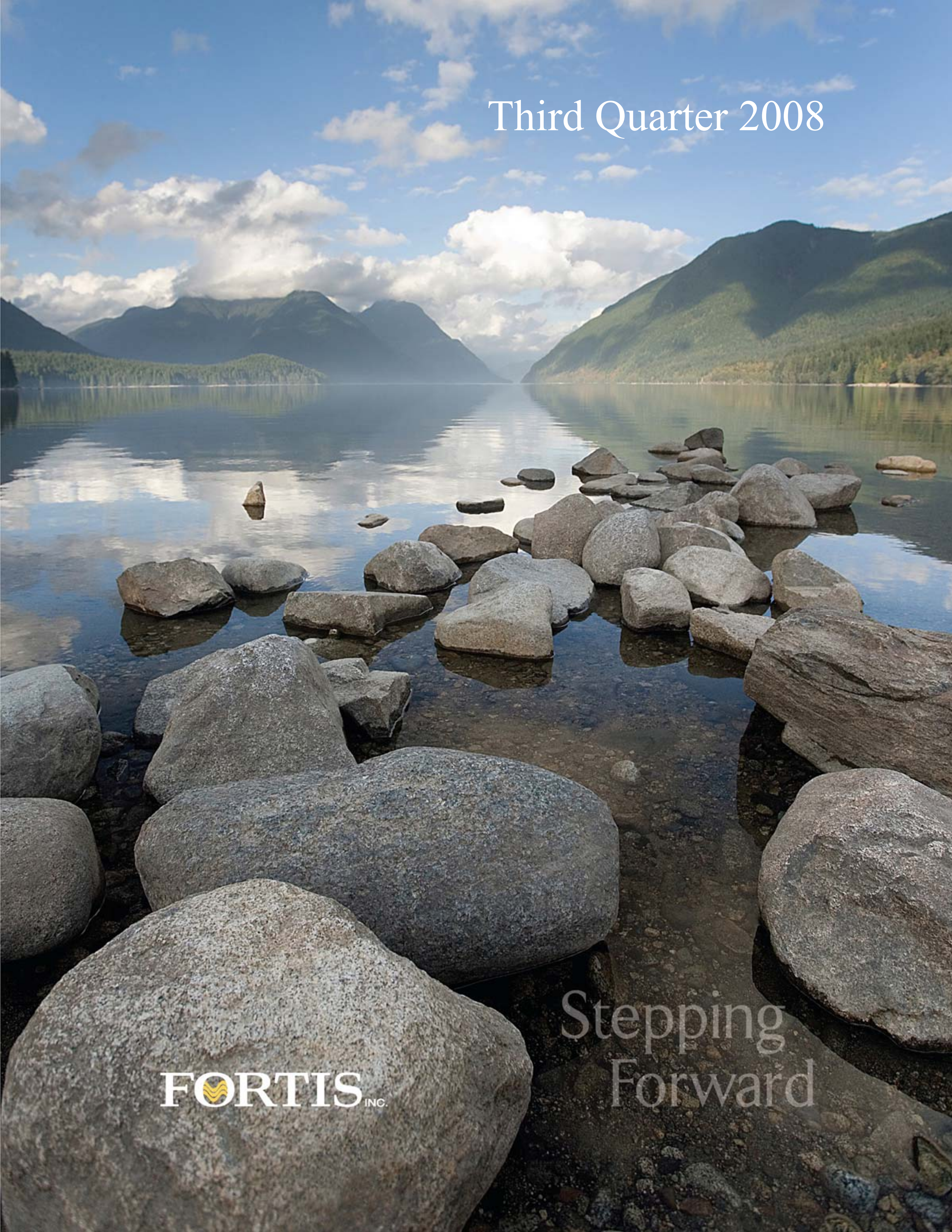
Third Quarter 2008



Stepping Forward

FORTIS INC.

Dear Shareholder:

Fortis recorded third quarter net earnings applicable to common shares of $49 million, or $0.31 per common share, compared to earnings of $31 million, or $0.20 per common share, for the third quarter of 2007. Third quarter 2008 results included a tax reduction of approximately $7.5 million ($5.5 million at the Terasen Gas companies and $2 million at Terasen Inc.) associated with the settlement of historical corporate tax matters at Terasen. Excluding the tax reduction at Terasen, earnings for the third quarter were $41.5 million, or $0.26 per common share. Year-to-date earnings were $169 million, or $1.08 per common share, compared to earnings of $114 million, or $0.86 per common share, for the same period last year. Year-to-date 2007 financial results only reflected 4½ months of earnings at Terasen, which was acquired on May 17, 2007.

Excluding the approximate $5.5 million tax reduction, the Terasen Gas companies incurred a loss of $4.5 million in the third quarter which was comparable to the same quarter last year. Due to seasonality of the business, virtually all of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters.

Earnings at Canadian Regulated Electric Utilities were $38 million for the third quarter, $10 million higher than earnings for the same quarter last year. The growth in earnings was driven primarily by the favourable impact of a shift in the quarterly distribution of annual purchased power expense at Newfoundland Power, which increased earnings during the third quarter of 2008 by approximately $5.5 million, lower energy supply costs at FortisBC and higher corporate tax recoveries at FortisAlberta.

Newfoundland Power's annual earnings are not expected to be impacted by the shift in the quarterly distribution of annual purchased power expense; however, earnings are expected to be lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods last year.

In September, FortisBC filed its 2009 rate application requesting a general rate increase, effective January 1, 2009, reflecting the impact of ongoing investment in infrastructure and increasing power purchases driven by customer growth and increased electricity demand. In October, Maritime Electric filed for a basic rate increase, effective April 1, 2009, reflecting an increase in the amount of energy-related costs to be collected from customers through the basic rate component of customer billings.

Earnings at Caribbean Regulated Electric Utilities were $7 million for the third quarter compared to $10 million for the same quarter last year. The decrease related to the 3.25 per cent reduction in basic electricity rates at Caribbean Utilities, effective January 1, 2008; the lower allowed rate of return on rate base assets ("ROA") at Belize Electricity; and a loss of revenue at Fortis Turks and Caicos due to the impact of Hurricane Ike, partially offset by overall growth in electricity sales.

Belize Electricity's targeted allowed ROA was reduced to 10 per cent from 12 per cent as a result of the regulator's Final Decision on the utility's 2008/2009 Rate Application. On July 25, 2008, Belize Electricity filed applications with the Supreme Court of Belize for leave to apply for judicial review of 2008 amended bylaws upon which the Final Decision was premised, and appeal of the Final Decision. Leave was granted on October 3, 2008. It is expected that the judicial review will be heard in late 2008.

In September, Hurricane Ike struck the Turks and Caicos Islands causing damage to the distribution system of Fortis Turks and Caicos. The Category 4 hurricane did not cause any significant damage to the utility's generating facilities. By late October, electricity service had been restored to all customers of Fortis Turks and Caicos that were ready to receive service. Earnings for the third quarter at Fortis Turks and Caicos were reduced by approximately $1 million due to a loss of revenue as a result of damage caused by Hurricane Ike. The utility has business interruption insurance with a 30-day deductible period and is in the preliminary stage of determining its business interruption insurance claim. A large portion of the costs associated with re-connecting customers and restoring electricity service were capital in nature and, therefore, did not impact earnings.

Earnings at Non-Regulated Fortis Generation were $9 million for the third quarter, up $4 million from the same quarter last year, mainly due to increased hydroelectric production in Belize and upper New York State as a result of higher rainfall. Hydroelectric production in Belize was 22 per cent higher year to date compared to the same period last year. At the end of October, the Chalillo reservoir in Belize was at its full supply level.

Earnings at Fortis Properties were $9 million for the third quarter compared to $8 million for the same quarter last year. The increase was due to improved performance at the Hospitality and Real Estate Divisions, including contributions from the Delta Regina which was acquired on August 1, 2007.

Corporate and other expenses were $15 million for the third quarter compared to $16 million for the same quarter last year. The decrease was primarily driven by the approximate $2 million favourable impact of the tax settlement at Terasen Inc.

Year to date, cash flow from operating activities was $449 million compared to $221 million for the same period last year, primarily due to the contributions from the Terasen Gas companies for nine months in 2008 compared to 4½ months in 2007.

Consolidated capital expenditures, before customer contributions, were $623 million year to date and are expected to exceed $900 million in 2008. The consolidated capital program is being driven by the utilities in western Canada and regulated and non-regulated electric utility operations in the Caribbean.

As at September 30, 2008, Fortis had consolidated credit facilities of $2.2 billion, of which $1.5 billion was unused. Over the next five years, average annual long-term debt maturities are expected to be approximately $180 million.

To the end of October, Fortis and its utilities have raised almost $900 million in preferred equity and 30-year debt in 2008, including $230 million 5.25% Five-Year Fixed Rate Reset First Preference Shares, Series G, at Fortis Inc., $250 million 5.80% debentures at Terasen Gas Inc., $250 million 6.05% debentures at Terasen Gas (Vancouver Island) Inc., $100 million 5.85% debentures at FortisAlberta, and $60 million 6.05% bonds at Maritime Electric.

In August, Caribbean Utilities completed a Rights Offering, raising gross proceeds of approximately US$28 million of which Fortis contributed US$24 million as a result of its participation in the Rights Offering. The proceeds are being used to repay credit facility borrowings and to finance capital expenditures.

In October, Standard & Poor's removed Fortis from the S&P/TSX Completion and Equity Completion indices and placed Fortis in the S&P/TSX 60, 60 Capped and Equity 60 indices.

Our utilities remain focused on executing their remaining capital projects for 2008. Over the next five years, our consolidated capital program is expected to surpass $4.5 billion, substantially all of which will be funded at the subsidiary level. This capital investment, which will mainly be in western Canada and the Caribbean, will add value for our customers and shareholders and fortify our position as a leading owner of energy infrastructure in Canada.

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

Interim Management Discussion and Analysis

For the three and nine months ended September 30, 2008
Dated October 31, 2008

The following analysis should be read in conjunction with the Fortis Inc. ("Fortis" or the "Corporation") interim unaudited consolidated financial statements and notes thereto for the three and nine months ended September 30, 2008 and the Management Discussion and Analysis ("MD&A") and audited consolidated financial statements for the year ended December 31, 2007 included in the Corporation's 2007 Annual Report. This material has been prepared in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations* relating to MD&As. Financial information in this release has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and is presented in Canadian dollars unless otherwise specified.

Fortis includes forward-looking information in the MD&A within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation's management. The forward-looking information in the MD&A includes, but is not limited to, statements regarding: that cash required to complete the consolidated capital expenditure program and to finance acquisitions is expected to be derived from a combination of borrowings under credit facilities and the issuance of common shares, preference shares and long-term debt; the Corporation's consolidated forecasted gross capital expenditures for 2008 and in total over the next five years and the Corporation's belief that its capital program should drive growth in earnings; the expected average annual long-term debt maturities over the next five years; the expectation that counterparties to the Terasen Gas companies' derivative financial instruments will continue to meet their obligations; the expected timing of receipt of regulatory rate decisions; the expected timing of the judicial review of 2008 amended bylaws relating to Belize Electricity; and the expected impact of Hurricane Ike on fourth quarter 2008 revenue of Fortis Turks and Caicos. The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major events; the Corporation's ability to maintain its gas and electricity systems to ensure their continued performance; the competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the availability of natural gas supply; favourable economic conditions; the level of interest rates; the ability to hedge certain risks; no counterparty defaults; access to capital; maintenance of adequate insurance coverage; the ability to obtain licences and permits; the level of energy prices; retention of existing service areas; favourable labour relations; and sufficient human resources to deliver service and execute the capital program. The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulation; operating and maintenance risks; natural gas prices and supply; economic conditions; weather and seasonality; interest rates; changes in tax legislation; derivative financial instruments and hedging; counterparty risk; risks related to Terasen Gas (Vancouver Island) Inc.; capital resources; environment; insurance; licences and permits; energy prices and the cessation of the Niagara Exchange Agreement; loss of service area; First Nations Lands; labour relations; human resources; and liquidity risk. For additional information with respect to the Corporation's risk factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and to the heading "Business Risk Management" in the MD&A for the three and nine months ended September 30, 2008 and for the year ended December 31, 2007.

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

COMPANY OVERVIEW AND FINANCIAL HIGHLIGHTS

Fortis is the largest investor-owned distribution utility in Canada serving more than 2,000,000 gas and electricity customers. Its regulated holdings include electric utilities in five Canadian provinces and three Caribbean countries and a natural gas utility in British Columbia. Fortis owns non-regulated generation assets across Canada and in Belize and upper New York State and hotels and commercial real estate in Canada. Year-to-date 2008, the Corporation's electricity distribution systems met a combined peak electricity demand of approximately 5,600 megawatts ("MW") and its gas distribution systems met a peak day demand of 1,313 terajoules ("TJ"). For additional information on the Corporation's business segments, refer to Note 1 to the Corporation's interim unaudited consolidated financial statements for the three and nine months ended September 30, 2008.

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

Fortis has adopted a strategy of profitable growth with earnings per common share as the primary measure of performance. Key financial highlights, including earnings by reportable segment, for the third quarter and year-to-date periods ended September 30, 2008 and September 30, 2007, are provided in the table below.

Financial Highlights (Unaudited)
Periods Ended September 30

	Quarter			Year-to-date		
($ millions, except earnings per common share and common shares outstanding)	**2008**	2007	Variance	**2008**	2007	Variance
Revenue	**727**	651	76	**2,721**	1,700	1,021
Cash flow from operating activities	**17**	59	(42)	**449**	221	228
Net earnings applicable to common shares	**49**	31	18	**169**	114	55
Basic earnings per common share *($)*	**0.31**	0.20	0.11	**1.08**	0.86	0.22
Diluted earnings per common share *($)*	**0.31**	0.20	0.11	**1.06**	0.79	0.27
Weighted average number of common shares outstanding *(millions)*	**157.2**	154.5	2.7	**156.9**	131.6	25.3
	Segmented Net Earnings					
	Quarter			**Year-to-date**		
	2008	2007	Variance	**2008**	2007	Variance
Regulated Gas Utilities - Canadian						
Terasen Gas Companies [(1)]	**1**	(4)	5	**71**	(3)	74
Regulated Electric Utilities - Canadian						
FortisAlberta	*17*	*15*	*2*	*35*	*42*	*(7)*
FortisBC [(2)]	*8*	*6*	*2*	*27*	*24*	*3*
Newfoundland Power	*8*	*2*	*6*	*24*	*21*	*3*
Other Canadian [(3)]	*5*	*5*	*-*	*11*	*13*	*(2)*
	38	28	10	**97**	100	(3)
Regulated Electric Utilities - Caribbean [(4)]	**7**	10	(3)	**9**	22	(13)
Non-Regulated - Fortis Generation [(5)]	**9**	5	4	**22**	17	5
Non-Regulated - Fortis Properties [(6)]	**9**	8	1	**19**	16	3
Corporate and Other [(7)]	**(15)**	(16)	1	**(49)**	(38)	(11)
Net Earnings Applicable to Common Shares	**49**	31	18	**169**	114	55

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

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

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

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

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

(6) Includes 19 hotels with more than 3,500 rooms in eight Canadian provinces and approximately 2.8 million square feet of commercial real estate primarily in Atlantic Canada.

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

SEGMENTED RESULTS OF OPERATIONS

REGULATED GAS UTILITIES - CANADIAN

Terasen Gas Companies

Terasen Gas Companies Financial Highlights (Unaudited) Periods Ended September 30						
	Quarter			Year-to-date		
	2008	2007 (1)	Variance	**2008**	2007 (1)	Variance
Gas Volumes (TJ)	**30,798**	31,441	(643)	**154,306**	49,185	105,121
($ millions)						
Revenue	**271**	227	44	**1,296**	357	939
Energy Supply Costs	**157**	118	39	**850**	191	659
Operating Expenses	**59**	56	3	**182**	84	98
Amortization	**24**	23	1	**73**	35	38
Finance Charges	**33**	33	-	**96**	48	48
Corporate Taxes (Recoveries)	**(3)**	1	(4)	**24**	2	22
Earnings (Loss)	**1**	(4)	5	**71**	(3)	74
(1) Financial results are reported from May 17, 2007, the date of acquisition.						

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

Gas volumes: Gas volumes at the Terasen Gas companies decreased 643 TJ, or 2.0 per cent, quarter over quarter. The decrease was primarily due to lower transportation volumes to customers sourcing their own gas supplies, partially offset by higher sales volumes to residential customers as a result of increased consumption due to cooler weather compared to the same quarter last year and customer growth, and increased sales volumes to customers under fixed price contracts. Gas volumes were 154,306 TJ year to date, up 2,437 TJ, or 1.6 per cent, from 151,869 TJ reported by the Terasen Gas companies for the full year-to-date period last year. The increase was driven by higher sales volumes to residential customers as a result of increased consumption due to cooler weather compared to the same period last year and customer growth, and increased sales volumes to customers under fixed price contracts. The increase was partially offset by lower transportation volumes to customers sourcing their own gas supplies.

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

During the third quarter of 2008, net customer additions at TGI and TGVI totalled 2,244, bringing the total customer count to 924,204 at September 30, 2008. Year-to-date 2008, net customer additions of 5,573, compared to net customer additions of 6,323 for the same period last year, were in line with expectations. Favourable economic conditions and housing activity in British Columbia continue to positively impact customer growth in the region.

Revenue: Revenue was $44 million higher quarter over quarter mainly due to: (i) increased residential customer consumption; (ii) higher gas commodity costs charged to customers; and (iii) an increase in gas distribution rates, effective January 1, 2008, associated with an increase in the 2008 allowed rate of return on common shareholder's equity ("ROE") for TGI and TGVI to 8.62 per cent and 9.32 per cent, respectively, from 8.37 per cent and 9.07 per cent, respectively.

Revenue was approximately $1.3 billion year to date compared to $357 million for the partial year-to-date period last year. In addition to the impact of revenue contribution for the full year-to-date period in 2008, revenue also increased period over period due to the same factors as described above for the quarter.

Earnings: Earnings were $5 million higher quarter over quarter, driven by a tax reduction associated with the settlement of historical corporate tax matters. During the third quarter, Terasen reached a settlement with Revenu Québec and Canada Revenue Agency related to amounts owing as a result of amended Quebec tax legislation. The legislation was passed in 2006 for the purpose of challenging certain inter-provincial Canadian tax structures. As a result of the settlement, the Terasen Gas companies recorded an approximate $5.5 million tax reduction in the third quarter of 2008. Excluding the tax reduction, the Terasen Gas companies incurred a loss of approximately $4.5 million in the third quarter, which is comparable to the same quarter last year. Seasonality materially impacts the earnings of the Terasen Gas companies as a major portion of the gas distributed is used for space heating. Virtually all of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters. Quarter over quarter, the impact of the increase in gas distribution rates, effective January 1, 2008, customer growth and a lower effective corporate tax rate was offset by higher operating expenses driven by increased labour costs and increased amortization costs associated with the continued investment in capital assets.

Earnings were $71 million year to date compared to a loss of $3 million for the partial year-to-date period last year. In addition to earnings' contribution for the full year-to-date period in 2008 and the impact of the tax reduction described above, earnings year to date were favourably impacted by the increase in gas distribution rates, effective January 1, 2008, customer growth and a lower effective corporate tax rate. The increase was partially offset by higher operating expenses and amortization costs, for the same reasons as described above for the quarter, in addition to higher finance charges reflective of higher borrowing rates and increased credit facility borrowings.

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

REGULATED ELECTRIC UTILITIES - CANADIAN

FortisAlberta

FortisAlberta
Financial Highlights (Unaudited)
Periods Ended September 30

	Quarter			Year-to-date		
	2008	2007	Variance	**2008**	2007	Variance
Energy Deliveries (GWh)	**3,748**	3,781	(33)	**11,654**	11,376	278
($ millions)						
Revenue	**74**	70	4	**222**	202	20
Operating Expenses	**31**	31	-	**96**	90	6
Amortization	**22**	19	3	**63**	56	7
Finance Charges	**10**	8	2	**30**	26	4
Corporate Tax Recoveries	**(6)**	(3)	(3)	**(2)**	(12)	10
Earnings	**17**	15	2	**35**	42	(7)

Energy Deliveries: Energy deliveries at FortisAlberta decreased 33 gigawatt hours ("GWh"), or 0.9 per cent, quarter over quarter. Lower average consumption quarter over quarter more than offset the impact of customer growth. Average consumption during the third quarter last year was high due to a hotter-than-normal July. Energy deliveries increased 278 GWh, or 2.4 per cent, year to date compared to the same period last year, mainly due to customer growth. Year-to-date 2008, the number of customers at FortisAlberta had increased by approximately 8,800 to 456,800. As a significant portion of the Company's distribution revenue is derived from fixed or largely fixed billing determinants, changes in energy deliveries are not directly correlated with changes in revenue.

Revenue: Revenue was $4 million higher quarter over quarter and $20 million higher year to date compared to the same period last year. The increases were mainly due to a 6.8 per cent increase in customer distribution rates, effective January 1, 2008; the impact of customer and load growth; the accrual of the impact for collection in future customer distribution rates of the increase in the 2008 allowed ROE to 8.75 per cent from 8.51 per cent, effective January 1, 2008; and increased franchise fee revenue. The increases were partially offset by lower net transmission and miscellaneous revenue.

Earnings: Earnings were $2 million higher quarter over quarter, driven by increased future income tax recoveries primarily associated with the regulator-approved Alberta Electric System Operator ("AESO") charges deferral account. Quarter over quarter, the impact of the increase in customer distribution rates, customer and load growth, and a higher allowed ROE was more than offset by increased amortization costs associated with continued investment in capital assets and higher amortization rates provided for in the 2008/2009 Negotiated Settlement Agreement ("NSA"), and increased finance charges due to higher debt levels in support of the Company's significant capital expenditure program.

Earnings were $7 million lower year to date compared to the same period last year, driven by lower future income tax recoveries primarily associated with the regulator-approved AESO charges deferral account. Additionally, the impact of the increase in customer distribution rates, customer and load growth, and a higher allowed ROE was partially offset by: (i) higher operating expenses due to increased contracted manpower costs, higher labour and employee-benefit costs associated with increased salaries and number of employees, and higher general operating expenses; and (ii) increased amortization costs and finance charges for the reasons as described above for the quarter.

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

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

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

FortisAlberta recorded a $4.5 million recovery of future income taxes during the third quarter of 2008 that were previously expensed during the first half of 2008. For the third quarter and year-to-date period in 2007, future income tax recoveries of approximately $3 million and $10 million, respectively, were recorded primarily due to the expedited collection of amounts deferred to the AESO charges deferral account. In September 2007 and December 2007, the 2006 deferred AESO charges receivable balance of $28 million and approximately $38 million of the 2007 deferred AESO charges receivable balance, respectively, were sold to a Canadian chartered bank and, as a result, the proceeds were recognized in 2007.

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

FortisBC

FortisBC Financial Highlights (Unaudited) Periods Ended September 30						
	Quarter			Year-to-date		
	2008	2007	Variance	**2008**	2007	Variance
Electricity Sales (GWh)	**697**	703	(6)	**2,245**	2,252	(7)
($ millions)						
Revenue	**52**	52	-	**171**	167	4
Energy Supply Costs	**12**	15	(3)	**45**	48	(3)
Operating Expenses	**16**	16	-	**49**	49	-
Amortization	**8**	7	1	**25**	23	2
Finance Charges	**7**	7	-	**21**	19	2
Corporate Taxes	**1**	1	-	**4**	4	-
Earnings	**8**	6	2	**27**	24	3

Electricity Sales: Electricity sales at FortisBC decreased 6 GWh, or 0.9 per cent, quarter over quarter and decreased 7 GWh, or 0.3 per cent, year to date compared to the same period last year. The impact of reduced industrial customer loads, as a result of a general slowdown in the forestry sector, was partially offset by residential, general service and wholesale customer growth, primarily in the Okanagan region.

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

Revenue was $4 million higher year to date compared to the same period last year, driven by the increases in electricity rates and the shift in sales mix, partially offset by the same factors as described above for the quarter.

Earnings: FortisBC's earnings were $2 million higher quarter over quarter. The increase was mainly due to decreased energy supply costs, partially offset by higher amortization costs reflective of the Company's significant capital expenditure program. The decrease in energy supply costs was driven by a higher proportion of energy generated from Company-owned hydroelectric generating plants compared to purchased power over the reporting periods, decreased electricity sales and lower average market power purchase prices, partially offset by higher prices charged by BC Hydro that were flowed through to customers in rates.

Earnings were $3 million higher year to date compared to the same period last year. The increase was primarily due to the 2.9 per cent increase in electricity rates and decreased energy supply costs, partially offset by higher amortization costs and finance charges related to the Company's significant capital expenditure program. Energy supply costs decreased for the reasons as described above for the quarter combined with the impact of the receipt of $0.6 million in insurance proceeds during the second quarter of 2008 associated with a turbine generator failure in 2006.

Operating expenses were comparable quarter over quarter and year to date compared to the same period last year. The impact of the timing in 2008 of certain operating and maintenance projects combined with higher labour costs and general inflationary cost increases was offset by lower operating expenses associated with non-regulated operating, maintenance and management services.

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

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Periods Ended September 30						
	Quarter			Year-to-date		
	2008	2007	Variance	**2008**	2007	Variance
Electricity Sales (GWh)	**897**	874	23	**3,796**	3,709	87
($ millions)						
Revenue	**94**	90	4	**378**	359	19
Energy Supply Costs	**51**	59	(8)	**243**	239	4
Operating Expenses	**11**	12	(1)	**38**	39	(1)
Amortization	**11**	6	5	**33**	25	8
Finance Charges	**8**	10	(2)	**25**	26	(1)
Corporate Taxes	**5**	1	4	**15**	9	6
Earnings	**8**	2	6	**24**	21	3

Electricity Sales: Electricity sales at Newfoundland Power increased 23 GWh, or 2.6 per cent, quarter over quarter and increased 87 GWh, or 2.3 per cent, year to date compared to the same period last year. The increases were largely due to the combined impact of customer growth and higher average consumption.

Revenue: Revenue was $4 million higher quarter over quarter and $19 million higher year to date compared to the same period last year. The increases were driven by an average increase in customer rates of 2.8 per cent, effective January 1, 2008, which included the impact of an increase in the 2008 allowed ROE to 8.95 per cent from 8.60 per cent, and electricity sales growth. The increase in revenue also reflected higher amortization of regulatory liabilities in accordance with prescribed regulatory orders.

Earnings: Newfoundland Power's earnings were $6 million higher quarter over quarter, reflecting a shift in the quarterly distribution of annual purchased power expense which increased earnings by approximately $5.5 million during the third quarter of 2008. Under the regulated rate structure, annual purchased power expense per kilowatt hour ("kWh") is higher in the winter months and lower in the summer months. During 2007, Newfoundland Power estimated and recognized monthly purchased power expense based on forecast annual average cost per kWh. Differences between the estimated monthly purchased power expense and that based on the actual cost per kWh were adjusted to a regulatory reserve that was discontinued for use effective January 1, 2008. Monthly purchased power expense is now being recorded at actual cost per kWh. As a result of this change, earnings in 2008 are expected to be lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods in 2007. Annual earnings will not be impacted by the shift in the quarterly distribution of annual purchased power expense. Excluding the approximate $5.5 million favourable impact of the shift in the quarterly distribution of annual purchased power expense, as described above, earnings were comparable quarter over quarter.

Newfoundland Power's earnings were $3 million higher year to date compared to the same period last year, reflecting the shift in the quarterly distribution of annual purchased power expense which increased year-to-date earnings by approximately $2 million.

Amortization costs are allocated quarterly based on gross margin. Amortization costs increased due to the shift in the quarterly distribution of annual purchased power expense and the regulator-approved recovery of previously deferred amortization costs in customer rates, effective January 1, 2008. Corporate tax expense increased quarter over quarter and year to date compared to the same period last year as a result of higher earnings before corporate taxes, combined with higher effective corporate income tax rates. Higher effective corporate income tax rates were driven by decreased deductions taken for tax purposes compared to accounting purposes.

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

Other Canadian Electric Utilities

Other Canadian Electric Utilities [(1)] Financial Highlights (Unaudited) Periods Ended September 30						
	Quarter			Year-to-date		
	2008	2007	Variance	**2008**	2007	Variance
Electricity Sales (GWh)	**532**	537	(5)	**1,639**	1,655	(16)
($ millions)						
Revenue	**66**	63	3	**197**	198	(1)
Energy Supply Costs	**44**	41	3	**133**	132	1
Operating Expenses	**7**	7	-	**21**	21	-
Amortization	**4**	4	-	**13**	12	1
Finance Charges	**4**	4	-	**13**	13	-
Corporate Taxes	**2**	2	-	**6**	7	(1)
Earnings	**5**	5	-	**11**	13	(2)
[(1)] Includes Maritime Electric and FortisOntario						

Electricity Sales: Electricity sales at Other Canadian Electric Utilities decreased 5 GWh, or 0.9 per cent, quarter over quarter, driven by lower average consumption in Ontario, partially offset by the impact of an increase in the number of residential customers on Prince Edward Island. Electricity sales decreased 16 GWh, or 1.0 per cent, year to date compared to the same period last year, driven by lower average consumption in Ontario, the loss of a major industrial customer in Ontario in the first quarter of 2007, and the shutdown of operations of another industrial customer in Ontario from May 2007.

Revenue: Revenue was $3 million higher quarter over quarter, driven by a 1.8 per cent increase in basic electricity rates at Maritime Electric, effective April 1, 2008; an average 1.1 per cent increase in basic electricity distribution rates at FortisOntario, effective May 1, 2008; and the flow through to customers of higher energy supply costs at FortisOntario. The increase was partially offset by the impact of lower electricity sales.

Year to date, revenue was $197 million compared to $198 million for the same period last year. The decrease was due to the impact of lower electricity sales and the repayment, during the second quarter of 2008, of an approximate $3 million refund that FortisOntario had received during the fourth quarter of 2007, partially offset by the increase in basic electricity rates, as described above for the quarter, and the flow through of higher energy supply costs at FortisOntario. In April 2008, the US Federal Energy Regulatory Commission ("FERC") issued an order stating that the one-time refund of approximately $3 million ($2 million after-tax) received by FortisOntario in December 2007 from Niagara Mohawk Power Corporation ("NIMO"), associated with cross-border transmission interconnection agreements, should not have been originally ordered as FERC does not have jurisdiction over the interconnection agreements in question and, therefore, did not have jurisdiction to order the refund. In May 2008, FortisOntario repaid the refunded amounts to NIMO.

Earnings: Earnings were comparable quarter over quarter and $2 million lower year to date compared to the same period last year. Excluding the one-time $2 million after-tax repayment during the second quarter of 2008 by FortisOntario of the refund described above, earnings were comparable year to date compared to the same period last year. The impact of increased basic electricity rates was offset largely by the impact of decreased electricity sales.

In October 2008, FortisOntario entered into a definitive agreement to acquire a 10 per cent minority interest in Grimsby Power Inc.'s electricity distribution business for a cash payment of approximately $1.1 million plus the provision of services to migrate Grimsby Power Inc.'s customer information system with FortisOntario's system. Grimsby Power Inc. serves approximately 10,000 customers in a service territory that is in close proximity to FortisOntario's operations in Fort Erie. The closing of this transaction is subject to the receipt of regulatory approvals.

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

REGULATED ELECTRIC UTILITIES - CARIBBEAN

Regulated Electric Utilities - Caribbean (1)
Financial Highlights (Unaudited)
Periods Ended September 30

	Quarter			Year-to-date		
	2008	2007	Variance	**2008**	2007	Variance
Average US:CDN Exchange Rate (2)	**1.04**	1.04	-	**1.02**	1.10	(0.08)
Electricity Sales (GWh)	**304**	283	21	**838**	782	56
($ millions)						
Revenue	**96**	80	16	**249**	231	18
Energy Supply Costs	**60**	42	18	**164** (3)	127	37
Operating Expenses	**12**	11	1	**35**	39 (4)	(4)
Amortization	**8**	7	1	**23**	21	2
Finance Charges	**4**	4	-	**11**	11	-
Corporate Taxes	**1**	-	1	**1**	1	-
Non-Controlling Interest	**4**	6	(2)	**6**	10	(4)
Earnings	**7**	10	(3)	**9**	22	(13)

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

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

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

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

Electricity Sales: Regulated Electric Utilities - Caribbean electricity sales increased 21 GWh, or 7.4 per cent, quarter over quarter and increased 56 GWh, or 7.2 per cent, year to date compared to the same period last year. The increases were primarily due to customer growth, higher average usage associated with increased air conditioning load at Caribbean Utilities, and the impact of general economic growth. The increase was tempered by the loss of electricity sales at Fortis Turks and Caicos as a result of Hurricane Ike, a Category 4 hurricane which struck the Turks and Caicos Islands in early September 2008.

Despite the impact of Hurricane Ike, electricity sales at Fortis Turks and Caicos increased approximately 4 per cent quarter over quarter and 12 per cent year to date compared to the same period last year. Revenue losses, as a result of damage caused by Hurricane Ike, are estimated at approximately $1 million for each of the third and fourth quarters of 2008. Fortis Turks and Caicos has business interruption insurance coverage with a 30-day deductible period and is in the preliminary stage of determining its business interruption insurance claim. A large portion of the costs of reconnecting customers and restoring electricity service were capital in nature and, therefore, did not impact earnings. By late October, electricity service had been restored to all customers of Fortis Turks and Caicos that were ready to receive service who were impacted by Hurricane Ike.

Annual electricity sales growth at Regulated Electric Utilities - Caribbean segment for 2008 is expected to be between 6 per cent and 7 per cent. While still strong, electricity sales growth at Caribbean Utilities and Fortis Turks and Caicos is expected to be slightly lower than originally forecasted, reflecting a weakening US economy that may negatively affect the tourism industry, and the impact of Hurricane Ike including the delayed re-opening for the fall tourist season of several large hotels on the Turks and Caicos Islands.

Revenue: Revenue increased $16 million quarter over quarter and $18 million year to date compared to the same period last year. Excluding the unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue due to the strengthening of the Canadian dollar against the US dollar year-to-date September 2008 compared to the same period last year, revenue increased approximately $38 million year to date compared to the same period last year.

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

Earnings: Earnings' contribution was $3 million lower quarter over quarter, mainly due to: (i) a reduction in the VAD component of the average electricity rate at Belize Electricity; (ii) the 3.25 per cent reduction in basic electricity rates and the elimination of the CRS at Caribbean Utilities; (iii) higher amortization costs; (iv) increased operating expenses; and (v) revenue losses due to Hurricane Ike. The decrease was partially offset by the impact of electricity sales growth.

Earnings' contribution was $13 million lower year to date compared to the same period last year. Earnings' contribution during the second quarter of 2008 was reduced by $13 million, representing the Corporation's approximate 70 per cent share of $18 million of disallowed previously incurred fuel and purchased power costs at Belize Electricity. The $18 million (BZ$36 million) charge was the result of the PUC's decision on Belize Electricity's 2008/2009 rate application. Also, earnings' contribution year-to-date 2007 was reduced by approximately $2 million as a result of the Corporation's share of a charge on the disposal of steam-turbine assets at Caribbean Utilities.

Excluding the one-time items in 2008 and 2007, as described above, and an approximate $2 million unfavourable impact of foreign currency translation, earnings' contribution year to date was comparable to the same period last year. Electricity sales growth and the favourable impact on energy supply costs associated with the movement in deferred fuel costs at Caribbean Utilities were offset by: (i) the impact of the 3.25 per cent reduction in basic electricity rates and the elimination of the CRS at Caribbean Utilities; (ii) the reduction in the VAD component of the average electricity rate at Belize Electricity; (iii) higher amortization costs; (iv) increased operating expenses; and (v) revenue losses due to Hurricane Ike. The movement in deferred fuel costs at Caribbean Utilities was the result of a change in the basis for calculating those costs under Caribbean Utilities' new T&D licence.

Excluding the impact of foreign currency translation and the charge on the disposal of steam-turbine assets during the first quarter of 2007, operating expenses increased quarter over quarter and year to date compared to the same period last year, reflecting the impact of hiring additional employees at Fortis Turks and Caicos and increased general and administrative expenses. Amortization costs increased as a result of continued investment in capital assets.

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

In August 2008, Caribbean Utilities completed a Rights Offering, raising gross proceeds of approximately US$28 million. The proceeds are being used to repay credit facility borrowings and to finance capital expenditures. Fortis acquired 2.1 million shares of Caribbean Utilities under the Rights Offering for approximately $25 million (US$24 million), including shares acquired pursuant to a stand-by purchase commitment in connection with the Rights Offering. In October 2008, Fortis acquired an additional 267,669 shares of Caribbean Utilities for approximately $3 million (US$3 million) pursuant to a private agreement. As a result of this acquisition and the shares acquired under the Rights Offering, the Corporation's ownership position in Caribbean Utilities increased from approximately 54 per cent to 57 per cent.

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

Following the receipt of the new licences, Standard & Poor's ("S&P") affirmed its 'A' credit ratings on Caribbean Utilities' long-term corporate credit and senior unsecured debt and removed the ratings from credit watch.

Caribbean Utilities has changed its fiscal year end from April 30 to December 31 which will result in the Corporation consolidating five months of financial results of Caribbean Utilities during the fourth quarter of 2008.

For additional information on the impact of the new licences and the nature of regulation and material regulatory decisions and applications pertaining to Belize Electricity, Caribbean Utilities and Fortis Turks and Caicos, refer to "Regulatory Highlights".

NON-REGULATED - FORTIS GENERATION

Non-Regulated - Fortis Generation (1) Financial Highlights (Unaudited) Periods Ended September 30						
	Quarter			**Year-to-date**		
	2008	2007	Variance	**2008**	2007	Variance
Energy Sales (GWh)	**305**	254	51	**905**	819	86
($ millions)						
Revenue	**21**	17	4	**62**	56	6
Energy Supply Costs	**2**	2	-	**6**	6	-
Operating Expenses	**3**	3	-	**11**	11	-
Amortization	**3**	3	-	**8**	8	-
Finance Charges	**2**	2	-	**6**	7	(1)
Corporate Taxes	**2**	2	-	**7**	6	1
Non-Controlling Interest	**-**	-	-	**2**	1	1
Earnings	**9**	5	4	**22**	17	5

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

Energy Sales: Energy sales from Non-Regulated - Fortis Generation increased 51 GWh, or 20.1 per cent, quarter over quarter mainly due to higher production in Belize and upper New York State. Energy sales increased 86 GWh, or 10.5 per cent, year to date compared to the same period last year driven by higher production in central Newfoundland, Belize and upper New York State. Higher production was mainly the result of higher rainfall. At the end of October 2008, the Chalillo reservoir in Belize was at its full supply level.

Revenue: Revenue was $4 million higher quarter over quarter. Factors contributing to the increase in revenue were: (i) higher production; (ii) increased average wholesale energy prices per megawatt hour ("MWh") in Ontario, which were $50.76 during the third quarter of 2008 compared to $47.42 for the same quarter last year; and (iii) increased average wholesale energy prices per MWh in upper New York State, which were US$77.79 during the third quarter of 2008 compared to US$57.93 for the same quarter last year.

Revenue was $6 million higher year to date compared to the same period last year. Factors increasing revenue were: (i) higher production; (ii) increased average wholesale energy prices per MWh in Ontario, which were $49.19 year to date compared to $47.63 for the same period last year; and (iii) increased average wholesale energy prices per MWh in upper New York State, which were US$77.19 year to date compared to US$56.92 for the same period last year. Partially offsetting the above factors was the unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue, due to the strengthening of the Canadian dollar against the US dollar compared to the same period last year.

Earnings: Earnings were $4 million higher quarter over quarter and $5 million higher year to date compared to the same period last year, driven by increased production and increased average wholesale energy prices. The increase in year-to-date earnings was partially offset by the unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated earnings.

NON-REGULATED - FORTIS PROPERTIES

Non-Regulated - Fortis Properties Financial Highlights (Unaudited) Periods Ended September 30						
	Quarter			Year-to-date		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Hospitality Revenue	**40**	39	1	**108**	98	10
Real Estate Revenue	**16**	15	1	**47**	43	4
Total Revenue	**56**	54	2	**155**	141	14
Operating Expenses	**33**	32	1	**99**	89	10
Amortization	**4**	4	-	**11**	10	1
Finance Charges	**6**	6	-	**18**	18	-
Corporate Taxes	**4**	4	-	**8**	8	-
Earnings	**9**	8	1	**19**	16	3

Revenue: Hospitality Revenue was $1 million higher quarter over quarter and $10 million higher year to date compared to the same period last year, reflecting revenue contribution from the Delta Regina, acquired on August 1, 2007, and improved performance at Fortis Properties' hospitality operations in Atlantic Canada.

Revenue per available room ("REVPAR") for the third quarter was $93.64 compared to $95.11 for the same quarter last year, mainly due to decreased occupancy at all of the Company's operating regions. REVPAR year to date was $83.04 compared to $81.27 for the same period last year, mainly due to higher average room rates at all of the Company's operating regions, partially offset by decreased occupancy at the Company's operations in western Canada.

Real Estate revenue was $1 million higher quarter over quarter and $4 million higher year to date compared to the same period last year. The growth in revenue was attributable to enhanced performance throughout all real estate operating regions, as well as the contribution from the real estate operations of the Delta Regina since August 1, 2007. The occupancy rate of the Real Estate Division was 96.6 per cent as at September 30, 2008, comparable to 96.9 per cent as at September 30, 2007.

Earnings: Earnings were $1 million higher quarter over quarter and $3 million higher year to date compared to the same period last year. The increases were due to improved performance at the Hospitality and Real Estate Divisions, including contributions from the Delta Regina which was acquired on August 1, 2007.

CORPORATE AND OTHER

Corporate and Other [(1)] Financial Highlights (Unaudited) Quarter Ended September 30						
	Quarter			Year-to-date		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Revenue	**7**	8	(1)	**19**	16	3
Operating Expenses	**2**	5	(3)	**8**	8	-
Amortization	**2**	2	-	**6**	4	2
Finance Charges [(2)]	**19**	21	(2)	**60**	47	13
Corporate Tax Recovery	**(6)**	(6)	-	**(15)**	(10)	(5)
Preference Share Dividends	**5**	2	3	**9**	5	4
Net Corporate and Other Expenses	**(15)**	(16)	1	**(49)**	(38)	(11)

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

Revenue: Revenue was $1 million lower quarter over quarter, driven by a decrease in the number of customer contracts at CWLP, partially offset by higher interest revenue from increased inter-company lending.

Revenue was $3 million higher year to date compared to the same period last year. Higher interest revenue from increased inter-company lending was combined with increased revenue contributions from CWLP. CWLP contributed revenue for a full year-to-date period in 2008 compared to the partial year-to-date period last year; however, this increase was partially offset by the impact of a decrease in the number of customer contracts.

Net Corporate and Other Expenses: Net corporate and other expenses were $1 million lower quarter over quarter, driven by a $2 million tax reduction associated with the settlement of historical corporate tax matters at Terasen and lower finance charges, mainly due to lower net credit facility borrowings, partially offset by increased preference share dividends. The decrease in operating expenses quarter over quarter was mainly due to decreased activity at CWLP as a result of a decrease in the number of customer contracts. However, the decreases in operating expenses and revenue associated with CWLP were substantially offsetting and did not have a material impact on net corporate and other expenses quarter over quarter.

Net corporate and other expenses were $11 million higher year to date compared to the same period last year. The increase reflected Terasen acquisition-related finance charges, and Terasen corporate and CWLP amortization costs and operating expenses, less revenue contribution from CWLP, for a full year-to-date period in 2008 compared to the partial year-to-date period last year. Net corporate and other expenses also increased due to higher preference share dividends, partially offset by the $2 million tax reduction associated with the settlement of historical corporate tax matters at Terasen, and higher interest revenue from increased inter-company lending.

During the second quarter, Fortis issued 9.2 million 5.25% Five-Year Fixed Rate Reset First Preference Shares, Series G ("First Preference Shares, Series G") for gross proceeds of $230 million. The proceeds were used to repay amounts outstanding under the Corporation's committed credit facility, to fund equity requirements of FortisAlberta and the Corporation's regulated electric utilities in the Caribbean, and for general corporate purposes. The increase in preference share dividends quarter over quarter and year to date compared to the same period last year reflected dividends on the First Preference Shares, Series G.

While currently not significant, financial results of TES are also reported in the Corporate and Other segment. TES expects to increase its activities in the development, building, owning and operating of innovative geoexchange energy systems, community piping and energy transfer systems to harness renewable energy sources. TES is entering into agreements with developers to provide alternative thermal energy systems for both residential and commercial development projects in British Columbia. In September 2008, Terasen announced plans for a new alternative energy program from biogas energy sources from the conversion of organic waste into a clean renewable energy source. The Company has issued a preliminary Request for Expressions of Interest for biogas production. In October 2008, TES signed an agreement to build a centralized heating and cooling system for a new Okanagan lakefront community project. TES will own and operate this alternative energy system.

REGULATORY HIGHLIGHTS

A summary of the nature of regulation and material regulatory decisions and applications for the Corporation's regulated utilities is as follows:

Nature of Regulation						
Regulated Utility	Regulatory Authority	Allowed Common Equity (%)	Allowed Returns (%) 2006	2007	2008	Supportive Features Future or Historical Test Year Used to Set Rates
			ROE			Cost of Service ("COS")/ROE PBR mechanisms through 2009:
TGI	BCUC	35	8.80	8.37	8.62	TGI: 50/50 sharing of earnings above or below the allowed ROE
TGVI	BCUC	40	9.50	9.07	9.32	TGVI: 100 per cent retention of earnings from lower-than-forecasted operating and maintenance costs but no relief from increased operating and maintenance costs ROE automatic adjustment formula tied to long-term Canada bond yields Future Test Year
FortisBC	BCUC	40	9.20	8.77	9.02	COS/ROE PBR mechanism through 2008, with option to continue in 2009: 50/50 sharing of earnings above or below the allowed ROE up to an achieved ROE that is 200 basis points above or below the allowed ROE – excess to deferral account ROE automatic adjustment formula tied to long-term Canada bond yields Future Test Year
FortisAlberta	Alberta Utilities Commission ("AUC")	37	8.93	8.51	8.75	COS/ROE ROE automatic adjustment formula tied to long-term Canada bond yields Future Test Year
Newfoundland Power	Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB")	45	9.24 +/- 50 bps	8.60 +/- 50 bps	8.95 +/- 50 bps	COS/ROE ROE automatic adjustment formula tied to long-term Canada bond yields Future Test Year
Maritime Electric	Island Regulatory and Appeals Commission ("IRAC")	40	10.25	10.25	10.00	COS/ROE Future Test Year
FortisOntario	Ontario Energy Board ("OEB") (Canadian Niagara Power) Franchise Agreement (Cornwall Electric)	46.7	9.00	9.00	9.00	Canadian Niagara Power - COS/ROE Cornwall Electric - Price cap with commodity cost flow through Historical Test Year
			ROA			Four-year COS/ROA agreements
Belize Electricity	PUC	N/A	10.00 - 15.00	10.00 - 15.00	10.00	Hurricane Cost Recovery Rate Stabilization Account, the balance of which is incorporated into customer rates on July 1st of the year subsequent to the hurricane Future Test Year
Caribbean Utilities	Electricity Regulatory Authority ("ERA")	N/A	15.00	15.00	9.00 - 11.00	COS/ROA Rate-cap adjustment mechanism based on published consumer price indices Under the new Licence, the Company may apply for a special additional rate to customers in the event of a disaster, including a hurricane. Historical Test Year
Fortis Turks and Caicos	Utilities make annual filings with the Energy Commission	N/A	17.50	17.50	17.50	COS/ROA If the actual ROA is lower than the allowed ROA, due to additional costs resulting from a hurricane or other event, the Company may apply for an increase in customer rates in the following year. Future Test Year

Material Regulatory Decisions and Applications	
Regulated Utility	**Summary Description**
TGI TGVI	• In December 2007, the BCUC approved various rates at TGI and TGVI, including those for mid-stream and delivery for residential customers in several service areas, effective January 1, 2008. Increased mid-stream costs are flowed through to customers without markup. The approved rates also reflect the impact of an increase in the allowed ROE for 2008 to 8.62 per cent and 9.32 per cent for TGI and TGVI, respectively. • On April 1, 2008, final regulatory approval for the construction of the 1.5 billion-cubic foot liquefied natural gas ("LNG") facility on Vancouver Island was received for a total estimated cost of approximately $200 million. • Effective April 1, 2008 and July 1, 2008, the BCUC approved increases in the commodity rates charged to TGI customers for natural gas and propane. Effective October 1, 2008, the BCUC approved decreases in the commodity rates charged to TGI customers for natural gas. The commodity cost of natural gas and propane are flowed through to customers without markup. Every three months TGI and TGVI review natural gas and propane commodity prices with the BCUC in order to ensure the flow-through rates charged to customers are sufficient to cover the cost of purchasing gas and propane. Year-to-date 2008, no commodity rate changes have been made at TGVI.
FortisBC	• In December 2007, regulatory approval was received of the NSA associated with 2008 revenue requirements resulting in a customer rate increase of 2.9 per cent, effective January 1, 2008. The rate increase is primarily the result of the Company's capital expenditure program. Rates for 2008 reflect an allowed ROE of 9.02 per cent. • In April 2008, the BCUC approved an interim increase of 0.8 per cent to FortisBC's customer rates, effective May 1, 2008, as a result of BC Hydro's recent interim rate increase, which has increased FortisBC's cost to purchase power from BC Hydro by 5.06 per cent. • In June 2008, FortisBC filed its 2009 and 2010 Capital Plan for gross capital expenditures of approximately $193 million for 2009 and $196 million for 2010. A decision on the application is expected in the fourth quarter of 2008. • In September 2008, FortisBC filed its Preliminary 2009 Revenue Requirements Application with the BCUC requesting a 5.6 per cent general rate increase effective January 1, 2009 and an extension of the PBR mechanism for the years 2009 through 2011. The proposed rate increase is the result of the Company's extensive capital expenditure program and higher power purchases due to ongoing customer growth and increased electricity demand. A decision on the application is expected by the end of 2008.
FortisAlberta	• Effective January 1, 2008, FortisAlberta became regulated by the AUC due to the separation of the Alberta Energy and Utilities Board into two separate regulatory bodies. • In February 2008, regulatory approval was received of the NSA associated with 2008/2009 revenue requirements resulting in distribution rate increases of 6.8 per cent, effective January 1, 2008, and 7.3 per cent, effective January 1, 2009. The approved NSA includes forecast gross capital expenditures of approximately $264 million for 2008 and $296 million for 2009, primarily to meet customer growth and improve system reliability. The 2008 revenue requirements included in the 2008/2009 NSA were determined using the 2007 ROE of 8.51 per cent. The impact of the increase in the ROE to 8.75 per cent for 2008 is subject to deferral-account treatment and, as such, is being recognized as earned in 2008 and is expected to be collected in future customer rates. • In June 2008, the AUC ruled that a review of the ROE level, the adjustment mechanism and utility capital structures in a generic proceeding would be appropriate. In July 2008, the AUC issued its notice of application, preliminary scoping document and minimum filing requirements for the 2009 Generic Cost of Capital Proceeding. The Proceeding applies to all gas, electric and pipeline utilities in Alberta that are regulated by the AUC. A hearing is scheduled for the second quarter of 2009.
Newfoundland Power	• In December 2007, the PUB approved the Company's NSA associated with the 2008 general rate application, resulting in an average 2.8 per cent increase in customer rates, effective January 1, 2008. The rate increase is largely driven by higher amortization costs. The rate increase also reflects the impact of an increase in the allowed ROE to 8.95 per cent for 2008. • The PUB-approved NSA will also result in, among other things: (i) the amortization of $7.2 million in 2008 and $4.6 million in each of 2009 and 2010 of the remaining $16.4 million balance of the original December 2005 unbilled revenue liability; (ii) amortization of approximately $3.9 million in each of 2008, 2009 and 2010 of previously deferred amortization expense; (iii) amortization over a period of three to five years of certain deferred regulatory balances; and (iv) for 2008 through 2010, the deferral of variations in purchase power expense caused by differences in the actual unit cost of energy and the unit cost reflected in customer rates to be recovered from, or refunded to, customers through operation of the Company's rate stabilization account. • Effective July 1, 2008, the PUB approved an average 5.9 per cent increase in customer electricity rates, reflecting the flow through to customers, by operation of the rate stabilization account, of variances in the cost of fuel used to generate electricity that Newfoundland and Labrador Hydro sells to Newfoundland Power. The increase in customer rates will have no impact on Newfoundland Power's earnings. • In July 2008, the Company filed its 2009 Capital Budget Application with the PUB for approximately $62 million, with more than half of the proposed capital expenditures relating to replacing aged and deteriorated components of the electricity system. The application is currently under review by the PUB.

Material Regulatory Decisions and Applications (cont'd)	
Regulated Utility (cont'd)	**Summary Description (cont'd)**
Maritime Electric	• In January 2008, IRAC approved, as filed, an increase in basic electricity rates of 1.8 per cent, effective April 1, 2008, and approved a maximum allowed ROE of 10.0 per cent for 2008. • In April 2008, IRAC ordered the energy cost adjustment mechanism ("ECAM") amortization period of 12 months to be set at eight months, effective May 1, 2008. The result is an increase in the flow through in customer rates of the recovery of ECAM over the shorter amortization period. • In July 2008, Maritime Electric filed its 2009 Capital Budget for approximately $20 million, before customer contributions. A decision on the Budget is expected by the end of 2008. • In September 2008, IRAC approved, as filed, the Company's amendment of approximately $14 million to its 2008 Capital Budget to reflect the construction of a new transmission line to facilitate the expansion of merchant wind development. The project is being financed entirely by customer contributions. • In October 2008, Maritime Electric filed a 2009 basic rate application. The forecasted combined effect of a proposed 2009 basic rate increase and a forecasted increase in energy supply costs, effective April 1, 2009, is 7.46 per cent for residential customers, 7.47 per cent for commercial customers and 8.25 per cent for large industrial customers. The proposed rate increases reflect an increase in the amount of energy-related costs to be collected from customers through the basic rate component of customer billings. The proposed increase in the reference cost of energy in basic rates will result in a decrease in the amount of energy costs to be collected from customers through the operation of the ECAM Account. The application also requests a maximum allowed ROE of 9.75 per cent for 2009. A decision on the application is expected by the end of the first quarter of 2009.
FortisOntario	• In March 2008, the OEB issued its decision relating to the 2008 Incentive Regulation Mechanism ("IRM") application filed by Canadian Niagara Power. The result is an average 1.1 per cent increase in electricity distribution rates for operations in Fort Erie, Port Colborne and Gananoque, effective May 1, 2008. The increase is comprised of a 2.1 per cent increase for inflation, partially offset by a 1 per cent decrease for a productivity adjustment. Under the 2008 IRM, Canadian Niagara Power's capital structure will be deemed at 53.3 per cent debt and 46.7 per cent equity, as part of the OEB's plan to move to a 60 per cent debt and 40 per cent equity capital structure over a three-year period. • Effective July 1, 2008, retail rates at Cornwall Electric decreased by approximately 6.2 per cent, attributable to a new 11.5-year wholesale electricity supply contract negotiated with Hydro-Québec Energy Marketing by Cornwall Electric on behalf of its customers. The new long-term agreement replaces an existing short-term contract and ensures reliability of supply and rate stability. • In August 2008, Canadian Niagara Power filed a 2009 Cost of Service Application requesting the rebasing of distribution rates using 2009 as a forward test year. The application assumes a deemed capital structure of 56.7 per cent debt and 43.3 per cent equity and reflects a preliminary ROE of 8.39 per cent. The application proposes distribution rate increases of 4.9 per cent, 9.4 per cent and 7.1 per cent for Fort Erie, Gananoque and Port Colborne, respectively, effective May 1, 2009. The proposed increases are primarily driven by the impact of distribution system upgrades. Canadian Niagara Power expects a hearing process associated with the application to begin in the fourth quarter of 2008 with a decision to be received in April 2009.
Belize Electricity	• In March 2008, the newly elected Government of Belize repealed December 2007 amendments to the *Electricity (Tariffs, Charges and Quality of Services Standards) Bylaws*. The amendments had simplified Belize Electricity's rate-setting methodology, allowed for improved rate stabilization and settled outstanding matters related to the PUC's Final Decision on electricity rates for the period July 1, 2007 through June 30, 2008. • In March 2008, Belize Electricity filed an application requesting an increase in the cost of power component of the average electricity rate by 15 per cent, or BZ6.5 cents per kWh, as a result of the rapid increase in the cost of power due to increasing world oil prices. The application was disallowed by the PUC who cited that, in the interim, a decrease in the Company's operating expenses and capital expenditures levels would help offset the impact on cash flow of the increasing cost of power. Additionally, the PUC indicated it would defer its detailed analysis of the high deferrals of cost of power into Belize Electricity's cost of power rate stabilization account ("CPRSA") until the Annual Tariff Review Proceeding for the annual tariff period for July 1, 2008 to June 30, 2009. • In April 2008, Belize Electricity filed its Annual Tariff Review Application for the annual tariff period from July 1, 2008 to June 30, 2009 ("2008/2009 Rate Application") requesting a 13.4 per cent increase in the average electricity rate, as a result of an increase in the cost of power component of the rate and an increase in the recovery of the CPRSA. • In May 2008, the PUC issued its Initial Decision on Belize Electricity's 2008/2009 Rate Application. The Initial Decision denied any average rate increase and approved, among other things, a retroactive adjustment to Belize Electricity's CPRSA. Belize Electricity objected to the Initial Decision, which resulted in a review of the Initial Decision by a PUC-appointed Independent Expert. The report of the Independent Expert reiterated many of Belize Electricity's concerns pertaining to the Initial Decision. • In June 2008, the PUC issued its Final Decision on Belize Electricity's 2008/2009 Rate Application which rejected most of the recommendations of the Independent Expert and failed to increase the overall average electricity rate. The PUC also ordered a BZ$36 million retroactive adjustment associated with Belize Electricity's prior years' financial results. The adjustment, in substance, represented the disallowance of previously incurred fuel and purchased power costs. The PUC also reduced Belize Electricity's target allowed ROA to 10 per cent from 12 per cent through a reduction in the VAD component of the average electricity rate. The Final Decision would have the impact of reducing the Corporation's share of Belize Electricity's earnings by approximately $5 million over the next 12 months. The Final Decision does not impact the Corporation's non-regulated generation operations in Belize. • As a direct result of the Final Decision, Belize Electricity has recorded an $18 million (BZ$36 million) charge ($13 million of which is the Corporation's share) to energy supply costs during the second quarter of 2008.

Material Regulatory Decisions and Applications (cont'd)	
Regulated Utility (cont'd)	**Summary Description (cont'd)**
Belize Electricity (cont'd)	• On July 25, 2008, Belize Electricity filed applications with the Supreme Court of Belize for leave to apply for judicial review of 2008 amended bylaws, upon which the Final Decision was premised, and appeal of the Final Decision. Leave was granted on October 3, 2008. It is expected that the judicial review will be heard in late 2008. The findings of the Supreme Court of Belize on the validity of the 2008 amended bylaws will determine the necessity of further action by Belize Electricity with respect to the appeal of the Final Decision. • The Final Decision also proposed the use of an automatic mechanism, to be finalized by the PUC, to adjust monthly, on a two-month lag basis, the cost of power component of rates to reflect actual costs of power. The automatic adjustment mechanism, which is retroactive effective September 1, 2008, will allow for the collection from, or rebate to, customers of actual costs of power which vary from a reference cost of power, set at BZ31.2 cents per kWh for the period from July 1, 2008 to December 31, 2008, by more than a threshold of 10 per cent. Actual costs of power for July 2008 and August 2008 were not outside the 10 per cent threshold.
Caribbean Utilities	• In December 2007, an Agreement in Principle ("AIP") was reached with the Government of the Cayman Islands on the terms of a new exclusive T&D licence and a new non-exclusive generation licence. • In April 2008, the new licences were granted. The terms of the new licences include competition for future generation capacity and general promotion of renewable resources of energy. The T&D licence is for an initial period of 20 years, expiring April 2028, with a provision for automatic renewal. The generation licence is for a period of 21.5 years, expiring September 2029. The terms of the new licences remained substantially the same as the terms outlined in the AIP. • Effective January 1, 2008, as a result of the AIP and subsequent granting of the new licences, basic customer rates were reduced by 3.25 per cent, the CRS was removed, a fuel-duty rebate funded by the Government of the Cayman Islands was implemented for residential customers consuming less than 1,500 kWh monthly, and basic rates were restructured to extract all fuel costs and licence fee amounts which are now to be fully flowed through to customers. The 3.25 per cent reduction in basic rates will reduce annual revenue by approximately US$2.1 million. Additionally, Caribbean Utilities has forgone US$2.6 million of revenue in 2008 as a result of the early elimination of the CRS. A new fuel and oil rate factor was also established to provide for full flow through of fuel and oil costs to customers. • Following the initial basic rate reduction, customer rates will be frozen until May 31, 2009 and will be subject to annual review and adjustment each June thereafter. Under the new T&D licence, a mechanism will be used to adjust basic rates in accordance with a formula that is based on published consumer price indices, thereby taking inflation into account. The rate-adjustment mechanism is designed to maintain Caribbean Utilities' ROA in a targeted range of 9 per cent to 11 per cent, down from an allowed ROA of 15 per cent that was permitted under the previous licence. The recently amended *Electricity Regularity Authority Law* (2005 Revision) provides for the conduct of a competitive bid process to be managed by the ERA for new generating capacity and the replacement of retired generating capacity. The first competitive process under the new generation licence began in May 2008 with a filing of a Certificate of Need by Caribbean Utilities for the installation of 16 MW of additional generating capacity in each of 2011 and 2012. • In July 2008, Caribbean Utilities filed with the regulator a Five-Year Capital Investment Plan totalling US$255 million, including US$80 million related to new generation that is expected to be solicited. A decision on the Plan is expected by the end of 2008. • In July 2008, Caribbean Utilities began a formal request for expressions of interest from qualified wind-generation developers for a wind-generation project for up to 10 MW. The ERA has endorsed this initiative and any power purchase agreements or generating licence arising from this initiative will be subject to ERA approval.
Fortis Turks and Caicos	• In March 2008, Fortis Turks and Caicos submitted its 2007 annual regulatory filing outlining the Company's performance in 2007 and its capital expansion plans for 2008. Fortis Turks and Caicos' achieved ROA in 2007 was less than that permitted under its licences; however, the Company did not seek any basic rate increases in 2008. • In May 2008, Fortis Turks and Caicos received approval from the Government of Turks and Caicos Islands to supply wholesale electricity under an exclusive licence to Dellis Cay on the Turks and Caicos Islands.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between September 30, 2008 and December 31, 2007.

Fortis Inc.
Significant Changes in the Consolidated Balance Sheets (Unaudited)
between September 30, 2008 and December 31, 2007

Balance Sheet Account	Increase/ (Decrease) *($ millions)*	Explanation
Accounts receivable	(177)	The decrease was primarily due to the impact of a seasonal reduction in sales driven by the Terasen Gas companies, FortisBC and Newfoundland Power.
Inventories of gas, materials and supplies	101	The increase was driven by a normal seasonal injection of gas in storage for consumption in the upcoming winter months.
Deferred charges and other assets	36	The increase was mainly due to contributions made by FortisAlberta to the AESO for transmission capital projects during the nine months ended September 30, 2008.
Utility capital assets	376	The increase primarily related to $612 million invested in electricity and gas systems, partially offset by customer contributions, amortization for the nine months ended September 30, 2008, and the impact of foreign exchange on the translation of US dollar-denominated utility capital assets.
Goodwill	15	The increase primarily related to the impact of foreign exchange on the translation of US dollar-denominated goodwill and goodwill associated with the Corporation's additional investment in Caribbean Utilities as a result of the Corporation's participation in Caribbean Utilities' Rights Offering in August 2008.
Short-term borrowings	(35)	The decrease was primarily due to the repayment of short-term borrowings by TGI and Maritime Electric with proceeds from the issuance of long-term debt, partially offset by additional borrowings by the Terasen Gas companies due to seasonality of its operations.
Accounts payable and accrued charges	(88)	The decrease was due to the recording of the change in the fair market value of the natural gas derivative contracts, the timing of FortisAlberta's payments to the AESO for transmission costs, decreased amounts owing for purchased power at Newfoundland Power due to seasonality of operations and the timing of property tax payments at the Terasen Gas companies. The decrease was partially offset by higher amounts at Caribbean Utilities due to increased fuel costs.
Income taxes payable	19	The increase was mainly due to tax associated with regulatory-deferral accounts at the Terasen Gas companies, combined with the timing of income tax payments and the accrual of current income taxes at the Terasen Gas companies and Newfoundland Power. The increase was partially offset by an approximate $17 million payment associated with the settlement of historical tax matters at Terasen.
Regulatory liabilities – current and long-term	15	The increase was driven by an increase in the regulatory provision for future asset removal and site restoration costs.
Deferred credits	14	The increase was primarily due to an increase in supplementary defined benefit pension and other post-employment benefit obligations.
Long-term debt and capital lease obligations (including current portion)	98	The increase was primarily due to the issuance of long-term debt and the impact of foreign exchange on the translation of US dollar-denominated debt, partially offset by a net $374 million decrease in committed credit-facility borrowings, driven by net repayments by the Terasen Gas companies and the Corporation, as well as regularly scheduled debt repayments. The issuance of long-term debt, primarily to repay committed credit-facility borrowings, short-term borrowings and $188 million of maturing long-term debt, was comprised of a $250 million unsecured debenture offering by TGI, a $250 million unsecured debenture offering by TGVI, a $100 million senior unsecured debenture offering by FortisAlberta and a $60 million secured first mortgage bond issue by Maritime Electric.
Non-controlling interest	15	The increase primarily related to the impact of foreign exchange on the translation of US dollar-denominated non-controlling interest amounts, combined with the Corporation's non-controlling interest in Caribbean Utilities' US$28 million Rights Offering. The increase was partially offset by the Corporation's non-controlling interest in the year-to-date net loss incurred at Belize Electricity as a result of the PUC's decision on the Company's 2008/2009 rate application.
Shareholders' equity	315	The increase was driven by a $230 million preference share issue ($225 million net of after-tax expenses) combined with net earnings reported for the nine months ended September 30, 2008, less common share dividends. The remainder of the increase related to the issuance of Common Shares under the Corporation's share purchase, dividend reinvestment and stock option plans and a decrease in accumulated other comprehensive loss.

LIQUIDITY AND CAPITAL RESOURCES

The following table outlines the summary of cash flows.

Fortis Inc. Summary of Cash Flows (Unaudited) Periods Ended September 30						
	Quarter			**Year-to-date**		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Cash, beginning of period	**59**	63	(4)	**58**	41	17
Cash provided by (used in)						
Operating activities	**17**	59	(42)	**449**	221	228
Investing activities	**(219)**	(252)	33	**(577)**	(1,799)	1,222
Financing activities	**211**	182	29	**138**	1,591	(1,453)
Foreign currency impact on cash balances	**-**	(1)	1	**-**	(3)	3
Cash, end of period	**68**	51	17	**68**	51	17

Operating Activities: Cash flow from operating activities, after working capital adjustments, was $17 million compared to $59 million for the same quarter last year. The decrease was driven by FortisAlberta; however, cash flow from operating activities, after working capital adjustments, for the third quarter of 2007 included approximately $28 million in proceeds from the sale of FortisAlberta's 2006 AESO charges deferral account and a $12 million cash tax refund.

Cash flow from operating activities, after working capital adjustments, was $228 million higher year to date compared to the same period last year. An increase in cash flow from operating activities, after working capital adjustments, of $304 million at the Terasen Gas companies, combined with the impact of favourable working capital changes at Newfoundland Power, was partially offset by lower cash flow from operating activities, after working capital adjustments, at FortisAlberta, for the reasons as described above for the quarter, as well as the impact of the timing of the payment of AESO transmission cost accruals at FortisAlberta. The Terasen Gas companies contributed to the financial results of the Corporation for a full year-to-date period in 2008 compared to the partial year-to-date period last year.

Investing Activities: Cash used in investing activities was $33 million lower quarter over quarter. During the third quarter of 2007, Fortis Properties completed the acquisition of the Delta Regina for a purchase price of approximately $50 million. Excluding the impact of the above acquisition last year, cash used in investing activities was $17 million higher quarter over quarter, driven by higher utility capital expenditures and changes in deferred charges, other assets and deferred credits, partially offset by higher contributions received in aid of construction.

Cash used in investing activities was $1.2 billion lower year to date compared to the same period last year. Investing activities last year, however, included the impact of the approximate $1.3 billion cash payment for the acquisition of Terasen in May 2007. Excluding the impact of the acquisitions of Terasen and the Delta Regina last year, cash used in investing activities was $81 million higher year to date compared to the same period last year. The increase was driven by higher utility capital expenditures and changes in deferred charges, other assets and deferred credits, partially offset by an increase in proceeds from the sale of capital assets, driven by $14 million of proceeds received in January 2008 associated with the December 2007 sale of surplus land by TGI.

Gross utility capital expenditures were $231 million for the third quarter of 2008, $19 million higher than for the same quarter last year. The increase was driven by the Terasen Gas companies, FortisAlberta and Fortis Turks and Caicos. Gross utility capital expenditures were $612 million year to date, $73 million higher than for the same period last year. The increase was driven by the Terasen Gas companies and FortisAlberta, partially offset by lower capital spending at FortisBC.

The net increase in the use of cash associated with changes in deferred charges, other assets and deferred credits of $13 million quarter over quarter and $27 million year to date compared to the same period last year was driven by higher contributions by FortisAlberta to AESO transmission capital projects.

Financing Activities: Cash provided by financing activities was $29 million higher quarter over quarter, primarily due to higher net borrowings under committed credit facilities and higher proceeds from net short-term borrowings, partially offset by lower proceeds from long-term debt.

Cash provided by financing activities was approximately $1.5 billion lower year to date compared to the same period last year. Financing activities last year included the impact of the issuance of Common Shares for gross proceeds of $1.15 billion, upon conversion of Subscription Receipts that were initially issued in March 2007, to finance a significant portion of the cash purchase price of Terasen. Excluding the impact of financing the acquisition of Terasen last year, cash provided by financing activities was $351 million lower year to date compared to the same period last year. The decrease was mainly due to higher net repayments of committed credit facility borrowings and higher repayments of long-term debt, partially offset by proceeds from the issuance of preference shares during the second quarter of 2008 and higher proceeds from long-term debt. Additionally, during the first quarter of 2007, the Corporation publicly issued 5.17 million Common Shares for gross proceeds of approximately $150 million ($143 million net of costs).

Proceeds from net short-term borrowings were $160 million for the third quarter of 2008, or $61 million higher than for the same quarter last year. The increase was driven by the Terasen Gas companies and FortisBC, partially offset by net repayments of short-term borrowings by Caribbean Utilities. Net repayments of short-term borrowings were $36 million year to date compared to proceeds from net short-term borrowings of $29 million for the same period last year. The net repayments year-to-date 2008 were driven by Maritime Electric.

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

Proceeds from Long-Term Debt, Net of Issue Costs (Unaudited)
Periods Ended September 30

	Quarter			**Year-to-date**		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Terasen Gas companies	**-**	-	-	**496** (1) (2)	-	496
FortisAlberta	**-**	-	-	**99** (3)	110 (4)	(11)
FortisBC	**-**	104 (5)	(104)	**-**	104 (5)	(104)
Newfoundland Power	**-**	70 (6)	(70)	**-**	70 (6)	(70)
Maritime Electric	**-**	-	-	**60** (7)	-	60
Caribbean Utilities	**-**	-	-	**-**	32 (8)	(32)
Corporate	**-**	209 (9)	(209)	**-**	209 (9)	(209)
Other	**-**	7	(7)	**4**	8	(4)
Total	**-**	390	(390)	**659**	533	126

(1) Issued February 2008, $250 million 6.05% Medium-Term Note Debentures by TGVI, due February 2038. The net proceeds were used to repay committed credit-facility borrowings.
(2) Issued May 2008, $250 million 5.80% Medium-Term Note Debentures by TGI, due May 2038. The net proceeds were primarily used to repay maturing $188 million 6.20% debentures and short-term borrowings.
(3) Issued April 2008, $100 million 5.85% Senior Unsecured Debentures, due April 2038. The net proceeds were used to repay committed credit-facility borrowings.
(4) Issued January 2007, $110 million 4.99% Senior Unsecured Debentures, due January 2047. The net proceeds were used to repay committed credit-facility borrowings.
(5) Issued July 2007, $105 million 5.90% Unsecured Debentures, due July 2047. The net proceeds were used to repay committed credit-facility borrowings and for general corporate purposes, including capital expenditures.
(6) Issued August 2007, $70 million 5.90% Secured First Mortgage Sinking Fund Bonds, due August 2037. The net proceeds were used to repay committed credit-facility borrowings.
(7) Issued April 2008, $60 million 6.05% Secured First Mortgage Bonds, due April 2038. The proceeds were used to repay short-term borrowings.
(8) Issued June 2007, US$30 million 5.65% Senior Unsecured Notes, due June 2022. The proceeds were used to repay debt and to finance capital expenditures.
(9) Issued September 2007, US$200 million 6.60% Secured Unsecured Notes, due September 2037. The net proceeds were used to repay committed credit-facility borrowings associated with the Terasen acquisition and for general corporate purposes.

Net Borrowings (Repayments) Under Committed Credit Facilities (Unaudited) Periods Ended September 30						
	Quarter			Year-to-date		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Terasen Gas companies	**-**	-	-	**(261)**	-	(261)
FortisAlberta	**47**	(16)	63	**45**	(88)	133
FortisBC	**2**	(31)	33	**10**	(21)	31
Newfoundland Power	**8**	(64)	72	**(6)**	(33)	27
Corporate	**46**	(150)	196	**(162)** (1)	63 (2)	(225)
Total	**103**	(261)	364	**(374)**	(79)	(295)

(1) During the second quarter of 2008, a net repayment of $170 million under the Corporation's committed credit facility was financed with partial proceeds from the issuance of $230 million preference shares ($223 million net of costs). The remaining net proceeds from the issuance of preference shares were used to fund equity requirements of FortisAlberta and the Corporation's regulated electric utilities in the Caribbean, and for general corporate purposes.

(2) During the second quarter of 2007, borrowings under the Corporation's committed credit facility primarily related to financing, on an interim basis, the remaining $125 million net cash purchase price of Terasen on May 17, 2007, in addition to certain acquisition costs and Common Share issue costs; to repay certain short-term indebtedness assumed upon the acquisition of Terasen; and for general corporate purposes. During the first quarter of 2007, the Corporation repaid approximately $84 million of committed credit-facility borrowings financed with partial proceeds from a 5.17 million Common Share issue in January 2007.

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

Repayments of Long-Term Debt and Capital Lease Obligations (Unaudited) Periods Ended September 30						
	Quarter			Year-to-date		
($ millions)	**2008**	2007	Variance	**2008**	2007	Variance
Terasen Gas companies	**-**	-	-	**(194)** (1)	-	(194)
Caribbean Utilities	**(11)**	(8)	(3)	**(11)**	(19)	8
Fortis Properties	**(3)**	(3)	-	**(9)**	(17)	8
Other	**(1)**	(4)	3	**(6)**	(12)	6
Total	**(15)**	(15)	-	**(220)**	(48)	(172)

(1) In May 2008, partial proceeds from TGI's $250 million debenture offering were used to repay maturing $188 million 6.20% debentures.

Net proceeds associated with the issuance of Common Shares under the Corporation's share purchase and stock options plans during the third quarter were $5 million compared to $8 million for the same quarter last year and were $16 million year to date compared to $17 million for the same period last year. On May 17, 2007, the Corporation publicly issued 44.3 million Common Shares for gross proceeds of approximately $1.15 billion ($1.1 billion net of costs) upon conversion of Subscription Receipts that were initially issued in March 2007 to finance a significant portion of the net cash purchase price of Terasen. In January 2007, 5.17 million Common Shares were publicly issued for gross proceeds of approximately $150 million ($143 million net of costs). Partial net proceeds from the Common Share issue in January 2007 were used to repay indebtedness incurred under the Corporation's committed credit facility. The remainder of the net proceeds was used to fund equity requirements of the Corporation's regulated electric utilities in western Canada, in support of their respective capital expenditure programs, and for general corporate purposes.

Common Share dividends were $39 million during the third quarter of 2008, up $6 million from the same quarter last year. The increase was primarily due to a higher dividend per Common Share compared to the same quarter last year. Common share dividends were $118 million year to date, up $29 million from the same period last year. The increase was due to an increase in the number of Common Shares outstanding, primarily as a result of the issuance of Common Shares pursuant to the Terasen acquisition in May 2007, and a higher dividend per Common Share compared to the same period last year. The dividend per Common Share for each of the first three quarters of 2008 was $0.25, while the dividend per Common Share for each of the first three quarters of last year was $0.21.

Preference share dividends increased $3 million quarter over quarter and increased $4 million year to date compared to the same period last year related to the 9.2 million First Preference shares, Series G issued during the second quarter of 2008.

Contractual obligations: As at September 30, 2008, consolidated contractual obligations over the next five 12-month periods and for periods thereafter are outlined in the following table. The nature and amount of the contractual obligations are consistent with those disclosed in the MD&A for the year ended December 31, 2007, except for those described below for FortisOntario, Maritime Electric, Caribbean Utilities and Fortis Turks and Caicos.

Fortis Inc.
Contractual Obligations (Unaudited)
as at September 30, 2008

($ millions)	**Total**	≤ 1 year	> 1-3 years	4-5 years	> 5 years
Long-term debt	**5,158**	374	299	217	4,268
Brilliant Terminal Station	**64**	3	5	5	51
Gas purchase contract obligations (based on index prices as at September 30, 2008)	**770**	747	23	-	-
Power purchase obligations					
FortisBC	**2,825**	37	75	73	2,640
FortisOntario [(1)]	**567**	40	94	98	335
Maritime Electric [(2)]	**90**	70	2	2	16
Belize Electricity	**15**	4	3	2	6
Capital cost	**391**	14	38	36	303
Joint-use asset and shared service agreements	**63**	1	7	6	49
Office lease – FortisBC	**20**	-	4	2	14
Operating lease obligations	**163**	18	33	28	84
Equipment purchase commitment - Caribbean Utilities [(3)]	**20**	10	10	-	-
Other	**25**	5	9	6	5
Total	**10,171**	1,323	602	475	7,771

(1) Included in FortisOntario's power purchase obligations is a new 11.5-year take-or-pay contract between Cornwall Electric and Hydro-Québec Energy Marketing for the supply of electricity and capacity. The contract, which expires on December 31, 2019, replaces the previous two-year contract that expired on June 30, 2008. This take-or-pay contract provides energy up to 100 MW on an as-needed basis and provides a minimum 300,000 MWh of energy per contract year beginning July 1, 2008.

(2) Maritime Electric has two new take-or-pay contracts for the purchase of either energy or capacity. The contracts total approximately $90 million through November 30, 2032. The take-or-pay contract with New Brunswick Power includes, among other things, replacement energy and capacity for the Point Lepreau Nuclear Generating Station during its 18-month refurbishment outage. The other take-or-pay contract is for transmission capacity allowing Maritime Electric to reserve 30 MW of capacity on the new International Power Line into the United States.

(3) Caribbean Utilities has entered into an agreement to purchase a 16-MW diesel generating unit and related equipment from a supplier in Germany for approximately US$24 million. The unit is expected to be commissioned in summer 2009. Approximately US$5 million has been incurred under the project as at September 30, 2008.

Other Contractual Obligations:
Caribbean Utilities has a primary fuel supply contract with a major supplier and is committed to purchase 80 per cent of the Company's fuel requirements from this supplier for the operation of Caribbean Utilities' diesel-fired generating plant. The contract is for three years terminating in April 2010. The remaining approximate quantities, in millions of imperial gallons, required to be purchased annually for each of the 12-month periods ended April 30 are: 2009 – 26 and 2010 – 28.

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

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

Each of the Corporation's regulated utilities maintains its own capital structure in line with the deemed capital structure reflected in the utility's customer rates. As well, the Corporation and its larger regulated utilities have secured multi-year committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements. The committed credit facility at Fortis is available for interim financing of acquisitions and for general corporate purposes. Fortis generally finances a significant portion of acquisitions with proceeds from common and preference share issues.

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

Fortis Inc. Capital Structure (Unaudited) As at				
	September 30, 2008		December 31, 2007	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) (1)	**5,529**	**62.2**	5,476	64.3
Preference shares (2)	**667**	**7.5**	442	5.2
Common shareholders' equity	**2,691**	**30.3**	2,601	30.5
Total	**8,887**	**100.0**	8,519	100.0

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

The improvement in the capital structure from December 2007 was primarily due to a $230 million ($225 million net of after-tax expenses) preference share issue, partially offset by an increase in consolidated debt. The increase in consolidated debt was driven by increased debt levels at FortisAlberta in support of its significant capital expenditure program and a primarily seasonal increase in credit facility borrowings at the Terasen Gas companies, partially offset by the repayment of credit facility borrowings by the Corporation with partial proceeds from the preference share issue. The capital structure was also favourably impacted by net earnings applicable to common shares, less common share dividends, of $51 million during the first nine months of 2008.

The Corporation's credit ratings are as follows:

S&P	A- (long-term corporate and unsecured debt credit rating)
DBRS	BBB(high) (unsecured debt credit rating)

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

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

Year to date, gross consolidated capital expenditures were $623 million. A breakdown of gross capital expenditures year to date by segment is provided in the following table.

Gross Capital Expenditures (Unaudited)
Year-to-date September 30, 2008
($ millions)

Terasen Gas Companies [(1)]	Fortis Alberta [(1) (2)]	FortisBC [(1)]	NF Power [(1)]	Other Regulated Utilities – Canadian [(1)]	**Total Regulated Utilities - Canadian**	**Regulated Utilities - Caribbean**	**Non-Regulated – Utility** [(3)]	**Fortis Properties**	**Total** [(4)]
152	222	81	47	28	**530**	**65**	**17**	**11**	**623**

(1) Includes asset removal and site restoration expenditures which are permissible in rate base
(2) Excludes payments of $23 million made to the AESO for investment in transmission capital projects
(3) Includes non-regulated generation, non-regulated gas utility and Corporate capital expenditures
(4) Includes expenditures associated with assets under construction

Gross consolidated capital expenditures for 2008 are expected to exceed $900 million. Planned capital expenditures are based on detailed forecasts of energy demand, weather, cost of labour and materials, as well as other factors which could change and cause actual expenditures to differ from forecasts. The significant changes in the expected level, nature and timing of certain capital projects for 2008 from those disclosed in the MD&A for the year ended December 31, 2007 are described below.

In April 2008, TGVI received approval from the BCUC to proceed with the engineering, procurement and construction ("EPC") of the LNG storage facility on Vancouver Island for a total cost of approximately $200 million. As a result, the Company entered into an EPC contract with a third party for the construction of the facility. The contract includes approximately $55 million to be paid in US dollars. As a result, TGVI has entered into a three-year US dollar forward-purchase contract which will mitigate currency fluctuations on the US dollar portion of the EPC contract. Construction commenced on the LNG storage facility during the second quarter of 2008.

TGVI's construction of an approximate $40 million 50-kilometre pipeline lateral from Squamish to Whistler continues and, as at September 30, 2008, approximately 47 kilometres of the pipeline had been constructed. Originally scheduled to be completed by summer 2008, the pipeline lateral is now expected to be completed in early 2009, slightly later than originally planned, due to changes in the way the Company can sequence the pipeline construction as a result of the Province's Sea-to-Sky Highway Improvement Project Plan ("Highway Project"). The pipeline is being built in conjunction with the Highway Project and the pipeline route mainly falls within the highway right of way. Conversion of the Resort Municipality of Whistler from propane to natural gas will occur in spring 2009 and take approximately three months to complete. TGVI does not expect any significant change in the cost to complete this capital project as a result of this delay.

During the third quarter of 2008, FortisAlberta began the second phase of deployment of the replacement of conventional meters with new Automated Meter Infrastructure ("AMI") technology. This phase is part of an overall $124 million project to convert approximately 435,000 customers to AMI technology over a four-year period that began in 2007. FortisAlberta expects to invest between $293 million and $303 million in gross capital projects in 2008, including asset removal and site restoration costs, up from $264 million as disclosed at December 31, 2007, mainly due to customer growth.

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

Fortis Properties will be expanding its Holiday Inn Kelowna hotel including adding 70 rooms and 4,000 square feet of meeting room space with construction to begin late in 2008. Completion of the expansion is expected by January 2010 at a total capital cost of approximately $13 million.

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

Fortis expects gross consolidated capital expenditures to exceed $4.5 billion over the next five years and to be driven by the Terasen Gas companies, FortisAlberta, FortisBC and the Corporation's regulated utility operations in the Caribbean. The increase in the expected capital expenditures over the next five years from the original estimate of $4 billion arises from additional capital projects forecasted by the Terasen Gas companies, FortisBC and Caribbean Utilities.

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

The Corporation's ability to service its debt obligations and pay dividends on its common shares and preference shares is dependent on the financial results of the operating subsidiaries and the related cash payments from these subsidiaries. Certain regulated subsidiaries may be subject to restrictions which may limit their ability to distribute cash to Fortis. Cash required of Fortis to support subsidiary capital expenditure programs and to finance acquisitions is expected to be derived from a combination of borrowings under credit facilities and the issuance of common shares, preference shares and long-term debt. Depending on the timing of cash payments from the subsidiaries, borrowings under the Corporation's credit facility may be required from time to time to support the servicing of debt and payment of dividends. Over the next five years, average annual long-term debt maturities are expected to be approximately $180 million. The combination of available credit facilities and low annual debt maturities provides the Corporation and its subsidiaries with flexibility in the timing of access to the debt and equity capital markets.

As a result of the PUC's Final Decision on Belize Electricity's 2008/2009 rate application, Belize Electricity does not meet certain debt covenant financial ratios resulting in approximately $16 million (BZ$30 million) of indebtedness being in default as at September 30, 2008 and Belize Electricity being prohibited from incurring new indebtedness or declaring dividends under certain of these debt covenants. The Company has informed the lenders of the situation and has requested appropriate waivers. As at September 30, 2008, the above debt was classified as current in the consolidated balance sheet.

As at September 30, 2008, the Corporation and its subsidiaries had consolidated authorized lines of credit of $2.2 billion, of which $1.5 billion was unused. The credit facilities are syndicated almost entirely with the seven largest Canadian banks with no one bank holding more than 25 per cent of these facilities. The following summary outlines the credit facilities of the Corporation and its subsidiaries.

Fortis Inc.
Credit Facilities (Unaudited)

($ millions)	Corporate and Other	Regulated Utilities	Fortis Properties	Total as at September 30, 2008	Total as at December 31, 2007
Total credit facilities	715	1,491	13	**2,219**	2,234
Credit facilities utilized:					
Short-term borrowings	-	(440)	-	**(440)**	(475)
Long-term debt (including current portion)	(46)	(110)	-	**(156)**	(530)
Letters of credit outstanding	(1)	(89)	(1)	**(91)**	(159)
Credit facilities available	668	852	12	**1,532**	1,070

At September 30, 2008 and December 31, 2007, certain borrowings under the Corporation's and subsidiaries' credit facilities have been classified as long-term debt. These borrowings are under long-term committed credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

Corporate and Other
Letters of credit of $50 million previously outstanding at Terasen Inc., related to its previously owned petroleum transportation business and secured by a letter of credit from the former parent company, were cancelled during the second quarter of 2008.

Regulated Utilities
In April 2008, FortisBC renegotiated and amended its $150 million unsecured committed revolving credit facility, extending the maturity date of the $50 million portion of the facility to May 2011 from May 2010 and extending the $100 million portion to May 2009 from May 2008. The Company has the option to increase the credit facility to an aggregate of $200 million, subject to bank approval.

In April 2008, Maritime Electric repaid all outstanding borrowings under its $25 million unsecured credit facility with partial proceeds from a $60 million bond issue. The credit facility matured in May 2008 and was not renewed. As at September 30, 3008, Maritime Electric had a $50 million unsecured revolving credit facility.

In July 2008, TGI renegotiated, on substantially similar terms, its $500 million unsecured committed revolving credit facility extending the maturity date of the facility to August 2013 from August 2012.

In August 2008, Newfoundland Power renegotiated, on substantially similar terms, its $100 million committed revolving credit facility extending the maturity date to August 2011 from January 2009.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, deferred charges and other assets, and deferred credits in the consolidated balance sheets of Fortis approximate their fair value, reflecting the short-term maturity, normal trade credit terms and/or nature of these instruments. The fair value of long-term debt is calculated by using quoted market prices, when available, or by discounting the future cash flow of each debt instrument at the estimated yield to maturity for the same or similar debt issues at the balance sheet date. Since the Corporation does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs. The fair value of the Corporation's preference shares is determined using quoted market prices.

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

Financial Instruments (Unaudited)
As at

	September 30, 2008		December 31, 2007	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt, including current portion [(1)]	**5,122**	**5,321**	5,023	5,635
Preference shares, classified as debt [(2)]	**320**	**326**	320	346

(1) Carrying value at September 30, 2008 is net of unamortized deferred financing costs of $36 million (December 31, 2007 - $33 million).
(2) Preference shares classified as equity do not meet the definition of a financial instrument; however, the estimated fair value of the Corporation's $347 million preference shares classified as equity was $326 million as at September 30, 2008 (December 31, 2007: carrying value $122 million; fair value $107 million).

Risk Management: The Corporation's earnings from and net investment in self-sustaining foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings. As at September 30, 2008, all of the Corporation's US$408 million long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's US dollar borrowings designated as hedges of the Corporation's foreign net investments are recorded in comprehensive income. As at September 30, 2008, the Corporation had approximately US$105 million in foreign net investments remaining to be hedged.

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

Derivative Financial Instruments (Unaudited) As at						
	September 30, 2008				December 31, 2007	
(Liability) Asset	**Term to maturity** *(years)*	**Number of Contracts**	**Carrying Value** *($ millions)*	**Estimated Fair Value** *($ millions)*	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swaps	**1 to 2**	**4**	**(1)**	**(1)**	-	-
Foreign exchange forward contract	**3**	**1**	**1**	**1**	-	-
Natural gas derivatives:						
Swaps and options	**Up to 3**	**245**	**(58)**	**(58)**	(79)	(79)
Gas purchase contract premiums	**< 3**	**108**	**(3)**	**(3)**	5	5

Two of the four interest rate swaps are held by Fortis Properties and are designated as hedges of the cash flow risk related to floating-rate long-term debt. The effective portion of changes in the value of the interest rate swaps at Fortis Properties is recorded in comprehensive income. The remaining interest rate swaps are held by the Terasen Gas companies. The interest rate swaps are designated as hedges of cash flow risk related to floating-rate debt instruments.

The foreign exchange forward contract is held by TGVI and is designated as a hedge of the cash flow risk related to approximately US$55 million required to be paid under a contract for the construction of an LNG storage facility.

The natural gas derivatives are used to fix the effective purchase price of natural gas, as the majority of the natural gas supply contracts have floating, rather than fixed, prices. At the Terasen Gas companies, changes in the fair value of the interest rate swaps, foreign exchange forward contract and natural gas derivatives are deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates. The fair values of the natural gas derivatives were recorded in accounts payable as at September 30, 2008 (December 31, 2007 – accounts payable and accounts receivable).

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

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

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2008, the Corporation had no off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources.

BUSINESS RISK MANAGEMENT

Changes in the Corporation's significant business risks during the nine months ended September 30, 2008 from those disclosed in the Corporation's MD&A for the year ended December 31, 2007 are described below.

Regulation: The PUC's June 2008 Final Decision on Belize Electricity's rate application for the period July 1, 2008 through June 30, 2009 creates uncertainty in the regulatory regime and the rate setting process in Belize. The PUC ordered a BZ$36 million ($18 million; $13 million of which is the Corporation's share) retroactive adjustment associated with Belize Electricity's prior years' financial results. The adjustment, in substance, represented the disallowance of previously incurred fuel and purchased power costs. The PUC also reduced Belize Electricity's allowed ROA to 10 per cent from 12 per cent. The Final Decision violates both established regulatory practice and contractual obligations made by the Government of Belize at the time Fortis made its initial investment in Belize Electricity. On July 25, 2008, Belize Electricity filed applications with the Supreme Court of Belize for leave to apply for judicial review of 2008 amended bylaws, upon which the Final Decision was premised, and appeal of the Final Decision. Leave was granted on October 3, 2008. It is expected that the judicial review will be heard in late 2008.

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

Capital Resources: The recent volatility experienced in the global capital markets may increase the cost of and timing of issuance of long-term capital by the Corporation and its subsidiaries. Capital market volatility may also impact the Corporation's and subsidiaries' future funding obligations and/or pension expense associated with their defined benefit pension plans.

Environment: In 2008, the Government of British Columbia introduced changes to energy policy including greenhouse gas emission reduction targets and a consumption tax on carbon based fuels that impacts the competitiveness of natural gas versus non-carbon based energy sources.

Integration of Terasen: Management considers the integration of Terasen within the Fortis Group to be substantially complete and, therefore, the risk related to integration has been reduced.

Labour Relations: In July 2008, Belize Electricity and the Belize Energy Workers' Union, through a process of conciliation, entered into a new collective agreement, which provided for retroactive wage increases of 2.5 per cent, effective for each of June 1, 2006 and June 1, 2007, in addition to wage increases of 2 per cent and 1 per cent, effective June 1, 2008 and June 1, 2009, respectively. Reaching a new collective agreement concluded a negotiation and subsequent conciliation process that commenced in 2006. The next review of the collective agreement will be in 2011.

Newfoundland Power has two collective agreements governing its unionized employees represented by the International Brotherhood of Electrical Workers, Local 1620. Both contracts expired September 30, 2008 and contract renewal negotiations commenced in October 2008.

CHANGES IN ACCOUNTING STANDARDS

Inventories: Effective January 1, 2008, the Corporation adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - *Inventories*. The new standard requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory-costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost or net realizable value no longer exist, the amount of the write down is to be reversed. As at December 31, 2007, inventories of $26 million were reclassified to utility capital assets from inventory on the balance sheet as they were held for the development, construction, maintenance and repair of utility capital assets. This new standard did not have a material impact on the Corporation's earnings, cash flow or financial position.

Capital Disclosures: Effective January 1, 2008, the Corporation adopted the new CICA Handbook Section 1535 - *Capital Disclosures.* The new standard requires additional information to be disclosed in the Notes to the consolidated financial statements about the Corporation's capital and the manner in which it is managed. The additional disclosures include quantitative and qualitative information regarding the Corporation's objectives, policies and processes for managing capital. This new standard did not have a material impact on the Corporation's earnings, cash flow or financial position. The additional required disclosures are provided in Note 16 to the Corporation's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008.

Disclosure and Presentation of Financial Instruments: Effective January 1, 2008, the Corporation adopted new accounting recommendations for disclosure and presentation of financial instruments provided in Sections 3862 and 3863 of the CICA Handbook. The new recommendations require disclosures of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed. The new standards did not have a material impact on the Corporation's earnings, cash flow or financial position. The additional required disclosures are provided in Notes 17 and 18 to the Corporation's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008.

FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS"): In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section - *Accounting Changes*, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft. Fortis is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. Further, Fortis anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required and any necessary system changes to gather and process the information.

Fortis commenced its IFRS conversion project in 2007 and has established a formal project governance structure. Regular reporting will occur to the Audit Committee of the Board of Directors of Fortis and of the subsidiaries, where appropriate. An external expert advisor has been engaged to assist in the IFRS conversion project.

The Fortis IFRS conversion project consists of three phases: scoping and diagnostic, analysis and development, and implementation and review. Phase One has been completed which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS. Currently, the identified areas of accounting difference of highest potential impact to Fortis are rate-regulated operations, property plant and equipment, investment property, intangible assets, provisions and contingent liabilities, employee benefits, impairment of assets, income taxes, business combinations, and initial adoption of IFRS under the provisions of IFRS 1 - *First-Time Adoption of IFRS*.

Phase Two, currently in progress, involves completion of detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; and development of required solutions to address identified issues.

It is anticipated that the adoption of IFRS will have an impact on current and future system requirements. The degree of this impact is not reasonably determinable at this stage of the project.

During the nine months ended September 30, 2008, several regulatory authorities with jurisdiction over the Corporation's regulated utilities have begun their own IFRS projects to determine the nature of any changes that should be made in regulatory accounting requirements in response to IFRS. The Corporation's regulated utilities will work with their respective regulatory authority to identify transitional issues and suggest how those issues might be addressed.

Fortis will continue to review all proposed and continuing projects of the International Accounting Standards Board, closely monitor any International Financial Reporting Interpretations Committee initiatives with the potential to impact rate-regulated accounting under IFRS, and will participate in any related processes, as appropriate.

Rate-Regulated Operations: In March 2007, the AcSB issued an Exposure Draft on rate-regulated operations that proposed: (i) the temporary exemption in Section 1100, *Generally Accepted Accounting Principles*, of the CICA Handbook providing relief to entities subject to rate regulation from the requirement to apply the Section to the recognition and measurement of assets and liabilities arising from rate regulation be removed; (ii) the explicit guidance for rate-regulated operations provided in Section 1600, *Consolidated Financial Statements*, Section 3061, *Property, Plant and Equipment*, Section 3465, *Income Taxe*s, and Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, be removed; and (iii) Accounting Guideline 19, *Disclosures by Entities Subject to Rate Regulation* ("AcG-19"), be retained as is.

In August 2007, the AcSB issued a Decision Summary on the Exposure Draft that supported the removal of the temporary exemption in Section 1100, *Generally Accepted Accounting Principles,* and the amendment to Section 3465, *Income Taxes,* to recognize future income tax liabilities and assets as well as offsetting regulatory assets and liabilities by entities subject to rate regulation. Both changes will apply prospectively for fiscal years beginning on or after January 1, 2009. The AcSB also decided that the current guidance for rate-regulated operations pertaining to property, plant and equipment, disposal of long-lived assets and discontinued operations, and consolidated financial statements be maintained, and that the existing AcG-19 will not be withdrawn from the CICA Handbook but that the guidance will be updated as a result of the other changes. The AcSB also decided that the final Background Information and Basis for Conclusions associated with its rate-regulation project would not express any views of the AcSB regarding the status of US Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation,* as "another source of GAAP" within the Canadian GAAP hierarchy.

Effective January 1, 2009, the impact on Fortis of the amendment to Section 3465, *Income Taxes*, will be the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future gas and electricity rates. Currently, the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power use the taxes payable method of accounting for income taxes. The effect on the Corporation's interim unaudited consolidated financial statements, if it had adopted amended Section 3465, *Income Taxes*, as at September 30, 2008, would have been an increase in future income tax assets and future income tax liabilities of $28 million and $473 million, respectively, and a corresponding increase in regulatory liabilities and regulatory assets of $28 million and $473 million, respectively. Included in the amounts are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through customer rates, and the separate disclosure of future income tax assets and liabilities that are currently not recognized. Fortis is continuing to assess and monitor any additional implications on its financial reporting related to accounting for rate-regulated operations.

Goodwill and Intangible Assets: Effective January 1, 2009, the Corporation will be adopting the new CICA Handbook Section 3064 - *Goodwill and Intangible Assets*. This Section, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions related to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Accounting Standard 38, *Intangible Assets*. The Corporation is continuing to assess the financial reporting impact of adopting this standard.

CRITICAL ACCOUNTING ESTIMATES

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

Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes in the nature of the Corporation's critical accounting estimates during the nine months ended September 30, 2008 from those disclosed in the Corporation's MD&A for the year ended December 31, 2007.

Contingencies: Fortis is subject to various legal proceedings and claims that arise in the ordinary course of business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial position or results of operations. There were no material changes in the Corporation's contingent liabilities during the nine months ended September 30, 2008 from those disclosed in the MD&A for the year ended December 31, 2007, except as discussed below.

Pursuant to a settlement agreement between FortisAlberta and Her Majesty the Queen in Right of Alberta (the "Crown"), a Discontinuance of Action was filed on September 10, 2008 in the Court of Queen's Bench of Alberta in the Judicial District of Edmonton in relation to a March 24, 2006 statement of claim wherein the Crown claimed that FortisAlberta was responsible for a fire that occurred in October 2003 in an area of the Province of Alberta commonly referred to as "Poll Haven Community Pasture". Payment of the settlement funds was covered by the terms of an insurance contract between FortisAlberta and its insurer.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended December 31, 2006 through September 30, 2008. The quarterly information has been obtained from the Corporation's interim unaudited consolidated financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP and as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities. The differences and nature of regulation are disclosed in Notes 2 and 4 to the Corporation's 2007 annual audited consolidated financial statements. The quarterly operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Fortis Inc. Summary of Quarterly Results (Unaudited)				
Quarter Ended	Revenue and Equity Income *($ millions)*	Net Earnings Applicable to Common Shares *($ millions)*	Earnings per Common Share Basic *($)*	Diluted *($)*
September 30, 2008	727	49	0.31	0.31
June 30, 2008	848	29	0.19	0.18
March 31, 2008	1,146	91	0.58	0.55
December 31, 2007	1,018	79	0.51	0.49
September 30, 2007	651	31	0.20	0.20
June 30, 2007	566	41	0.31	0.27
March 31, 2007	483	42	0.38	0.35
December 31, 2006	393	34	0.33	0.32

A summary of the past eight quarters reflects the Corporation's continued organic growth, growth from acquisitions, as well as the seasonality associated with its businesses. Interim results will fluctuate due to the seasonal nature of gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Given the diversified group of companies, seasonality may vary. Financial results from May 17, 2007 were impacted by the acquisition of Terasen. Virtually all of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters. Financial results for the second quarter ended June 30, 2008, reflected the $13 million unfavourable impact to Fortis of a charge recorded at Belize Electricity as a result of the June 2008 regulatory rate decision. Due to a shift in the quarterly distribution of annual purchased power expense at Newfoundland Power, Newfoundland Power's earnings in 2008 will be lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods in 2007. Newfoundland Power's annual earnings will not be impacted by the shift in the quarterly distribution of annual purchased power expense. Financial results from August 1, 2007 were impacted by the acquisition of the Delta Regina in Saskatchewan and from November 1, 2006 were impacted by the acquisition of four hotels in western Canada. Financial results from January 1, 2007 were impacted by the consolidation of an approximate 54 per cent controlling interest in Caribbean Utilities. The Corporation's previous approximate 37 per cent interest in Caribbean Utilities was accounted for on an equity basis.

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

June 30, 2008/June 30, 2007 - Net earnings applicable to common shares were $29 million, or $0.19 per common share for the second quarter of 2008, compared to earnings of $41 million, or $0.31 per common share, for the second quarter of 2007. Second quarter results for 2008 included a $13 million, or $0.08 per common share, charge representing the Corporation's approximate 70 per cent share of disallowed previously incurred fuel and purchased power costs at Belize Electricity, and included a $2 million one-time charge at FortisOntario associated with repayment of interconnection agreement amounts received in the fourth quarter of 2007. Excluding the above one-time items, earnings for the second quarter were $44 million compared to $41 million for the same quarter last year. Earnings were favourably impacted by a full quarter of earnings' contribution from the Terasen Gas companies, higher earnings at Newfoundland Power associated with a shift in the quarterly distribution of annual purchased power expense, increased non-regulated hydroelectric production and improved performance at Fortis Properties. Partially offsetting those items were lower earnings at FortisAlberta associated with higher corporate income taxes and higher corporate financing costs associated with the Terasen acquisition.

March 31, 2008/March 31, 2007 - Net earnings applicable to common shares were $91 million, or $0.58 per common share, for the first quarter of 2008, up $49 million from earnings of $42 million, or $0.38 per common share, for the first quarter of 2007. Growth in earnings was primarily attributable to the contribution from the Terasen Gas companies, acquired on May 17, 2007, and also reflected improved performance at Caribbean Utilities. The growth was partially offset by higher corporate financing costs associated with the Terasen acquisition and lower earnings at Newfoundland Power associated with a shift in the quarterly distribution of annual purchased power expense. Earnings' contribution from Caribbean Utilities during the first quarter of 2007 was reduced by $2 million associated with a charge on the disposal of steam-turbine assets.

December 31, 2007/December 31, 2006 - Net earnings applicable to common shares were $79 million, or $0.51 per common share, for the fourth quarter of 2007 compared to earnings of $34 million, or $0.33 per common share, for the fourth quarter of 2006. The increase in earnings was driven by the contribution from the Terasen Gas companies, including a $7 million after-tax gain on the sale of surplus land, partially offset by increased corporate costs driven by Terasen acquisition-related finance charges. Fourth quarter 2007 results also included a one-time gain at FortisOntario related to a refund received associated with an interconnection agreement.

OUTLOOK

The Corporation's principal businesses of regulated gas and electricity distribution are capital intensive. Over the next five years, the Corporation's consolidated capital program is expected to exceed $4.5 billion, with approximately $3.5 billion to be driven by FortisAlberta, FortisBC and the Corporation's regulated utility operations in the Caribbean. Gross gas utility capital expenditures are expected to exceed $1 billion. The Corporation's capital program should drive growth in earnings.

With Terasen now substantially integrated into the Fortis Group of Companies, Fortis is well positioned to pursue acquisitions for profitable growth, focusing on opportunities to acquire regulated natural gas and electric utilities in Canada, the United States and the Caribbean. Fortis will also pursue growth in its non-regulated businesses in support of its regulated utility growth strategy.

OUTSTANDING SHARE DATA

As at October 30, 2008, the Corporation had issued and outstanding 157.3 million Common Shares; 5.0 million First Preference Shares, Series C; 8.0 million First Preference Shares, Series E; 5.0 million First Preference Shares, Series F; and 9.2 million First Preference Shares, Series G.

In October 2008, S&P removed Fortis from the S&P/TSX Completion and Equity Completion indices and placed Fortis in the S&P/TSX 60, 60 Capped and Equity 60 indices.

The number of Common Shares of Fortis that would be issued if all outstanding share options, convertible debt and First Preference Shares, Series C and E were converted as at October 30, 2008 is as follows:

Fortis Inc.
Conversion of Securities into Common Shares
As at October 30, 2008 (Unaudited)

Security	**Number of Common Shares** *(millions)*
Stock Options	4.2
Convertible Debt	1.4
First Preference Shares, Series C	5.0
First Preference Shares, Series E	7.9
Total	18.5

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

FORTIS INC.

Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2008 and 2007
(Unaudited)

Fortis Inc.

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

	September 30 2008	December 31 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 68	$ 58
Accounts receivable	458	635
Prepaid expenses	26	19
Regulatory assets (Note 6)	133	119
Inventories of gas, materials and supplies	308	207
	993	1,038
Deferred charges and other assets	215	179
Regulatory assets (Note 6)	177	193
Future income taxes	40	37
Utility capital assets	7,124	6,748
Income producing properties	519	519
Intangibles, net of amortization	10	15
Goodwill	1,559	1,544
	$ 10,637	$ 10,273
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 18)	$ 440	$ 475
Accounts payable and accrued charges	705	793
Dividends payable	42	43
Income taxes payable	49	30
Regulatory liabilities (Note 6)	18	20
Current installments of long-term debt and capital lease obligations (Note 7)	377	436
Future income taxes	14	7
	1,645	1,804
Deferred credits	275	261
Regulatory liabilities (Note 6)	389	372
Future income taxes	60	55
Long-term debt and capital lease obligations (Note 7)	4,780	4,623
Non-controlling interest	130	115
Preference shares	320	320
	7,599	7,550
Shareholders' equity		
Common shares (Note 8)	2,153	2,126
Preference shares (Note 9)	347	122
Contributed surplus	8	6
Equity portion of convertible debentures	5	6
Accumulated other comprehensive loss (Note 11)	(77)	(88)
Retained earnings	602	551
	3,038	2,723
	$ 10,637	$ 10,273

Contingent liabilities and commitments (Note 19)

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Earnings (Unaudited)
For the periods ended September 30
(in millions of Canadian dollars, except per share amounts)

	Quarter Ended		Nine Months Ended	
	2008	2007	**2008**	2007
Operating revenues	**$ 727**	$ 651	**$ 2,721**	$ 1,700
Expenses				
Energy supply costs	**320**	272	**1,427**	729
Operating	**174**	172	**535**	426
Amortization	**86**	75	**255**	194
	580	519	**2,217**	1,349
Operating income	**147**	132	**504**	351
Finance charges (Note 13)	**89**	91	**270**	206
Earnings before corporate taxes and non-controlling interest	**58**	41	**234**	145
Corporate taxes (Note 14)	**-**	2	**48**	15
Net earnings before non-controlling interest	**58**	39	**186**	130
Non-controlling interest	**4**	6	**8**	11
Net earnings	**54**	33	**178**	119
Preference share dividends	**5**	2	**9**	5
Net earnings applicable to common shares	**$ 49**	$ 31	**$ 169**	$ 114
Earnings per common share (Note 8)				
Basic	**$ 0.31**	$ 0.20	**$ 1.08**	$ 0.86
Diluted	**$ 0.31**	$ 0.20	**$ 1.06**	$ 0.79

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Retained Earnings (Unaudited)
For the periods ended September 30
(in millions of Canadian dollars)

	Quarter Ended		Nine Months Ended	
	2008	2007	**2008**	2007
Balance at beginning of period	**$ 592**	$ 513	**$ 551**	$ 486
Net earnings applicable to common shares	**49**	31	**169**	114
	641	544	**720**	600
Dividends on common shares	**(39)**	(33)	**(118)**	(89)
Balance at end of period	**$ 602**	$ 511	**$ 602**	$ 511

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.

Consolidated Statements of Comprehensive Income (Unaudited)
For the periods ended September 30
(in millions of Canadian dollars)

	Quarter Ended		Nine Months Ended	
	2008	2007	**2008**	2007
Net earnings	**$ 54**	$ 33	**$ 178**	$ 119
Unrealized foreign currency translation gains (losses) on net investments in self-sustaining foreign operations	**22**	(29)	**35**	(70)
(Losses) gains on hedges of net investments in self-sustaining foreign operations	**(17)**	26	**(28)**	47
Corporate tax recovery (expense)	**2**	(4)	**4**	(8)
Change in unrealized foreign currency translation gains (losses), net of hedging activities and tax (Note 11)	**7**	(7)	**11**	(31)
Comprehensive income	**$ 61**	$ 26	**$ 189**	$ 88

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.

Consolidated Statements of Cash Flows (Unaudited)
For the periods ended September 30
(in millions of Canadian dollars)

	Quarter Ended		Nine Months Ended	
	2008	2007	**2008**	2007
Operating Activities				
Net earnings	**$ 54**	$ 33	**$ 178**	$ 119
Items not affecting cash				
Amortization - utility capital assets and income producing properties	**85**	73	**248**	187
Amortization - intangibles and other	**1**	2	**7**	7
Future income taxes	**2**	2	**17**	2
Non-controlling interest	**4**	6	**8**	11
Write down of deferred power costs - Belize Electricity (Note 6)	**-**	-	**18**	-
Other	**(2)**	8	**(6)**	11
Change in long-term regulatory assets and liabilities	**(13)**	22	**(3)**	14
	131	146	**467**	351
Change in non-cash operating working capital	**(114)**	(87)	**(18)**	(130)
	17	59	**449**	221
Investing Activities				
Change in deferred charges, other assets and deferred credits	**(15)**	(2)	**(32)**	(5)
Utility capital expenditures	**(231)**	(212)	**(612)**	(539)
Contributions in aid of construction	**28**	16	**60**	55
Income-producing property capital expenditures	**(3)**	(4)	**(11)**	(10)
Proceeds on sale of capital assets	**2**	-	**18**	3
Business acquisitions	**-**	(50)	**-**	(1,303)
	(219)	(252)	**(577)**	(1,799)
Financing Activities				
Change in short-term borrowings	**160**	99	**(36)**	29
Proceeds from long-term debt, net of issue costs	**-**	390	**659**	533
Repayments of long-term debt and capital lease obligations	**(15)**	(15)	**(220)**	(48)
Net borrowings (repayments) under committed credit facilities	**103**	(261)	**(374)**	(79)
Advances from (to) non-controlling interest	**4**	(1)	**4**	(3)
Issue of common shares	**5**	8	**16**	1,262
Issue of preference shares	**-**	-	**223**	-
Dividends				
Common shares	**(39)**	(33)	**(118)**	(89)
Preference shares	**(5)**	(2)	**(9)**	(5)
Subsidiary dividends paid to non-controlling interest	**(2)**	(3)	**(7)**	(9)
	211	182	**138**	1,591
Effect of exchange rate changes on cash and cash equivalents	**-**	(1)	**-**	(3)
Change in cash and cash equivalents	**9**	(12)	**10**	10
Cash and cash equivalents, beginning of period	**59**	63	**58**	41
Cash and cash equivalents, end of period	**$ 68**	$ 51	**$ 68**	$ 51

See accompanying Notes to interim consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

Nature of Operations

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

REGULATED UTILITIES

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

Regulated Gas Utilities - Canadian

Terasen Gas Companies: Includes Terasen Gas Inc. ("TGI"), Terasen Gas (Vancouver Island) Inc. ("TGVI"), and Terasen Gas (Whistler) Inc. ("TGWI"), which Fortis acquired through the acquisition of Terasen Inc. ("Terasen") on May 17, 2007.

TGI is the largest distributor of natural gas in British Columbia, serving approximately 828,200 residential, commercial and industrial customers in a service area that extends from Vancouver to the Fraser Valley and the interior of British Columbia.

TGVI owns and operates the natural gas transmission pipeline from the Greater Vancouver area across the Georgia Strait to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia, serving approximately 93,600 residential, commercial and industrial customers.

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

TGWI owns and operates the propane distribution system in Whistler, British Columbia, providing service to approximately 2,400 residential and commercial customers.

Regulated Electric Utilities - Canadian

a. *FortisAlberta:* FortisAlberta owns and operates the electricity distribution system in a substantial portion of southern and central Alberta, serving approximately 456,800 customers.

b. *FortisBC*: Includes FortisBC Inc., an integrated electric utility operating in the southern interior of British Columbia, serving approximately 155,000 customers. FortisBC Inc. owns four hydroelectric generating plants with a combined capacity of 223 megawatts ("MW"). Included with the FortisBC component of the Regulated Electric Utilities - Canadian segment are the operating, maintenance and management services relating to the 450-MW Waneta hydroelectric generating facility owned by Teck Cominco Metals Ltd., the 149-MW Brilliant Hydroelectric Plant owned by Columbia Power Corporation and the Columbia Basin Trust ("CPC/CBT"), the 185-MW Arrow Lakes Hydroelectric Plant owned by CPC/CBT and the distribution system owned by the City of Kelowna.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Regulated Electric Utilities - Canadian (cont'd)

c. *Newfoundland Power:* Newfoundland Power is the principal distributor of electricity in Newfoundland, serving more than 234,000 customers. Newfoundland Power has an installed generating capacity of approximately 139 MW, of which 96 MW is hydroelectric generation.

d. *Other Canadian:* Includes Maritime Electric and FortisOntario. Maritime Electric is the principal distributor of electricity on Prince Edward Island, serving approximately 73,000 customers. Maritime Electric also maintains on-Island generating facilities with a combined capacity of 150 MW. FortisOntario provides an integrated electric utility service to approximately 52,000 customers in Fort Erie, Cornwall, Gananoque and Port Colborne in Ontario. FortisOntario operations primarily include Canadian Niagara Power Inc. ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company, Limited ("Cornwall Electric"). Included in Canadian Niagara Power's accounts is the operation of the electricity distribution business of Port Colborne Hydro Inc., which has been leased from the City of Port Colborne under a 10-year lease agreement expiring in April 2012.

Regulated Electric Utilities - Caribbean

a. *Belize Electricity:* Belize Electricity is the principal distributor of electricity in Belize, Central America, serving approximately 73,900 customers. The Company has an installed generating capacity of 36 MW. Fortis holds an approximate 70 per cent controlling interest in Belize Electricity.

b. *Caribbean Utilities:* Caribbean Utilities is the sole provider of electricity on Grand Cayman, Cayman Islands, serving over 24,000 customers. The Company has an installed generating capacity of approximately 137 MW. Fortis has an approximate 57 per cent controlling ownership interest in Caribbean Utilities. Caribbean Utilities is a public company traded on the Toronto Stock Exchange (TSX:CUP.U). Caribbean Utilities had an April 30 fiscal year end whereby, up to and including the third quarter of 2008, Caribbean Utilities' financial statements were consolidated in the financial statements of Fortis on a two-month lag basis. Caribbean Utilities has changed its fiscal year end to December 31 which will result in the Corporation consolidating five months of financial results of Caribbean Utilities during the fourth quarter of 2008. Going forward, this will eliminate the previous two-month lag in consolidating Caribbean Utilities' financial results.

c. *P.P.C. Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd. (collectively referred to as Fortis Turks and Caicos):* Fortis Turks and Caicos is the principal distributor of electricity on the Turks and Caicos Islands, serving more than 9,000 customers. The Company has a combined diesel-fired generating capacity of 48 MW.

Non-Regulated - Fortis Generation

a. *Belize:* Operations consist of the 25-MW Mollejon and 7-MW Chalillo hydroelectric generating facilities in Belize. All of the facilities' output is sold to Belize Electricity under a 50-year power purchase agreement expiring in 2055.

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

c. *Central Newfoundland:* Through the Exploits River Hydro Partnership ("Exploits Partnership"), a partnership between the Corporation, through its wholly owned subsidiary Fortis Properties, and Abitibi-Consolidated Company of Canada ("Abitibi-Consolidated"), 36 MW of additional capacity was developed and installed at two of Abitibi-Consolidated's hydroelectric generating plants in central Newfoundland. Fortis Properties holds directly a 51 per cent interest in the Exploits Partnership and Abitibi-Consolidated holds the remaining 49 per cent interest. The Exploits Partnership sells its output to Newfoundland and Labrador Hydro Corporation under a 30-year power purchase agreement expiring in 2033.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Non-Regulated - Fortis Generation (cont'd)

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

e. *Upper New York State:* Includes the operations of four hydroelectric generating stations in Upper New York State, with a combined capacity of approximately 23 MW, operating under licences from the US Federal Energy Regulatory Commission.

Non-Regulated - Fortis Properties

Fortis Properties owns and operates 19 hotels with more than 3,500 rooms in eight Canadian provinces and approximately 2.8 million square feet of commercial real estate primarily in Atlantic Canada.

Corporate and Other

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

Also included in the Corporate and Other segment are the financial results of CustomerWorks Limited Partnership ("CWLP"). CWLP is a non-regulated shared-services business in which Terasen holds a 30 per cent interest. CWLP operates in partnership with Enbridge Inc. and provides customer service contact, meter reading, billing, credit, support and collection services to the Terasen Gas companies and several smaller third parties. CWLP's financial results are recorded using the proportionate consolidation method of accounting. While currently not significant, financial results of Terasen Energy Services Inc. ("TES") are also reported in the Corporate and Other segment. TES is a non-regulated wholly owned subsidiary of Terasen. TES expects to increase its activities in the development, building, owning and operating of innovative geoexchange energy systems, community piping and energy transfer systems to harness renewable energy sources. TES is entering into agreements with developers to provide alternative thermal energy systems for both residential and commercial development projects in British Columbia.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements and do not include all of the disclosures normally found in the Corporation's Annual Consolidated Financial Statements. These interim consolidated financial statements should be read in conjunction with the Corporation's 2007 Annual Consolidated Financial Statements. Interim results will fluctuate due to the seasonal nature of gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Virtually all of the annual earnings of the Terasen Gas companies are generated in the first and fourth quarters due to seasonality of the business, as a major portion of gas distributed is used for space heating. Given the diversified group of companies, seasonality may vary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP, including selected accounting treatments that differ from those used by entities not subject to rate regulation.

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

The timing of the recognition of certain assets, liabilities, revenues and expenses, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for entities not subject to rate regulation. The differences and nature of regulation are disclosed in Notes 2 and 4 to the Corporation's 2007 Annual Consolidated Financial Statements. These interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2007 Annual Consolidated Financial Statements except as described below. All amounts are presented in Canadian dollars unless otherwise stated.

Effective January 1, 2008, the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Inventories

Section 3031, *Inventories*, requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory-costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost or net realizable value no longer exist, the amount of the write-down is to be reversed. As at December 31, 2007, inventories of $26 million were reclassified to utility capital assets from inventory on the balance sheet as they were held for the development, construction, maintenance and repair of other utility capital assets. These inventories will be amortized when put in service using the straight-line method based on estimated service lives of the utility capital assets to which they are added. During the three and nine months ended September 30, 2008, inventories of $157 million and $850 million, respectively, were expensed and reported in energy supply costs in the interim consolidated statement of earnings ($118 million and $191 million for the three and nine months ended September 30, 2007, respectively. Inventories expensed and reported in energy supply costs for the nine months ended September 30, 2007 reflected only 4½ months of such expenses of the Terasen Gas companies, which were acquired on May 17, 2007). Inventories expensed to operating expenses were $1 million and $3 million for the three and nine months ended September 30, 2008, respectively ($1 million and $4 million for the three and nine months ended September 30, 2007, respectively).

Capital Disclosures

Section 1535, *Capital Disclosures*, requires the Corporation to disclose additional information about its capital and the manner in which it is managed. The additional disclosures include quantitative and qualitative information regarding the Corporation's objectives, policies and processes for managing capital. The new disclosures are provided in Note 16.

Disclosure and Presentation of Financial Instruments

Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, require disclosures of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed. The new disclosures are provided in Notes 17 and 18.

4. FUTURE ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

4. FUTURE ACCOUNTING POLICIES (cont'd)

International Financial Reporting Standards ("IFRS") (cont'd)

The AcSB proposes that CICA Handbook Section - *Accounting Changes*, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft. Fortis is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. Further, Fortis anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required and any necessary system changes to gather and process the information.

Rate-Regulated Operations

In March 2007, the AcSB issued an Exposure Draft on rate-regulated operations that proposed: (i) the temporary exemption in Section 1100, *Generally Accepted Accounting Principles*, of the CICA Handbook providing relief to entities subject to rate regulation from the requirement to apply the Section to the recognition and measurement of assets and liabilities arising from rate regulation be removed; (ii) the explicit guidance for rate-regulated operations provided in Section 1600, *Consolidated Financial Statements*, Section 3061, *Property, Plant and Equipment*, Section 3465, *Income Taxe*s, and Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, be removed; and (iii) Accounting Guideline 19, *Disclosures by Entities Subject to Rate Regulation* ("AcG-19"), be retained as is.

In August 2007, the AcSB issued a Decision Summary on the Exposure Draft that supported the removal of the temporary exemption in Section 1100, *Generally Accepted Accounting Principles,* and the amendment to Section 3465, *Income Taxes,* to recognize future income tax liabilities and assets as well as offsetting regulatory assets and liabilities by entities subject to rate regulation. Both changes will apply prospectively for fiscal years beginning on or after January 1, 2009. The AcSB also decided that the current guidance for rate-regulated operations pertaining to property, plant and equipment, disposal of long-lived assets and discontinued operations, and consolidated financial statements be maintained, and that the existing AcG-19 will not be withdrawn from the CICA Handbook but that the guidance will be updated as a result of the other changes. The AcSB also decided that the final Background Information and Basis for Conclusions associated with its rate-regulation project would not express any views of the AcSB regarding the status of US Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation,* as "another source of GAAP" within the Canadian GAAP hierarchy.

Effective January 1, 2009, the impact on Fortis of the amendment to Section 3465, *Income Taxes*, will be the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future gas and electricity rates. Currently, the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power use the taxes payable method of accounting for income taxes. The effect on the Corporation's interim consolidated financial statements, if it had adopted amended Section 3465, *Income Taxes*, as at September 30, 2008, would have been an increase in future income tax assets and future income tax liabilities of $28 million and $473 million, respectively, and a corresponding increase in regulatory liabilities and regulatory assets of $28 million and $473 million, respectively. Included in the amounts are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through customer rates, and the separate disclosure of future income tax assets and liabilities that are currently not recognized. Fortis is continuing to assess and monitor any additional implications on its financial reporting related to accounting for rate-regulated operations.

Goodwill and Intangible Assets

Effective January 1, 2009, the Corporation will be adopting the new CICA Handbook Section 3064 - *Goodwill and Intangible Assets.* This Section, which replaces Section 3062, *Goodwill and Other Intangible Assets,* and Section 3450, *Research and Development Costs,* establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

4. FUTURE ACCOUNTING POLICIES (cont'd)

Goodwill and Intangible Assets (cont'd)

The provisions related to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Accounting Standard 38, *Intangible Assets.* The Corporation is continuing to assess the financial reporting impact of adopting this standard.

5. USE OF ESTIMATES

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

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

Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes to the Corporation's critical accounting estimates during the nine months ended September 30, 2008 from those disclosed in the Corporation's Management Discussion and Analysis for the year ended December 31, 2007.

6. REGULATORY ASSETS AND LIABILITIES

A summary of the Corporation's regulatory assets and liabilities is provided below. A description of the nature of the regulatory assets and liabilities is provided in Note 4 to the Corporation's 2007 Annual Audited Consolidated Financial Statements.

($ millions)	**As at September 30, 2008**	As at December 31, 2007
Regulatory Assets		
Rate stabilization accounts - Terasen Gas companies [(1)]	**47**	99
Rate stabilization accounts - electric utilities [(2)]	**79**	55
Regulatory other post-employment benefit ("OPEB") asset	**50**	44
Income taxes recoverable on OPEB plans	**17**	16
Alberta Electric System Operator ("AESO") charges deferral	**36**	8
Deferred capital asset amortization	**9**	12
Weather normalization account	**7**	11
Residential unbundling	**7**	9
Deferred pension costs	**7**	8
Southern Crossing Pipeline tax reassessment	**7**	7
Energy management costs	**7**	6
Lease costs	**6**	5
Other regulatory assets	**31**	32
Total regulatory assets	**310**	312
Less: current portion	**(133)**	(119)
Long-term regulatory assets	**177**	193

6. REGULATORY ASSETS AND LIABILITIES (cont'd)

($ millions)	**As at September 30, 2008**	As at December 31, 2007
Regulatory Liabilities		
Future removal and site restoration provision	**336**	319
Unbilled revenue liability	**17**	22
Performance-based rate-setting incentive liabilities	**13**	14
Rate stabilization account - Terasen Gas companies (3)	**5**	-
Other regulatory liabilities	**36**	37
Total regulatory liabilities	**407**	392
Less: current portion	**(18)**	(20)
Long-term regulatory liabilities	**389**	372

(1) Rate stabilization asset accounts include the revenue deficiency deferral account, revenue stabilization adjustment mechanism account ("RSAM"), commodity cost reconciliation account ("CCRA") and gas cost variance account. At December 31, 2007, the rate stabilization accounts also included the midstream cost reconciliation account ("MCRA"). The decrease in the rate stabilization asset accounts from December 31, 2007 was mainly due to lower balances in the RSAM and CCRA, as well as a shift in the balance of the MCRA to a payable balance at September 30, 2008 from a receivable balance at December 31, 2007. The change in balances was a result of recording the change in the fair market value of the natural gas derivative contracts.

(2) During the second quarter of 2008, a downward $18 million adjustment was made to Belize Electricity's cost of power rate stabilization account reflecting, in substance, the disallowance of previously incurred fuel and purchased power costs as a result of the Final Decision by the Public Utilities Commission ("PUC") of Belize on Belize Electricity's 2008/2009 rate application. On July 25, 2008, Belize Electricity filed applications with the Supreme Court of Belize for leave to apply for judicial review of 2008 amended bylaws, upon which the Final Decision was premised, and appeal of the Final Decision. Leave was granted on October 3, 2008.

(3) Rate stabilization liability account relates to the MCRA.

7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

($ millions)	**As at September 30, 2008**	As at December 31, 2007
Long-term debt and capital lease obligations	**5,037**	4,562
Long-term classification of committed credit facilities (Note 18)	**156**	530
Deferred debt financing costs	**(36)**	(33)
Total long-term debt and capital lease obligations	**5,157**	5,059
Less: Current installments of long-term debt and capital lease obligations	**(377)**	(436)
	4,780	4,623

In February 2008, TGVI issued $250 million 6.05% senior unsecured debentures, maturing in February 2038. The net proceeds of the debenture offering were used to repay committed credit-facility borrowings.

In April 2008, Maritime Electric issued $60 million 6.05% secured first mortgage bonds, maturing in April 2038. The net proceeds were used to repay short-term borrowings.

In April 2008, FortisAlberta issued $100 million 5.85% senior unsecured debentures, maturing in April 2038. The net proceeds were used to repay committed credit-facility borrowings.

In May 2008, TGI issued $250 million 5.80% senior unsecured debentures, maturing in May 2038. The net proceeds of the debenture offering were primarily used to repay maturing $188 million 6.20% debentures and short-term borrowings.

As at September 30, 2008, $16 million of Belize Electricity's debt was in default with certain debt covenant financial ratios and waivers of the default have not yet been obtained from the lenders. This debt was classified as current in the consolidated balance sheet as at September 30, 2008 (Note 16).

8. COMMON SHARES

Authorized: an unlimited number of Common Shares without nominal or par value.

Issued and Outstanding	**As at September 30, 2008**		As at December 31, 2007	
	Number of Shares *(in thousands)*	**Amount** *($ millions)*	Number of Shares *(in thousands)*	Amount *($ millions)*
Common Shares	**157,303**	**2,153**	155,521	2,126

Common Shares issued during the period were as follows:

	Quarter Ended September 30, 2008		**Year-to-Date September 30, 2008**	
	Number of Shares *(in thousands)*	**Amount** *($ millions)*	**Number of Shares** *(in thousands)*	**Amount** *($ millions)*
Opening balance	**157,071**	**2,148**	**155,521**	**2,126**
Conversion of debentures	**-**	**-**	**1,042**	**11**
Consumer Share Purchase Plan	**25**	**1**	**68**	**2**
Dividend Reinvestment Plan	**68**	**1**	**180**	**4**
Employee Share Purchase Plan	**67**	**2**	**224**	**6**
Stock Option Plans	**72**	**1**	**268**	**4**
Ending balance	**157,303**	**2,153**	**157,303**	**2,153**

Earnings per Common Share

During the nine months ended September 30, 2008, holders of the Corporation's 6.75% and 5.50% unsecured subordinated convertible debentures converted approximately US$11 million of the debentures into 1,041,871 Common Shares of the Corporation.

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding was 157.2 million and 154.5 million for the quarters ended September 30, 2008 and September 30, 2007, respectively, and was 156.9 million and 131.6 million for the year-to-date periods ended September 30, 2008 and September 30, 2007, respectively.

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

8. COMMON SHARES (cont'd)

Earnings per Common Share (cont'd)

Earnings per common share are as follows:

	Quarter Ended September 30					
	2008			2007		
	Earnings *($ millions)*	**Weighted Average Shares** *(in millions)*	**Earnings per Common Share**	Earnings *($ millions)*	Weighted Average Shares *(in millions)*	Earnings per Common Share
Net earnings applicable to common shares	**49**			31		
Weighted average shares outstanding		**157.2**			154.5	
Basic Earnings per Common Share			**$0.31**			$0.20
Effect of dilutive securities:						
Stock options	**-**	**1.0**		-	1.3	
Preference shares	**4**	**12.8**		4	11.5	
Convertible debentures	**1**	**1.4**		1	3.0	
	54	**172.4**		36	170.3	
Deduct anti-dilutive impacts:						
Preference shares	**(4)**	**(12.9)**		(4)	(11.5)	
Convertible debentures	**(1)**	**(1.4)**		(1)	(2.1)	
Diluted Earnings per Common Share	**49**	**158.1**	**$0.31**	31	156.7	$0.20

8. COMMON SHARES (cont'd)

Earnings per Common Share (cont'd)

	Year-to-date September 30					
	2008			2007		
	Earnings *($ millions)*	**Weighted Average Shares** *(in millions)*	**Earnings per Common Share**	Earnings *($ millions)*	Weighted Average Shares *(in millions)*	Earnings per Common Share
Net earnings applicable to common shares	**169**			114		
Weighted average shares outstanding		**156.9**			131.6	
Basic Earnings per Common Share			**$1.08**			$0.86
Effect of dilutive securities:						
Subscription receipts [(1)]	**-**	**-**		-	10.4	
Stock options	**-**	**1.0**		-	1.3	
Preference shares	**12**	**12.8**		12	11.5	
Convertible debentures	**2**	**2.2**		2	3.2	
	183	**172.9**		128	158.0	
Deduct anti-dilutive impacts:						
Preference shares	**-**	**-**		(12)	(11.5)	
Convertible debentures	**(2)**	**(1.4)**		(2)	(1.4)	
Diluted Earnings per Common Share	**181**	**171.5**	**$1.06**	114	145.1	$0.79

[(1)] Dilution relates to the period the Subscription Receipts were outstanding. The Subscription Receipts were outstanding from March 15, 2007 to May 16, 2007 and were converted into Common Shares on May 17, 2007.

9. PREFERENCE SHARES

On May 23, 2008, the Corporation issued 8 million 5.25% Five-Year Fixed Rate Reset First Preference Shares, Series G ("First Preference Shares, Series G") and on June 4, 2008 issued an additional 1.2 million First Preference Shares, Series G, following the exercise in full of an over-allotment option in connection with the offering of the 8 million of First Preference Shares, Series G. The 9.2 million First Preference Shares, Series G were issued at $25.00 per share for net after-tax proceeds of $225 million.

The holders of the First Preference Shares, Series G are entitled to receive fixed cumulative preferential cash dividends in the amount of $1.3125 per share per annum payable in quarterly installments up to and including August 31, 2013. For each five-year period after that date, the holders of First Preference Shares, Series G are entitled to receive fixed cumulative preferential cash dividends in the amount per share per annum determined by multiplying the $25.00 per share by the annual fixed dividend rate, which is the sum of the five-year Government of Canada Bond Yield on the applicable dividend reset date plus 2.13 per cent.

On September 1, 2013, and on September 1 every five years thereafter, the Corporation may, at its option, redeem for cash the outstanding First Preference Shares, Series G by the payment of $25.00 per share plus all accrued and unpaid dividends.

As the First Preference Shares, Series G are not redeemable at the option of the shareholder, they are classified as equity and the associated dividends are deducted on the statement of earnings immediately before arriving at net earnings applicable to common shares.

10. STOCK-BASED COMPENSATION PLANS

In February 2008, the Corporation granted 827,504 options on Common Shares under its 2006 Stock Option Plan at the five-day volume weighted average trading price immediately preceding the date of grant of $28.27. The options vest evenly over a four-year period on each anniversary of the date of grant. The options expire seven years after the date of grant. The fair value of each option granted, estimated using the Black-Scholes fair value option-pricing model, was $4.76 per option.

In March 2008, 18,019 Performance Share Units ("PSUs"), formerly named Restricted Share Units, were paid out to the President and CEO of the Corporation at $28.36 per PSU, for a total of approximately $0.5 million. The payout was made upon the three-year maturation period in respect of the PSU grant which was made in March 2005 and the President and CEO satisfying the payment requirements, as determined by the Human Resources Committee of the Board of Directors of Fortis.

In February 2008, 32,940 PSUs were granted to the President and CEO of the Corporation, which will mature in February 2011.

During the nine months ended September 30, 2008, 27,223 Deferred Share Units were granted to the Corporation's directors representing the equity component of their annual compensation and their annual retainers in lieu of cash.

At September 30, 2008, 4.2 million stock options were outstanding and 2.3 million stock options were vested.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Quarter Ended September 30, 2008			Quarter Ended September 30, 2007		
($ millions)	**Opening balance July 1**	**Net change**	**Ending balance September 30**	Opening balance July 1	Net change	Ending balance September 30
Unrealized foreign currency translation (losses) gains on net investments in self-sustaining foreign operations, net of after-tax hedging activities	**(78)**	**7**	**(71)**	(75)	(7)	(82)
Losses on derivative financial instruments designated as cash flow hedges, net of tax	**(1)**	**-**	**(1)**	(1)	-	(1)
Net losses on derivative financial instruments previously discontinued as cash flow hedges, net of tax	**(5)**	**-**	**(5)**	(5)	-	(5)
Accumulated Other Comprehensive (Loss) Income	**(84)**	**7**	**(77)**	(81)	(7)	(88)

11. ACCUMULATED OTHER COMPREHENSIVE LOSS (cont'd)

	Year-to-date 2008			Year-to-date 2007			
($ millions)	**Opening balance January 1**	**Net change**	**Ending balance September 30**	Opening balance January 1	Transition amount January 1	Net change	Ending balance September 30
Unrealized foreign currency translation (losses) gains on net investments in self-sustaining foreign operations, net of after-tax hedging activities	**(82)**	**11**	**(71)**	(51)	-	(31)	(82)
Losses on derivative financial instruments designated as cash flow hedges, net of tax	**(1)**	**-**	**(1)**	-	(1)	-	(1)
Net losses on derivative financial instruments previously discontinued as cash flow hedges, net of tax	**(5)**	**-**	**(5)**	-	(5)	-	(5)
Accumulated Other Comprehensive (Loss) Income	**(88)**	**11**	**(77)**	(51)	(6)	(31)	(88)

12. EMPLOYEE FUTURE BENEFITS

The Corporation and each of its subsidiaries maintain one or more defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans ("RRSPs") for their employees. The cost of providing the defined benefit arrangements was $7 million for the quarter ended September 30, 2008 ($10 million for the quarter ended September 30, 2007) and $21 million year-to-date September 30, 2008 ($21 million year-to-date September 30, 2007). Recent capital market volatility may impact the Corporation's and subsidiaries' future funding obligations and/or pension expense associated with their defined benefit pension plans.

The cost of providing the defined contribution arrangements and group RRSPs for the quarter ended September 30, 2008 was $3 million ($2 million for the quarter ended September 30, 2007) and $8 million year-to-date September 30, 2008 ($7 million year-to-date September 30, 2007).

13. FINANCE CHARGES

	Quarter Ended September 30		**Year-to-date September 30**	
($ millions)	**2008**	2007	**2008**	2007
Interest - Long-term debt and capital lease obligations	**79**	81	**244**	185
- Short-term borrowings	**11**	8	**24**	16
Interest charged to construction	**(4)**	(2)	**(8)**	(5)
Interest earned	**(1)**	-	**(2)**	(2)
Dividends on preference shares classified as debt	**4**	4	**12**	12
	89	91	**270**	206

14. CORPORATE TAXES

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

	Quarter Ended September 30		Year-to-date September 30	
(in millions, except as noted)	**2008**	2007	**2008**	2007
Weighted average Canadian federal and provincial statutory income tax rates	**33.4%**	35.0%	**32.1%**	35.0%
Statutory income tax rates applied to earnings before corporate taxes and non-controlling interest	**$ 19**	$ 14	**$ 75**	$ 51
Preference share dividends	**1**	1	**4**	4
Difference between Canadian statutory rates and those applicable to foreign subsidiaries [(1)]	**(5)**	(6)	**(7)**	(13)
Items capitalized for accounting but expensed for income tax purposes	**(9)**	(6)	**(25)**	(20)
Difference between capital cost allowance ("CCA") and other deductions claimed for income tax purposes, and amounts recorded for accounting purposes [(2)]	**(2)**	(1)	**3**	(6)
Regulatory deferrals [(3)]	**1**	-	**4**	(2)
Quebec Trust tax settlement - Terasen [(4)]	**(7)**	-	**(7)**	-
Other	**2**	-	**1**	1
Corporate taxes	**$ -**	$ 2	**$ 48**	$ 15
Effective income tax rate	**N/A**	4.9%	**20.5%**	10.3%

[(1)] Net losses at Belize Electricity during the nine months ended September 30, 2008, as a result of a $13 million charge during the second quarter of 2008 representing the Corporation's approximate 70 per cent share of $18 million of disallowed previously incurred fuel and purchased power costs, had the effect of increasing effective corporate tax rates for the nine months ended September 30, 2008 compared to the same period last year.

[(2)] During the nine months ended September 30, 2008, CCA deductions at FortisAlberta were lower than amortization expense. However, during the same period last year, CCA deductions at FortisAlberta were higher than amortization expense. The higher CCA deductions last year were required to offset taxable income on the sale, in 2007, of the 2006 AESO charges deferral receivable balance.

[(3)] As a result of using the taxes-payable method of accounting for income taxes by the Terasen Gas companies, FortisBC and Newfoundland Power, income tax on certain regulatory deferrals is not required to be recorded when the costs are incurred. Rather, the income tax is recorded when the costs are recovered from customers in future rates.

[(4)] During the third quarter of 2008, Terasen reached a settlement with Revenu Québec and Canada Revenue Agency related to amounts owing as a result of amended Quebec tax legislation. The legislation was passed in 2006 for the purpose of challenging certain inter-provincial Canadian tax structures. As a result of the settlement, Terasen recorded an approximate $7.5 million tax reduction in the third quarter of 2008.

15. SEGMENTED INFORMATION

Information by reportable segment is as follows:

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Quarter ended September 30, 2008 *($ millions)*	**Terasen Gas Companies - Canadian**	Fortis Alberta	Fortis BC	NF Power	Other Canadian [(1)]	**Total Electric Canadian**	**Electric Caribbean [(2)]**	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Operating revenues	271	74	52	94	66	286	96	21	56	7	(10)	727
Energy supply costs	157	-	12	51	44	107	60	2	-	-	(6)	320
Operating expenses	59	31	16	11	7	65	12	3	33	2	-	174
Amortization	24	22	8	11	4	45	8	3	4	2	-	86
Operating income	31	21	16	21	11	69	16	13	19	3	(4)	147
Finance charges	33	10	7	8	4	29	4	2	6	19	(4)	89
Corporate taxes (recoveries)	(3)	(6)	1	5	2	2	1	2	4	(6)	-	-
Non-controlling interest	-	-	-	-	-	-	4	-	-	-	-	4
Net earnings (loss)	1	17	8	8	5	38	7	9	9	(10)	-	54
Preference share dividends	-	-	-	-	-	-	-	-	-	5	-	5
Net earnings (loss) applicable to common shares	1	17	8	8	5	38	7	9	9	(15)	-	49
Goodwill	909	227	221	-	63	511	139	-	-	-	-	1,559
Identifiable assets	3,510	1,482	958	971	513	3,924	759	262	537	115	(29)	9,078
Total assets	4,419	1,709	1,179	971	576	4,435	898	262	537	115	(29)	10,637
Gross capital expenditures	56	78	31	17	11	137	31	6	3	1	-	234
Quarter ended September 30, 2007												
Operating revenues	227	70	52	90	63	275	80	17	54	8	(10)	651
Energy supply costs	118	-	15	59	41	115	42	2	-	-	(5)	272
Operating expenses	56	31	16	12	7	66	11	3	32	5	(1)	172
Amortization	23	19	7	6	4	36	7	3	4	2	-	75
Operating income	30	20	14	13	11	58	20	9	18	1	(4)	132
Finance charges	33	8	7	10	4	29	4	2	6	21	(4)	91
Corporate taxes (recoveries)	1	(3)	1	1	2	1	-	2	4	(6)	-	2
Non-controlling interest	-	-	-	-	-	-	6	-	-	-	-	6
Net (loss) earnings	(4)	15	6	2	5	28	10	5	8	(14)	-	33
Preference share dividends	-	-	-	-	-	-	-	-	-	2	-	2
Net (loss) earnings applicable to common shares	(4)	15	6	2	5	28	10	5	8	(16)	-	31
Goodwill	907	227	221	-	63	511	127	-	-	-	-	1,545
Identifiable assets	3,402	1,248	884	962	465	3,559	628	229	541	121	(19)	8,461
Total assets	4,309	1,475	1,105	962	528	4,070	755	229	541	121	(19)	10,006
Gross capital expenditures	50	66	36	21	11	134	23	4	4	1	-	216

[(1)] Includes Maritime Electric and FortisOntario

[(2)] Includes Belize Electricity, Caribbean Utilities, and Fortis Turks and Caicos

15. SEGMENTED INFORMATION (cont'd)

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Year-to-date September 30, 2008 *($ millions)*	**Terasen Gas Companies - Canadian [1]**	Fortis Alberta	Fortis BC	NF Power	Other Canadian [2]	**Total Electric Canadian**	**Electric Caribbean [3]**	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Operating revenues	1,296	222	171	378	197	968	249	62	155	19	(28)	2,721
Energy supply costs	850	-	45	243	133	421	164	6	-	-	(14)	1,427
Operating expenses	182	96	49	38	21	204	35	11	99	8	(4)	535
Amortization	73	63	25	33	13	134	23	8	11	6	-	255
Operating income	191	63	52	64	30	209	27	37	45	5	(10)	504
Finance charges	96	30	21	25	13	89	11	6	18	60	(10)	270
Corporate taxes (recoveries)	24	(2)	4	15	6	23	1	7	8	(15)	-	48
Non-controlling interest	-	-	-	-	-	-	6	2	-	-	-	8
Net earnings (loss)	71	35	27	24	11	97	9	22	19	(40)	-	178
Preference share dividends	-	-	-	-	-	-	-	-	-	9	-	9
Net earnings (loss) applicable to common shares	71	35	27	24	11	97	9	22	19	(49)	-	169
Goodwill	909	227	221	-	63	511	139	-	-	-	-	1,559
Identifiable assets	3,510	1,482	958	971	513	3,924	759	262	537	115	(29)	9,078
Total assets	4,419	1,709	1,179	971	576	4,435	898	262	537	115	(29)	10,637
Gross capital expenditures	152	222	81	47	28	378	65	13	11	4	-	623
Year-to-date September 30, 2007												
Operating revenues	357	202	167	359	198	926	231	56	141	16	(27)	1,700
Energy supply costs	191	-	48	239	132	419	127	6	-	-	(14)	729
Operating expenses	84	90	49	39	21	199	39	11	89	8	(4)	426
Amortization	35	56	23	25	12	116	21	8	10	4	-	194
Operating income	47	56	47	56	33	192	44	31	42	4	(9)	351
Finance charges	48	26	19	26	13	84	11	7	18	47	(9)	206
Corporate taxes (recoveries)	2	(12)	4	9	7	8	1	6	8	(10)	-	15
Non-controlling interest	-	-	-	-	-	-	10	1	-	-	-	11
Net (loss) earnings	(3)	42	24	21	13	100	22	17	16	(33)	-	119
Preference share dividends	-	-	-	-	-	-	-	-	-	5	-	5
Net (loss) earnings applicable to common shares	(3)	42	24	21	13	100	22	17	16	(38)	-	114
Goodwill	907	227	221	-	63	511	127	-	-	-	-	1,545
Identifiable assets	3,402	1,248	884	962	465	3,559	628	229	541	121	(19)	8,461
Total assets	4,309	1,475	1,105	962	528	4,070	755	229	541	121	(19)	10,006
Gross capital expenditures	64	205	108	53	26	392	70	11	10	2	-	549

(1) The Terasen Gas companies were acquired on May 17, 2007.
(2) Includes Maritime Electric and FortisOntario
(3) Includes Belize Electricity, Caribbean Utilities, and Fortis Turks and Caicos

15. SEGMENTED INFORMATION (cont'd)

Inter-segment transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The significant inter-segment transactions primarily related to the sale of energy from Fortis Generation to Regulated Electric Utilities - Caribbean and Other Canadian Electric Utilities, electricity sales from Newfoundland Power to Fortis Properties and finance charges on inter-segment borrowings. The significant inter-segment transactions for the three and nine months ended September 30, 2008 and 2007 are as follows.

Inter-Segment Transactions	**Quarter Ended September 30**		**Year-to-date September 30**	
($ millions)	**2008**	2007	**2008**	2007
Sales from Fortis Generation to Regulated Electric Utilities - Caribbean	**6**	4	**13**	12
Sales from Fortis Generation to Other Canadian Electric Utilities	**-**	-	**1**	1
Sales from Newfoundland Power to Fortis Properties	**1**	1	**3**	3
Inter-segment finance charges on borrowings from:				
Corporate to Regulated Electric Utilities - Canadian	**-**	1	**1**	2
Corporate to Regulated Electric Utilities - Caribbean	**1**	-	**3**	1
Corporate to Fortis Properties	**2**	2	**6**	6

16. CAPITAL MANAGEMENT

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

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

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

	As at September 30, 2008		As at December 31, 2007	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,529**	**62.2**	5,476	64.3
Preference shares [(2)]	**667**	**7.5**	442	5.2
Common shareholders' equity	**2,691**	**30.3**	2,601	30.5
Total	**8,887**	**100.0**	8,519	100.0

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

Certain of the Corporation's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt, excluding preference shares, cannot exceed 70 per cent of the Corporation's capital structure, as defined by the long-term debt agreements. As at September 30, 2008, the Corporation and its subsidiaries, except for Belize Electricity, were in compliance with their debt covenants.

16. CAPITAL MANAGEMENT (cont'd)

As a result of the PUC's Final Decision on Belize Electricity's 2008/2009 rate application, Belize Electricity does not meet certain debt covenant financial ratios resulting in approximately $16 million (BZ$30 million) of indebtedness being in default as at September 30, 2008 and Belize Electricity being prohibited from incurring new indebtedness or declaring dividends under certain of these debt covenants. The Company has informed the lenders of the situation and has requested appropriate waivers. As at September 30, 2008, the above debt was classified as current in the consolidated balance sheet.

The Corporation's credit ratings and consolidated credit facilities are discussed further under "Liquidity Risk" in Note 18.

17. FINANCIAL INSTRUMENTS

The Corporation has designated its consolidated non-derivative financial instruments as follows:

	As at September 30, 2008		As at December 31, 2007	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Held for trading				
Cash and cash equivalents (1)	**68**	**68**	58	58
Loans and receivables				
Trade and other accounts receivable (1) (2) (3)	**457**	**457**	630	630
Other receivables due from customers (1) (3) (4)	**8**	**8**	7	7
Other financial liabilities				
Short-term borrowings (1) (3)	**440**	**440**	475	475
Trade and other accounts payable (1) (3) (5)	**644**	**644**	714	714
Dividends payable (1) (3)	**42**	**42**	43	43
Customer deposits (1) (3) (6)	**6**	**6**	5	5
Long-term debt, including current portion (7) (8)	**5,122**	**5,321**	5,023	5,635
Preference shares, classified as debt (7) (9)	**320**	**326**	320	346

(1) Due to the nature and/or short-term maturity of these financial instruments, carrying value approximates fair value.
(2) Included in accounts receivable on the balance sheet
(3) Carrying value approximates amortized cost.
(4) Included in deferred charges and other assets on the balance sheet
(5) Included in accounts payable and accrued charges on the balance sheet
(6) Included in deferred credits on the balance sheet
(7) Carrying value is measured at amortized cost using the effective interest rate method.
(8) Carrying value at September 30, 2008 is net of unamortized deferred financing costs of $36 million (December 31, 2007 - $33 million).
(9) Preference shares classified as equity are excluded from the requirements of the CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*; however, the estimated fair value of the Corporation's $347 million preference shares classified as equity was $326 million as at September 30, 2008 (December 31, 2007: carrying value $122 million; fair value $107 million).

The carrying values of financial instruments included in current assets, current liabilities, deferred charges and other assets, and deferred credits in the consolidated balance sheets approximate their fair value, reflecting the short-term maturity, normal trade credit terms and/or the nature of these instruments. The fair value of long-term debt is calculated by using quoted market prices, when available, or by discounting the future cash flow of each debt instrument at the estimated yield to maturity for the same or similar debt issues at the balance sheet date. Since the Corporation does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs. The fair value of the Corporation's preference shares is determined using quoted market prices.

17. FINANCIAL INSTRUMENTS (cont'd)

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

			As at September 30, 2008		As at December 31, 2007	
(Liability) Asset	**Term to maturity** *(years)*	**Number of Contracts**	**Carrying Value** *($ millions)*	**Estimated Fair Value** *($ millions)*	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swaps	**1 to 2**	**4**	**(1)**	**(1)**	-	-
Foreign exchange forward contract	**3**	**1**	**1**	**1**	-	-
Natural gas derivatives: [(1)]						
Swaps and options	**Up to 3**	**245**	**(58)**	**(58)**	(79)	(79)
Gas purchase contract premiums	**< 3**	**108**	**(3)**	**(3)**	5	5

[(1)] The fair values of the natural gas derivatives were recorded in accounts payable as at September 30, 2008 (December 31, 2007 - in accounts payable and accounts receivable).

Two of the four interest rate swaps are held by Fortis Properties and are designated as hedges of the cash flow risk related to floating-rate long-term debt. The effective portion of changes in the value of the interest rate swaps at Fortis Properties is recorded in comprehensive income. The remaining interest rate swaps are held by the Terasen Gas companies. The interest rate swaps are designated as hedges of cash flow risk related to floating-rate debt instruments.

The foreign exchange forward contract is held by TGVI and is designated as a hedge of the cash flow risk related to approximately US$55 million required to be paid under a contract for the construction of a liquefied natural gas ("LNG") storage facility.

The natural gas derivatives are used to fix the effective purchase price of natural gas, as the majority of the natural gas supply contracts have floating, rather than fixed, prices. At the Terasen Gas companies, changes in the fair value of the interest rate swaps, foreign exchange forward contract and natural gas derivatives are deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates.

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

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

The Corporation's earnings from and net investment in self-sustaining foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's US dollar borrowings designated as hedges of the Corporation's foreign net investments are recorded in comprehensive income. The Corporation may also periodically enter into hedges of its foreign currency exposures by entering into forward foreign currency contracts.

18. FINANCIAL RISK MANAGEMENT

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

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

Credit Risk

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

FortisAlberta has a concentration of credit risk as a result of its distribution-service billings being to a relatively small group of retailers and, as at September 30, 2008, its gross exposure to credit risk was approximately $84 million, representing the projected value of retailer billings over a 60-day period. The Company has reduced its exposure to approximately $5 million by obtaining from the retailers either a cash deposit, bond, letter of credit, an investment-grade credit rating from a major rating agency or by having the retailers obtain a financial guarantee from an entity with an investment-grade credit rating.

The Terasen Gas companies are exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments, including natural gas derivatives. The Terasen Gas companies are also exposed to significant credit risk on physical off-system sales. To mitigate credit risk, the Terasen Gas companies deal with high credit-quality institutions, in accordance with established credit-approval practices. The counterparties with which the Terasen Gas companies have significant transactions are A-rated entities or better. Due to recent events in the capital markets, including significant international government intervention in the banking systems, the Terasen Gas companies have further limited the financial counterparties they transact with and have reduced the available credit to, or taken additional security from, the physical off-system sales counterparties with which they transact. To date, the Terasen Gas companies have not experienced any counterparty defaults and they do not expect any counterparties to fail to meet their obligations. The Terasen Gas companies also use netting arrangements to reduce credit risk and net settles payments with counterparties where net settlement provisions exist.

The aging analysis of the Corporation's consolidated trade and other accounts receivable, derivative financial instrument assets and other receivables due from customers is as follows:

($ millions)	**As at September 30, 2008**	As at June 30, 2008	As at March 31, 2008
Not past due	**399**	647	676
Past due 0-30 days	**46**	66	95
Past due 31-60 days	**9**	18	22
Past due 61 days and over	**26**	26	20
	480	757	813
Less: allowance for doubtful accounts	**(14)**	(14)	(14)
	466	743	799

18. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk

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

The recent volatility experienced in the global capital markets may increase the cost of and timing of issuance of long-term capital by the Corporation and its subsidiaries.

To mitigate liquidity risk, the Corporation and its larger regulated utilities have secured multi-year committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements. The committed credit facility at the Corporation is available for interim financing of acquisitions and for general corporate purposes. Depending on the timing of cash payments from the subsidiaries, borrowings under the Corporation's credit facility may be required from time to time to support the servicing of debt and payment of dividends. Over the next five years, average annual long-term debt maturities are expected to be approximately $180 million. The combination of available credit facilities and low annual debt maturities provides the Corporation and its subsidiaries with flexibility in the timing of access to the debt and equity capital markets.

As at September 30, 2008, the Corporation and its subsidiaries had consolidated authorized lines of credit of $2.2 billion, of which $1.5 billion was unused. The credit facilities are syndicated almost entirely with the seven largest Canadian banks with no one bank holding more than 25 per cent of these facilities. The following summary outlines the credit facilities of the Corporation and its subsidiaries.

($ millions)	Corporate and Other	Regulated Utilities	Fortis Properties	**Total as at September 30, 2008**	Total as at December 31, 2007
Total credit facilities	715	1,491	13	**2,219**	2,234
Credit facilities utilized:					
Short-term borrowings	-	(440)	-	**(440)**	(475)
Long-term debt (Note 7)[(1)]	(46)	(110)	-	**(156)**	(530)
Letters of credit outstanding	(1)	(89)	(1)	**(91)**	(159)
Credit facilities available	668	852	12	**1,532**	1,070

[(1)] As at September 30, 2008, credit-facility borrowings classified as long-term debt included $9 million that was included in current installments of long-term debt and capital lease obligations on the balance sheet.

At September 30, 2008 and December 31, 2007, certain borrowings under the Corporation's and subsidiaries' credit facilities have been classified as long-term debt. These borrowings are under long-term committed credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

Letters of credit of $50 million previously outstanding at Terasen Inc., related to its previously owned petroleum transportation business and secured by a letter of credit from the former parent company, were cancelled during the second quarter of 2008.

In April 2008, FortisBC renegotiated and amended its $150 million unsecured committed revolving credit facility, extending the maturity date of the $50 million portion of the facility to May 2011 from May 2010 and extending the $100 million portion to May 2009 from May 2008. The Company has the option to increase the credit facility to an aggregate of $200 million, subject to bank approval.

18. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk (cont'd)

In April 2008, Maritime Electric repaid all outstanding borrowings under its $25 million unsecured credit facility with partial proceeds from a $60 million bond issue. The credit facility matured in May 2008 and was not renewed. As at September 30, 3008, Maritime Electric had a $50 million unsecured revolving credit facility.

In July 2008, TGI renegotiated, on substantially similar terms, its $500 million unsecured committed revolving credit facility extending the maturity date of the facility to August 2013 from August 2012.

In August 2008, Newfoundland Power renegotiated, on substantially similar terms, its $100 million committed revolving credit facility extending the maturity date to August 2011 from January 2009.

Furthermore, the Corporation and its subsidiaries target investment-grade credit ratings to maintain capital market access at reasonable interest rates. As at September 30, 2008, the Corporation's credit ratings were as follows:

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

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

The following is an analysis of the contractual maturities of the Corporation's consolidated financial liabilities as at September 30, 2008.

Financial Liabilities

($ millions)	≤ 1 year	>1-3 years	4-5 years	>5 years	**Total**
Short-term borrowings	440	-	-	-	**440**
Trade and other accounts payable	644	-	-	-	**644**
Natural gas derivatives	49	12	-	-	**61**
Dividends payable	42	-	-	-	**42**
Customer deposits	2	2	1	1	**6**
Long-term debt, including current portion [(1)]	374	299	217	4,268	**5,158**
Preference shares, classified as debt	-	-	-	320	**320**
	1,551	313	218	4,589	**6,671**

[(1)] Excluding deferred financing costs of $36 million included in the carrying value as per Note 17

Market Risk

Foreign Exchange Risk
The Corporation's earnings from and net investment in self-sustaining foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings. The foreign exchange gain or loss on the translation of US dollar denominated interest expense partially offsets the foreign exchange gain or loss on the translation of US dollar denominated earnings derived from foreign investments.

As at September 30, 2008, all of the Corporation's US$408 million long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. As at September 30, 2008, the Corporation had approximately US$105 million in foreign net investments remaining to be hedged.

18. FINANCIAL RISK MANAGEMENT (cont'd)

Market Risk (cont'd)

Foreign Exchange Risk (cont'd)
As of January 1, 2008, a 5 per cent appreciation of the US dollar-to-Canadian dollar exchange rate would have increased earnings by $0.4 million and $0.3 million for the three and nine months ended September 30, 2008, respectively, and would have decreased comprehensive income by $1 million and $21 million for the three and nine months ended September 30, 2008, respectively. This sensitivity analysis is limited to the impact of the translation of US dollar-denominated expense and revenue streams on earnings and the impact of the translation of the US dollar borrowings on comprehensive income. The sensitivity analysis excludes the risk arising from the translation of self-sustaining foreign operations to the Canadian dollar because this exposure is limited to the net investment in these operations which is not a financial instrument.

TGVI's US dollar payments under a contract for the construction of an LNG storage facility are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. TGVI has entered into a foreign exchange forward contract to hedge this exposure. As at September 30, 2008, a 5 per cent appreciation of the US dollar-to-Canadian dollar exchange rate, as it impacts the measurement of the fair value of the foreign exchange forward contract, in the absence of rate regulation and with all other variables constant, would have increased comprehensive income by $0.1 million and $2.6 million for the three and nine months ended September 30, 2008, respectively. Furthermore, TGVI has regulatory approval to defer any increase or decrease in the fair value of the foreign exchange forward contract for recovery from, or refund to, customers in future rates. Therefore, any change in fair value would have impacted regulatory assets or liabilities rather than comprehensive income.

Interest Rate Risk
The Corporation and its operating subsidiaries are exposed to interest rate risk associated with short-term borrowings and floating-rate debt. The Corporation and its operating subsidiaries may enter into interest rate swap agreements to help reduce this risk and, during the first nine months of 2008, the Terasen Gas companies and Fortis Properties were parties to interest rate swap agreements that effectively fixed the interest rates on their variable-rate borrowings. As of January 1, 2008, a 50 basis point increase in interest rates associated with variable-rate debt, in the absence of rate regulation and with all other variables remaining constant, would have decreased earnings by $0.4 million and $1.4 million for the three and nine months ended September 30, 2008, respectively. Furthermore, certain regulated subsidiaries have regulatory approval to defer any increase or decrease in interest rate expense resulting from fluctuations in interest rates associated with variable-rate debt, for recovery from, or refund to, customers in future rates. Therefore, after consideration of the operation of regulatory deferral mechanisms, the impact on earnings associated with the above sensitivity analysis would have been limited to $0.1 million and $0.4 million for the three and nine months ended September 30, 2008, respectively.

As at September 30, 2008, a 50 basis point increase in interest rates as it impacts the measurement of fair value of the interest rate swap agreements, in the absence of rate regulation and with all other variables remaining constant, would have had a nominal impact on comprehensive income for the three and nine months ended September 30, 2008. Furthermore, the Terasen Gas companies have regulatory approval to defer any increase or decrease in the fair value of the interest rate swap agreements for recovery from, or refund to, customers in future rates. Therefore, any change in fair value would have impacted regulatory assets or liabilities rather than comprehensive income.

In addition, certain of the committed credit facilities have fees that are linked to the Corporation's or subsidiaries' credit ratings. As of January 1, 2008, a downward change in the credit ratings of the Corporation and its currently rated subsidiaries by one level, with all other variables remaining constant, would have decreased earnings by $0.2 million and $0.5 million for the three and nine months ended September 30, 2008, respectively.

Commodity Price Risk
The Terasen Gas companies are exposed to commodity price risk associated with changes in the market price of natural gas.

18. FINANCIAL RISK MANAGEMENT (cont'd)

Market Risk (cont'd)

Commodity Price Risk (cont'd)
This risk is minimized by entering into natural gas derivatives that effectively fix the price of natural gas purchases. The natural gas derivatives are recorded on the balance sheet at fair value and any change in the fair value is deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates. As of January 1, 2008, had the price of natural gas, with all other variables remaining constant, increased by $1 per gigajoule, the fair value of the natural gas derivatives would have increased and, in the absence of rate regulation, comprehensive income would have increased by $62 million for the nine months ended September 30, 2008. However, the Terasen Gas companies defer any changes in fair value of the natural gas derivatives, subject to regulatory approval, for future recovery from, or refund to, customers in future rates. Therefore, for the nine months ended September 30, 2008, instead of increasing comprehensive income, the impact would have increased current regulatory liabilities.

19. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

The Corporation and its subsidiaries are subject to various legal proceedings and claims that arise in the ordinary course of business operations. The Corporation's contingent liabilities are consistent with disclosures in the Corporation's 2007 Annual Audited Consolidated Financial Statements, except as discussed below.

Pursuant to a settlement agreement between FortisAlberta and Her Majesty the Queen in Right of Alberta (the "Crown"), a Discontinuance of Action was filed on September 10, 2008 in the Court of Queen's Bench of Alberta in the Judicial District of Edmonton in relation to a March 24, 2006 statement of claim wherein the Crown claimed that FortisAlberta was responsible for a fire that occurred in October 2003 in an area of the Province of Alberta commonly referred to as "Poll Haven Community Pasture". Payment of the settlement funds was covered by the terms of an insurance contract between FortisAlberta and its insurer.

Commitments

The nature and amount of the Corporation's commitments are comparable to those disclosed in the Corporation's Annual Consolidated Financial Statements for the year ended December 31, 2007, except for those described below for TGVI, FortisOntario, Maritime Electric, Caribbean Utilities and Fortis Turks and Caicos.

In April 2008, TGVI, after receiving regulatory approval, entered into a contract with a third party for the engineering procurement and construction of an LNG storage facility on Vancouver Island. The contract includes approximately $55 million to be paid in US dollars. To mitigate the currency fluctuations on the US dollar portion of the contract, the Company entered into a three-year US dollar forward-purchase contact (Note 17).

FortisOntario has entered into a new 11.5-year take-or-pay contract between Cornwall Electric and Hydro-Québec Energy Marketing for the supply of electricity and capacity. The contract, which expires on December 31, 2019, replaces the previous two-year contract that expired on June 30, 2008. This take-or-pay contract provides energy up to 100 MW on an as-needed basis and provides a minimum of 300,000 megawatt hours of energy per contract year beginning July 1, 2008. As at September 30, 2008, the contract totalled approximately $297 million through December 31, 2019.

Maritime Electric has two new take-or-pay contracts for the purchase of either capacity or energy. As at September 30, 2008, the contracts totalled approximately $90 million through November 30, 2032. The take-or-pay contract with New Brunswick Power includes, among other things, replacement energy and capacity for the Point Lepreau Nuclear Generating Station during its 18-month refurbishment outage.

19. CONTINGENT LIABILITIES AND COMMITMENTS

Commitments (cont'd)

The other take-or-pay contract is for transmission capacity allowing Maritime Electric to reserve 30 MW of capacity on the new International Power Line into the United States.

Caribbean Utilities has entered into an agreement to purchase a 16-MW diesel generating unit and related equipment from a supplier in Germany for approximately US$24 million. The unit is expected to be commissioned in summer 2009. Approximately US$5 million has been incurred under the project as at September 30, 2008.

Caribbean Utilities has a primary fuel supply contract with a major supplier and is committed to purchase 80 per cent of the Company's fuel requirements from this supplier for the operation of Caribbean Utilities' diesel-fired generating plant. The contract is for three years terminating in April 2010. The remaining approximate quantities, in millions of imperial gallons, required to be purchased annually for each of the 12-month periods ended April 30 are: 2009 – 26 and 2010 – 28.

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

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with current period classifications.

Dates – Dividends* and Earnings

Expected Earnings Release Dates

February 5, 2009	April 30, 2009
August 5, 2009	November 5, 2009

Dividend Record Dates

November 7, 2008	February 6, 2009
May 8, 2009	August 7, 2009

Dividend Payment Dates

December 1, 2008	March, 1, 2009
June 1, 2009	September 1, 2009

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

Registrar and Transfer Agent

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1
T: 514-982-7555 or 1-866-586-7638
F: 416-263-9394 or 1-888-453-0330
E: service@computershare.com
W: www.computershare.com/fortisinc

Share Listings

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

Fortis Common Shares ($) Quarter Ended September 30		
	2008	**2007**
High	**27.65**	27.27
Low	**23.50**	24.50
Close	**24.04**	27.05