FORTIS INC.

FOR IMMEDIATE RELEASE

St. John's, NL (February 4, 2010):

Fortis Earns $262 Million in 2009
Delivers Record Earnings for 10th Consecutive Year

Fortis Inc. ("Fortis" or the "Corporation") (TSX:FTS) delivered net earnings applicable to common shares of $262 million in 2009, up $17 million from earnings of $245 million in 2008. Earnings per common share were $1.54 compared to $1.56 in 2008.

"For the 10th consecutive year, Fortis delivered record earnings," says Stan Marshall, President and Chief Executive Officer, Fortis Inc. "The global economic downturn and the busiest regulatory calendar in the history of Fortis made 2009 a challenging year. Strong performance from our regulated utilities in western Canada was tempered by the expiry of the water rights of the Rankine hydroelectric generating facility in Ontario and ongoing regulatory challenges in Belize."

The Rankine water rights expired in April at the end of its 100-year term. Earnings from the Rankine hydroelectric generating facility were $3.5 million in 2009 compared to approximately $16 million in 2008.

Fortis has raised its annual dividend to common shareholders for 37 consecutive years, the longest record of any public corporation in Canada. Dividends paid per common share grew to $1.04 in 2009, up 4 per cent from $1.00 paid per common share in the previous year. In January 2010, Fortis announced an increase in its quarterly common share dividend to 28 cents from 26 cents, commencing with the first quarter dividend payable on March 1, 2010, which translates into an annualized dividend of $1.12.

Fortis utilities continue to make the investments necessary to provide customers with safe, reliable energy at the lowest reasonable cost.

"Our capital program surpassed $1 billion in 2009, making it the largest annual capital program ever undertaken in the Corporation's history," says Marshall. Approximately 75 per cent of the capital investment occurred at the Corporation's regulated utilities in western Canada. Work continued on a number of significant projects including construction of the approximate $200 million liquefied natural gas storage facility at Terasen Gas (Vancouver Island) and the ongoing installation of automated meter technology at FortisAlberta under its multi-year $155 million capital initiative. FortisBC began construction of its $110 million Okanagan Transmission Reinforcement Project, the largest capital initiative ever to be undertaken by that utility.

The US$53 million 19-megawatt hydroelectric generating facility at Vaca in Belize will be commissioned in the first quarter of 2010. No further investment in Belize is planned.

During the fourth quarter of 2009, regulatory decisions were received increasing the allowed rate of return on common equity ("ROE") and/or equity component of total capital structure ("equity component") at the Corporation's four largest utilities. At FortisAlberta, the allowed ROE and equity component increased to 9.0 per cent and 41 per cent, respectively, effective January 1, 2009. At Terasen Gas ("TGI"), the allowed ROE and equity component increased to 9.5 per cent and 40 per cent, respectively, effective July 1, 2009 and January 1, 2010, respectively. TGI also received regulatory approval of a Negotiated Settlement Agreement ("NSA") for its 2010-2011 revenue requirements. A previous agreement had provided for the sharing of earnings above or below the allowed ROE with customers. The recently approved NSA does not include an earnings' sharing mechanism. At FortisBC, the allowed ROE increased to 9.9 per cent, effective January 1, 2010. FortisBC also received regulatory approval of an NSA for its 2010 revenue requirements. Newfoundland Power received regulatory approval for its 2010 revenue requirements and the Company's allowed ROE has been set at 9.0 per cent for 2010.

Earnings for the fourth quarter were $81 million, or $0.48 per common share, compared to $76 million, or $0.48 per common share, for the same quarter in 2008. Fourth quarter results for 2009 reflected the approximate

$10 million favourable cumulative retroactive impact associated with the increase in the allowed ROEs for 2009 at FortisAlberta and TGI and the increased equity component at FortisAlberta. Earnings were also favourably impacted by a one-time $3 million corporate tax adjustment at FortisOntario but were unfavourably impacted by increased costs of approximately $5 million after tax associated with the conversion of Whistler customer appliances from propane to natural gas (the "Whistler Pipeline Conversion Project"). Regulatory approval is being sought to include the additional conversion costs in rate base.

The Terasen Gas companies delivered earnings of $117 million compared to $118 million for 2008. Results for 2009 were constrained by the increased costs related to the Whistler Pipeline Conversion Project. Results for 2008 were favourably impacted by an approximate $5.5 million tax reduction related to the settlement of historical corporate tax matters. Excluding these two items, earnings were $9.5 million higher year over year, mainly due to the impact of the higher allowed ROE, effective July 1, 2009, and lower effective corporate taxes.

Earnings at Canadian Regulated Electric Utilities were $149 million, up $23 million from $126 million for 2008. Excluding the favourable one-time corporate tax adjustment at FortisOntario in 2009 and a $2 million one-time charge at FortisOntario associated with the repayment of an interconnection agreement-related refund during 2008, earnings were $18 million higher year over year. Results were driven by the higher allowed ROE and increased equity component at FortisAlberta combined with rate base growth at FortisAlberta and FortisBC.

FortisOntario acquired Great Lakes Power Distribution Inc., subsequently renamed Algoma Power Inc., in October 2009 for an aggregate purchase price of approximately $75 million. Algoma Power Inc. serves approximately 12,000 customers located in the District of Algoma in northern Ontario.

Earnings at Caribbean Regulated Electric Utilities were $27 million compared to $17 million for 2008. Results for 2008 reflected a $13 million reduction in earnings related to a June 2008 regulatory decision at Belize Electricity but included $1.5 million of additional earnings from Caribbean Utilities related to a change in the utility's fiscal year end in 2008. Excluding these two items, earnings were $1.5 million lower year over year. The decrease was mainly due to the impact of a lower allowed rate of return on rate base assets at Belize Electricity for the entire year in 2009 compared to half a year in 2008 and higher operating costs. The decrease was partially offset by the favourable impact of a change in the methodology for calculating the cost of fuel recoverable from customers and a change in depreciation estimates at Fortis Turks and Caicos and the favourable impact of foreign currency translation. Results reflected slower electricity sales growth as a result of the negative impact of the economic downturn on electricity demand. Annualized electricity sales growth was approximately 2 per cent for 2009 compared to 6 per cent for 2008.

Earnings at Non-Regulated Fortis Generation were $16 million compared to $30 million for 2008. The decrease was mainly due to lower contributions from the Rankine hydroelectric generating facility combined with lower average wholesale market energy prices and lower production in Upper New York State.

Earnings at Fortis Properties were $24 million, up $1 million from 2008. Contributions from recently acquired hotels and the Real Estate Division and lower finance charges were partially offset by generally lower occupancies at the remainder of the Company's hotels due to the economic downturn.

Corporate and other expenses were $71 million compared to $69 million for 2008. Excluding a $1 million favourable corporate tax adjustment in 2009 and a $2 million tax reduction associated with the settlement of historical corporate tax matters at Terasen in 2008, corporate and other expenses were $1 million higher year over year. The increase was mainly due to higher preference share dividends related to the issuance of First Preference Shares, Series G during the second quarter of 2008, partially offset by lower operating expenses and finance charges.

In September 2009, Standard & Poor's confirmed its credit rating for Fortis at A- (stable outlook), reflecting the diversity of the Corporation's regulated utility operations, stability and predictability of the utilities' cash flows and the Corporation's focused, well-executed growth strategy.

"Notwithstanding the severe global economic downturn and capital market volatility, Fortis and its utilities have raised approximately $1.3 billion in the capital markets since late 2008, demonstrating the financial strength of our core utility business," says Marshall.

In December 2008, Fortis completed a $300 million common share issue. In 2009, financings included 30-year $200 million 6.51% unsecured debentures at Fortis, 30-year $105 million 6.10% unsecured debentures at FortisBC, 15-year US$40 million 7.50% unsecured notes at Caribbean Utilities, 30-year $65 million 6.606% first mortgage bonds at Newfoundland Power, 30-year $100 million 6.55% unsecured debentures at TGI, and 30-year $100 million 7.06% and 30-year $125 million 5.37% unsecured debentures at FortisAlberta. In January 2010, Fortis issued $250 million five-year fixed rate reset preference shares.

At December 31, 2009, Fortis had consolidated credit facilities of approximately $2.2 billion, of which approximately $1.4 billion was unused, including $476 million unused under the Corporation's $600 million committed revolving credit facility. Approximately $2.0 billion of the total credit facilities are committed facilities, the majority of which having maturities between 2011 and 2013.

"Our 2010 capital program of more than $1 billion is well underway," says Marshall. "Over the next five years, capital expenditures are expected to approach $5 billion, driven by ongoing investment in infrastructure at our regulated utilities in western Canada," says Marshall.

"We will continue to build our business profitably through continued investment in existing operations and strategic acquisitions," concludes Marshall.

FINANCIAL HIGHLIGHTS

For the three and twelve months ended December 31, 2009
Dated February 4, 2010

The following fourth quarter 2009 media release should be read in conjunction with the Fortis Inc. ("Fortis" or the "Corporation") Management Discussion and Analysis ("MD&A") and audited consolidated financial statements for the year ended December 31, 2008 included in the Corporation's 2008 Annual Report. Financial information in this fourth quarter 2009 media release has been prepared in accordance with Canadian generally accepted accounting principles and is presented in Canadian dollars unless otherwise specified.

Fortis includes forward-looking information in this fourth quarter 2009 media release within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities, and it may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to management. The forward-looking information in the MD&A includes, but is not limited to, statements regarding: the expected increase in average annual energy production from the Macal River in Belize by the Vaca hydroelectric generating facility and the expected timing of the commissioning of the facility; the expected timing of regulatory decisions; consolidated forecasted gross capital expenditures for 2010 and in total over the five-year period from 2010 through 2014; the nature, timing and amount of certain capital projects; the expected impacts on Fortis of the economic downturn; negligible electricity sales growth is expected at the Corporation's regulated utilities in the Caribbean for 2010; organic revenue growth at Fortis Properties' Hospitality Division is expected to continue to be challenged in 2010; no expected significant decrease in annual consolidated operating cash flows in 2010 as a result of any continuation of the economic downturn; the subsidiaries expect to be able to source the cash required to fund their 2010 capital expenditure programs; the Corporation and its utilities expect to continue to have reasonable access to capital in the near to medium terms; no material increase in consolidated interest expense and/or fees associated with renewed and extended credit facilities is expected in 2010; no material adverse credit rating actions are expected in the near term; the expectation that counterparties to the Terasen Gas companies' gas derivative contracts will continue to meet their obligations; and the expectation of an increase in consolidated defined benefit net pension costs for 2010. The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major event; the continued ability to maintain the gas and electricity systems to ensure their continued performance; no significant decline in capital spending in 2010; no severe and prolonged downturn in economic conditions; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms to flow through the commodity cost of natural gas and energy supply costs in customer rates; the continued ability to hedge exposures to fluctuations in interest rates, foreign exchange rates and natural gas commodity prices; no significant variability in interest rates; no significant counterparty defaults; the continued competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the continued availability of natural gas supply; the continued ability to fund defined benefit pension plans; the absence of significant changes in government energy plans and environmental laws that may materially affect the operations and cash flows of the Corporation and its subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; no material decrease in market energy sales prices; favourable relations with First Nations; favourable labour relations; and sufficient human resources to deliver service and execute the capital program. The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory risk; operating and maintenance risks; economic conditions; capital resources and liquidity risk; weather and seasonality; commodity price risk; derivative financial instruments and hedging; interest rate risk; counterparty risk; competitiveness of natural gas; natural gas supply; defined benefit pension plan performance and funding requirements; risks related to the development of the Terasen Gas (Vancouver Island) Inc. franchise; the Government of British Columbia's Energy Plan; environmental risks; insurance coverage risk; loss of licences and permits; loss of service area; market energy sales prices; changes in current assumptions and expectations associated with the transition to International Financial Reporting Standards; changes in tax legislation; maintenance of information technology infrastructure; an ultimate resolution of the expropriation of the assets of the Exploits River Hydro Partnership that differs from what is currently expected by management; an unexpected outcome of any legal proceedings currently against the Corporation; relations with First Nations; labour relations; and human resources. For additional information with respect to the Corporation's risk factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and to the heading "Business Risk Management" in the MD&A for the year ended December 31, 2008 and for the three and nine months ended September 30, 2009, and as otherwise disclosed in this fourth quarter 2009 media release.

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 approximately 2,100,000 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. In 2009, the Corporation's electricity distribution systems met a combined peak electricity demand of 5,983 megawatts ("MW") and its gas distribution systems met a peak day demand of 1,234 terajoules ("TJ"). For additional information on the Corporation's business segments, refer to Note 1 of the Corporation's interim unaudited consolidated financial statements for the three and nine months ended September 30, 2009 and to the Corporation's audited consolidated financial statements for the year ended December 31, 2008 included in the Corporation's 2008 Annual Report.

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 the lowest 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 fourth quarters and years ended December 31, 2009 and December 31, 2008, are provided in the table below.

Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			**Annual**		
($ millions, except earnings per common share and common shares outstanding)	**2009**	2008	Variance	**2009**	2008	Variance
Revenue	**1,018**	1,181	(163)	**3,637**	3,903	(266)
Cash flow from operating activities	**70**	208	(138)	**637**	661	(24)
Net earnings applicable to common shares	**81**	76	5	**262**	245	17
Basic earnings per common share *($)*	**0.48**	0.48	-	**1.54**	1.56	(0.02)
Diluted earnings per common share *($)*	**0.46**	0.46	-	**1.51**	1.52	(0.01)
Weighted average number of common shares outstanding *(millions)*	**170.9**	158.9	12.0	**170.2**	157.4	12.8
	Segmented Net Earnings					
	Quarter			**Annual**		
	2009	2008	Variance	**2009**	2008	Variance
Regulated Gas Utilities - Canadian						
Terasen Gas Companies [(1)]	**48**	47	1	**117**	**118**	(1)
Regulated Electric Utilities - Canadian						
FortisAlberta	*15*	*11*	*4*	*60*	*46*	*14*
FortisBC [(2)]	*8*	*7*	*1*	*37*	*34*	*3*
Newfoundland Power	*8*	*8*	*-*	*32*	*32*	*-*
Other Canadian [(3)]	*6*	*3*	*3*	*20*	*14*	*6*
	37	29	8	**149**	**126**	23
Regulated Electric Utilities - Caribbean [(4)]	**7**	8	(1)	**27**	**17**	10
Non-Regulated - Fortis Generation [(5)]	**3**	8	(5)	**16**	**30**	(14)
Non-Regulated - Fortis Properties [(6)]	**5**	4	1	**24**	**23**	1
Corporate and Other [(7)]	**(19)**	(20)	1	**(71)**	**(69)**	(2)
Net Earnings Applicable to Common Shares	**81**	76	5	**262**	**245**	17

(1) Comprised of Terasen Gas Inc. ("TGI"), Terasen Gas (Vancouver Island) Inc. ("TGVI") and Terasen Gas (Whistler) Inc. ("TGWI")

(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, Cornwall Electric and, from October 2009, Algoma Power Inc.

(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 59 per cent controlling interest, and wholly owned Fortis Turks and Caicos. Previously, Caribbean Utilities had an April 30th fiscal year end whereby, up to and including the third quarter of 2008, its financial statements were consolidated in the financial statements of Fortis on a two-month lag basis. In 2008, Caribbean Utilities changed its fiscal year end to December 31st, which has eliminated the previous two-month lag in consolidating its financial results.

(5) Includes the operations of non-regulated generating assets in Belize, Ontario, central Newfoundland, British Columbia and Upper New York State, with a combined generating capacity of 120 MW, mainly hydroelectric. Prior to May 1, 2009, the Corporation's financial results reflected earnings' contribution associated with the Corporation's 75-MW water-right entitlement on the Niagara River in Ontario under the Niagara Exchange Agreement related to the Rankine hydroelectric generating facility. The Niagara Exchange Agreement expired on April 30, 2009, at the end of its 100-year term. Additionally, prior to February 12, 2009, the financial results of the hydroelectric generation operations in central Newfoundland were consolidated in the financial statements of Fortis. As of February 12, 2009, the Corporation discontinued the consolidation method of accounting for the generation operations in central Newfoundland due to the Corporation no longer having control over the generation operations and cash flows as a result of the expropriation of the assets of the Exploits River Hydro Partnership ("Exploits Partnership") by the Government of Newfoundland and Labrador. For a further discussion of this matter, refer to "Non-Regulated Fortis Generation - Exploits Partnership" section of this MD&A.

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

(7) Includes Fortis net corporate expenses, 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 December 31						
	Quarter			**Annual**		
	2009	2008	Variance	**2009**	2008	Variance
Gas Volumes (TJ)	**55,579**	66,816	(11,237)	**192,428**	221,122	(28,694)
($ millions)						
Revenue	**497**	606	(109)	**1,663**	1,902	(239)
Energy Supply Costs	**300**	418	(118)	**1,022**	1,268	(246)
Operating Expenses	**79**	71	8	**268**	253	15
Amortization	**26**	24	2	**102**	97	5
Finance Charges	**30**	33	(3)	**121**	129	(8)
Corporate Taxes	**14**	13	1	**33**	37	(4)
Earnings	**48**	47	1	**117**	118	(1)

Gas Volumes: Gas volumes at the Terasen Gas companies decreased 11,237 TJ, or 16.8 per cent, quarter over quarter and decreased 28,694 TJ, or 13.0 per cent, year over year. The following is a breakdown of gas volumes by major customer category.

Terasen Gas Companies Gas Volumes by Major Customer Category (Unaudited) Periods Ended December 31						
	Quarter			**Annual**		
(TJ)	**2009**	2008	Variance	**2009**	2008	Variance
Core - residential and commercial	**39,275**	45,007	(5,732)	**120,512**	132,867	(12,355)
Industrial	**876**	1,597	(721)	**4,839**	6,337	(1,498)
Total sales volumes	**40,151**	46,604	(6,453)	**125,351**	139,204	(13,853)
Transportation volumes	**15,178**	15,930	(752)	**57,532**	63,572	(6,040)
Throughput under fixed revenue contracts	**250**	4,282	(4,032)	**9,545**	18,346	(8,801)
Total volumes	**55,579**	66,816	(11,237)	**192,428**	221,122	(28,694)

The decrease in gas volumes to core customers was mainly due to lower average consumption as a result of warmer temperatures experienced in the cooler months in 2009 compared to in 2008. The decrease in gas volumes for all other customers was mainly due to the negative impact of the economic downturn.

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

As a result of the operation of regulator-approved deferral mechanisms, changes in consumption levels and energy supply costs from those forecasted to set gas distribution rates do not materially affect earnings.

During the fourth quarter of 2009, combined net customer additions at the Terasen Gas companies totalled approximately 7,400, bringing the total customer count to approximately 939,600 as at December 31, 2009. During 2009, net customer additions were approximately 8,200 compared to net customer additions of approximately 12,800 during 2008. Continued weakening housing and construction markets, due to slowing economic growth, and growth in multi-family housing, where natural gas use is less prevalent compared to single-family housing, has resulted in lower customer growth year over year.

Revenue: Revenue was $109 million lower quarter over quarter and $239 million lower year over year. The decreases were largely due to the lower commodity cost of natural gas charged to customers and lower consumption, partially offset by higher basic customer delivery rates and the rate revenue accrual related to the cumulative retroactive impact during the fourth quarter of 2009 of an increase, effective July 1, 2009, in the allowed rate of return on common shareholder's equity ("ROE") for the Terasen Gas companies.

The allowed ROE was increased to 9.50 per cent from 8.47 per cent for Terasen Gas Inc. ("TGI") and increased to 10.00 per cent from 9.17 per cent for Terasen Gas (Vancouver Island) Inc. ("TGVI") and Terasen Gas Whistler Inc. ("TGWI").

Effective January 1, 2009, basic customer delivery rates at TGI increased approximately 6 per cent while basic customer delivery rates at TGVI increased up to 5 per cent based on customer rate class. The basic customer delivery rates, however, reflected the impact of a decrease in the allowed ROE effective for the first half of 2009, to 8.47 per cent from 8.62 per cent for TGI and to 9.17 per cent from 9.32 per cent for TGVI and TGWI.

Earnings: Earnings increased $1 million quarter over quarter, driven by the $6 million after-tax impact of the rate revenue accrual related to the increase in the allowed ROEs, effective July 1, 2009, as discussed above, higher basic customer delivery rates and lower finance charges, partially offset by higher operating expenses and increased amortization costs. Operating expenses were higher driven by increased costs of approximately $6 million ($5 million after tax) associated with the conversion of Whistler customer appliances from propane to natural gas. Amortization costs increased due to continued investment in capital assets.

Excluding a $5.5 million tax reduction during the third quarter of 2008 associated with the settlement of historical corporate tax matters and the $5 million after-tax costs associated with the conversion of customer appliances as discussed above, earnings were approximately $9.5 million higher year over year. The increase was mainly due to the $6 million after-tax impact of the rate revenue accrual related to the increase in the allowed ROEs, effective July 1, 2009, as discussed above, higher basic customer delivery rates, lower finance charges and a lower effective corporate income tax rate, partially offset by higher operating expenses due to increased labour and employee-benefit costs, and increased amortization costs, for the reason described above for the quarter. The decrease in the effective corporate income tax rate was primarily due to higher deductions taken for tax purposes compared to accounting purposes.

As reflected in basic customer delivery rates for 2009, finance charges were lower quarter over quarter and year over year due to decreased borrowing rates and lower borrowings under credit facilities.

In February 2009, TGI issued 30-year $100 million 6.55% unsecured debentures, the net proceeds of which were used to repay credit facility borrowings and repay $60 million of 10.75% unsecured debentures that matured in June 2009.

For an update on material regulatory decisions and applications pertaining to the Terasen Gas companies for the fourth quarter of 2009, refer to "Regulatory Highlights".

REGULATED ELECTRIC UTILITIES - CANADIAN

FortisAlberta

FortisAlberta Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2009	2008	Variance	**2009**	2008	Variance
Energy Deliveries (GWh)	**4,129**	4,068	61	**15,865**	15,722	143
($ millions)						
Revenue	**86**	78	8	**331**	300	31
Operating Expenses	**34**	34	-	**132**	130	2
Amortization	**24**	22	2	**94**	85	9
Finance Charges	**14**	12	2	**50**	42	8
Corporate Tax Recovery	**(1)**	(1)	-	**(5)**	(3)	(2)
Earnings	**15**	11	4	**60**	46	14

Energy Deliveries: Energy deliveries at FortisAlberta increased 61 gigawatt hours ("GWh"), or 1.5 per cent, quarter over quarter, mainly due to an increase in residential, commercial and farm customers, partially offset by a slight decrease in oilfield customers. Energy deliveries increased 143 GWh, or 0.9 per cent, year over year, mainly due to an increase in residential, commercial, farm and irrigation customers, partially offset by a decrease in oilfield customers. Annual energy deliveries also increased due to the impact of cooler-than-normal temperatures during the first quarter of 2009.

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

Revenue: Revenue was $8 million higher quarter over quarter and $31 million higher year over year, mainly due to an 8.6 per cent increase in customer distribution rates, effective January 1, 2009, reflecting the impact of ongoing investment in electrical infrastructure, and the impact of load and customer growth. Revenue also increased due to the rate revenue accrual of the approximate $4 million cumulative retroactive impact during the fourth quarter of 2009 of an increase, effective January 1, 2009, in the allowed ROE for 2009 to 9.00 per cent from an interim allowed ROE of 8.51 per cent and the increase in the deemed equity component of the total capital structure to 41 per cent from 37 per cent for 2009.

The increase in distribution rate revenue for the quarter was partially offset by a decrease in net transmission revenue and lower other revenue arising from changes in regulatory deferral balances. FortisAlberta assumes volume risk on actual transmission costs relative to those charged to customers, which are based on forecast volumes and prices.

Earnings: Earnings were $4 million higher quarter over quarter. The impact of the increase in revenue was partially offset by increased amortization costs associated with continued investment in capital assets, and increased finance charges due to higher debt levels in support of the Company's significant capital expenditure program, partially offset by the impact of lower interest rates on credit facility borrowings.

Earnings were $14 million higher year over year. The impact of the increase in revenue and higher corporate tax recoveries was partially offset by higher amortization costs and finance charges, for the reasons described above for the quarter, combined with higher operating expenses. Corporate tax recoveries were higher due to higher future income tax recoveries associated with an increase in regulatory deferrals subject to future income tax recoveries. Operating expenses increased mainly due to higher labour and employee-benefit costs associated with increased salaries and number of employees, partially offset by lower general operating costs.

FortisAlberta issued 30-year $100 million 7.06% unsecured debentures in February 2009 and 30-year $125 million 5.37% unsecured debentures in October 2009, the net proceeds of which were used to repay committed credit facility borrowings and for general corporate purposes.

For an update on material regulatory decisions and applications pertaining to FortisAlberta for the fourth quarter of 2009, refer to "Regulatory Highlights".

FortisBC

FortisBC Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2009	2008	Variance	**2009**	2008	Variance
Electricity Sales (GWh)	**859**	842	17	**3,157**	3,087	70
($ millions)						
Revenue	**69**	66	3	**253**	237	16
Energy Supply Costs	**22**	23	(1)	**72**	68	4
Operating Expenses	**19**	18	1	**70**	67	3
Amortization	**9**	9	-	**37**	34	3
Finance Charges	**9**	7	2	**32**	28	4
Corporate Taxes	**2**	2	-	**5**	6	(1)
Earnings	**8**	7	1	**37**	34	3

Electricity Sales: Electricity sales at FortisBC increased 17 GWh, or 2.0 per cent, quarter over quarter and increased 70 GWh, or 2.3 per cent, year over year, primarily due to growth in residential, general service and indirect wholesale customers, partially offset by a decrease in the number of industrial customers. Cooler-than-normal temperatures in the first quarter of 2009 also favourably impacted electricity sales for the year.

Revenue: Revenue was $3 million higher quarter over quarter and $16 million higher year over year. The increases were driven by: (i) a 4.6 per cent increase in customer electricity rates, effective January 1, 2009; (ii) a 2.2 per cent increase in customer electricity rates, effective September 1, 2009, as a result of the flow through to customers of increased power purchase costs from BC Hydro; and (iii) electricity sales growth, partially offset by a decrease in other revenue driven by an increase in performance-based rate setting ("PBR") incentive adjustments owing to customers. Customer electricity rates for 2009 reflected the impact of ongoing investment in electrical infrastructure and an allowed ROE of 8.87 per cent compared to 9.02 per cent for 2008.

Earnings: FortisBC's earnings increased $1 million quarter over quarter. The impact of the increase in customer electricity rates and customer growth was partially offset by: (i) increased operating expenses due to higher labour costs and general inflationary cost increases, higher property taxes and water fees; and (ii) higher finance charges reflecting increased debt levels in support of the Company's capital expenditure program.

Earnings were $3 million higher year over year. The impact of the increase in customer electricity rates and customer growth and a lower effective corporate income tax rate was partially offset by: (i) higher energy supply costs associated with increased electricity sales and the impact of higher average prices for purchased power, combined with a higher proportion of purchased power versus energy generated from Company-owned hydroelectric generating plants and the receipt of $0.6 million of insurance proceeds during the second quarter of 2008 associated with a turbine failure in 2006; (ii) higher operating expenses, mainly for the reasons described above for the quarter; (iii) increased amortization costs associated with continued investment in capital assets; and (iv) higher finance charges, due to the reason described above for the quarter, combined with increased credit facility renewal fees, partially offset by lower interest rates on credit facility borrowings.

The decrease in the effective corporate income tax rate was due to higher deductions taken for tax purposes compared to accounting purposes in 2009 compared to 2008, combined with a lower statutory income tax rate.

In June 2009, FortisBC issued 30-year $105 million 6.10% unsecured debentures, under a short-form base shelf prospectus filed in May 2009 for the issuance of up to $300 million in debentures from time to time during the 25-month life of the shelf prospectus. The net proceeds from the debenture offering were used to repay committed credit facility borrowings, for general corporate purposes and help repay $50 million of 6.75% debentures that matured on July 31, 2009.

For an update on material regulatory decisions and applications pertaining to FortisBC for the fourth quarter of 2009, refer to “Regulatory Highlights”.

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2009	2008	Variance	**2009**	2008	Variance
Electricity Sales (GWh)	**1,474**	1,412	62	**5,299**	5,208	91
($ millions)						
Revenue	**146**	139	7	**527**	517	10
Energy Supply Costs	**99**	94	5	**346**	337	9
Operating Expenses	**13**	12	1	**52**	50	2
Amortization	**12**	12	-	**46**	45	1
Finance Charges	**9**	8	1	**34**	33	1
Corporate Taxes	**4**	4	-	**16**	19	(3)
Non-Controlling Interest	**1**	1	-	**1**	1	-
Earnings	**8**	8	-	**32**	32	-

Electricity Sales: Electricity sales at Newfoundland Power increased 62 GWh, or 4.4 per cent, quarter over quarter and increased 91 GWh, or 1.7 per cent, year over year, primarily due to the impact of customer growth and higher average consumption.

Revenue: Revenue increased $7 million quarter over quarter and increased $10 million year over year, driven by increased electricity sales and higher other revenue, partially offset by lower amortization to revenue of certain regulatory liabilities, in accordance with prescribed regulatory orders. The allowed ROE of 8.95 per cent for 2009 remained unchanged from 2008 and, consequently, did not impact customer electricity rates for 2009.

Earnings: Newfoundland Power’s earnings were comparable quarter over quarter. Higher electricity sales were offset mainly by: (i) the impact of higher demand charges from Newfoundland and Labrador Hydro (“Newfoundland Hydro”), associated with meeting peak load requirements during the winter season; (ii) higher operating expenses, driven by wage, inflationary and regulatory cost increases and an increase in regulator assessment costs due to the timing of the recognition of these costs in 2008, partially offset by the timing of vegetation management costs; and (iii) higher finance charges reflecting increased debt levels in support of the Company’s capital expenditure program, partially offset by the impact of lower interest rates on credit facility borrowings.

Earnings were comparable year over year. Higher electricity sales, an increase in other revenue and a lower effective corporate income tax rate were offset mainly by: (i) the impact of higher demand charges from Newfoundland Hydro for the same reason described above for the quarter; (ii) higher operating expenses, driven by wage, inflationary and regulatory cost increases and an increase in regulator assessment costs, for the same reason described above for the quarter, partially offset by a reduction in insurance costs; (iii) increased amortization costs driven by the impact of continued investment in capital assets; and (iv) higher finance charges for the same reason described above for the quarter.

The decrease in the effective corporate income tax rate was primarily due to higher deductions taken for tax purposes compared to accounting purposes in 2009 compared to 2008 and a lower statutory income tax rate.

In May 2009, Newfoundland Power privately placed 30-year $65 million 6.606% first mortgage sinking fund bonds, the net proceeds of which were used to repay committed credit facility borrowings and for general corporate purposes.

For an update on material regulatory decisions and applications pertaining to Newfoundland Power for the fourth quarter of 2009, refer to "Regulatory Highlights".

Other Canadian Electric Utilities

Other Canadian Electric Utilities (1) Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			**Annual**		
	2009 (2)	2008	Variance	**2009 (2)**	2008	Variance
Electricity Sales (GWh)	**582**	543	39	**2,195**	2,182	13
($ millions)						
Revenue	**77**	65	12	**279**	262	17
Energy Supply Costs	**50**	44	6	**183**	177	6
Operating Expenses	**11**	7	4	**32**	28	4
Amortization	**5**	5	-	**19**	18	1
Finance Charges	**6**	5	1	**19**	18	1
Corporate Taxes	**(1)**	1	(2)	**6**	7	(1)
Earnings	**6**	3	3	**20**	14	6

(1) Includes Maritime Electric and FortisOntario
(2) FortisOntario includes financial results of Algoma Power Inc. from October 8, 2009

In October 2009, FortisOntario acquired Great Lakes Power Distribution Inc., subsequently renamed Algoma Power Inc. ("Algoma Power"), for an aggregate purchase price of approximately $75 million. Algoma Power is a regulated electric distribution utility serving approximately 12,000 customers in the District of Algoma in northern Ontario.

Electricity Sales: Electricity sales at Other Canadian Electric Utilities increased 39 GWh, or 7.2 per cent, quarter over quarter and increased 13 GWh, or 0.6 per cent, year over year.

Excluding electricity sales at Algoma Power, electricity sales decreased 7 GWh, or 1.3 per cent, quarter over quarter and decreased 33 GWh, or 1.5 per cent, year over year. The decrease quarter over quarter reflected the impact of the temporary shutdown of two commercial potato-processing plants on Prince Edward Island in December 2009 and lower average consumption due to the impact of the economic downturn. The decrease year over year was driven by lower average consumption, mainly due to the impact of the economic downturn and the unfavourable impact on consumption due to more moderate temperatures experienced in Ontario in the second and third quarters of 2009, compared to the same periods in 2008, partially offset by the favourable impact on consumption due to cooler temperatures experienced in Ontario in the first quarter of 2009 compared to the same quarter in 2008.

Revenue: Revenue increased $12 million quarter over quarter, $8 million of which related to Algoma Power. The remaining increase in revenue was driven by the impact of: (i) an average 5.3 per cent increase in customer electricity rates at Maritime Electric, effective April 1, 2009; (ii) a 5.1 per cent, 11.7 per cent and 8.4 per cent increase in customer electricity distribution rates in Fort Erie, Gananoque and Port Colbourne, respectively, effective May 1, 2009; and (iii) the flow through to customers of higher energy supply costs at FortisOntario, partially offset by the impact of lower electricity sales. The higher customer electricity rates at Maritime Electric reflected an increase in the base amount of energy-related costs being expensed and collected from customers and recorded in revenue through the basic rate component of customer billings.

Revenue increased $17 million year over year. Excluding the impact of an approximate $3 million ($2 million after tax) one-time charge at FortisOntario associated with the repayment, during the second quarter of 2008, of a refund received during the fourth quarter of 2007 associated with cross-border transmission interconnection agreements, revenue increased $14 million, $8 million of which related to Algoma Power. The remaining increase in revenue year over year was due to the impact of increases in customer electricity rates at Maritime Electric and FortisOntario, as described above for the quarter, partially offset by the impact of lower electricity sales and the flow through to customers of lower energy supply costs at FortisOntario.

Earnings: Earnings increased $3 million quarter over quarter driven by a one-time favourable adjustment to future income taxes related to prior periods during the fourth quarter of 2009.

Earnings increased $6 million year over year. Excluding the one-time $3 million favourable adjustment to future income taxes during the fourth quarter of 2009 and the $2 million after-tax one-time charge at FortisOntario associated with the repayment, during the second quarter of 2008, of the interconnection agreement-related refund, earnings increased $1 million year over year. The increase reflected lower operating expenses at FortisOntario due to the timing of maintenance expenses and a focus on capital projects. Algoma Power contributed $0.1 million to earnings in 2009.

In June 2009, FortisOntario acquired a 10 per cent interest in Grimsby Power Inc. ("Grimsby Power") for approximately $1 million. Grimsby Power is a regulated electric distribution utility serving approximately 10,000 customers in a service territory in close proximity to FortisOntario's operations in Fort Erie.

For an update on material regulatory decisions and applications pertaining to Maritime Electric and FortisOntario for the fourth quarter of 2009, refer to "Regulatory Highlights".

REGULATED ELECTRIC UTILITIES - CARIBBEAN

Regulated Electric Utilities - Caribbean (1)
Financial Highlights (Unaudited)
Periods Ended December 31

	Quarter			Annual		
	2009	2008 (2)	Variance	**2009**	2008 (2)	Variance
Average US:CDN Exchange Rate (3)	**1.06**	1.21	(0.15)	**1.13**	1.08	0.05
Electricity Sales (GWh)	**290**	364	(74)	**1,140**	1,203	(63)
($ millions)						
Revenue	**85**	159	(74)	**339**	408	(69)
Energy Supply Costs	**50**	109	(59)	**192**	273 (4)	(81)
Operating Expenses	**13**	20	(7)	**54**	55	(1)
Amortization	**8**	13	(5)	**37**	36	1
Finance Charges	**3**	5	(2)	**16**	16	-
Corporate Taxes	**1**	1	-	**2**	2	-
Non-Controlling Interest	**3**	3	-	**11**	9	2
Earnings	**7**	8	(1)	**27**	17	10

(1) Includes Belize Electricity, Caribbean Utilities and Fortis Turks and Caicos
(2) During 2008, Caribbean Utilities changed its fiscal year end from April 30th to December 31st resulting in the Corporation consolidating five months of electricity sales and financial results of Caribbean Utilities for the fourth quarter of 2008 and 14 months of electricity sales and financial results of Caribbean Utilities for the year ended December 31, 2008. Prior to the fourth quarter of 2008, Fortis was consolidating the financial results of Caribbean Utilities on a two-month lag basis. During 2009, the financial reporting periods of the Corporation coincided with the financial reporting periods of Caribbean Utilities.
(3) The reporting currency of Belize Electricity is the Belizean dollar, which is pegged to the US dollar at BZ$2.00=US$1.00. The reporting currency of Caribbean Utilities and Fortis Turks and Caicos is the US dollar.
(4) 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 in Belize in June 2008.

Electricity Sales: Regulated Electric Utilities - Caribbean electricity sales decreased 74 GWh, or 20.3 per cent, quarter over quarter and decreased 63 GWh, or 5.2 per cent, year over year. Electricity sales and financial results for the segment for the fourth quarter of 2008, however, included electricity sales and financial results of Caribbean Utilities for the five months ended December 31, 2008, and electricity sales and financial results for the segment for the year ended December 31, 2008 included electricity sales and financial results of Caribbean Utilities for the 14 months ended December 31, 2008, due to a change in the utility's fiscal year end in 2008. When comparing electricity sales for the period October through December 2009 to the same three-month period in 2008 and for the period January to December 2009 to the same twelve-month period in 2008 for Caribbean Utilities, electricity sales for the segment increased approximately 10 per cent for the fourth quarter and 2 per cent for the year. The increase for the quarter reflected warmer average temperatures experienced in the region compared to the same quarterly period in 2008. The increase in electricity sales for the quarter and the year also reflected the loss of electricity sales during the third and fourth quarters of 2008 at Fortis Turks and Caicos as a result of Hurricane Ike, including the delayed re-opening for the fall 2008 tourist season of several large hotels on the Turks and Caicos Islands. Hurricane Ike struck the Turks and Caicos Islands in early September 2008. Tempering electricity sales growth quarter over quarter and year over year, however, was the negative impact of the economic downturn on consumption by residential customers and activities in the tourism, oil, construction and related industries.

Excluding the two additional months of contribution from Caribbean Utilities in 2008, annualized electricity sales growth in 2008 was approximately 6 per cent.

Revenue: Revenue decreased $74 million quarter over quarter. Excluding the approximate $12 million unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue, due to the weakening of the US dollar relative to the Canadian dollar quarter over quarter, revenue decreased approximately $62 million. The decrease was mainly due to the flow through to customers of lower energy supply costs at Caribbean Utilities and two additional months of contribution from Caribbean Utilities in 2008, i.e., August and September 2008. Partially offsetting the above factors was the impact of a 2.4 per cent increase in basic customer electricity rates at Caribbean Utilities, effective June 1, 2009, and the approximate 10 per cent increase in electricity sales quarter over quarter.

Revenue decreased $69 million year over year. Excluding the approximate $13 million favourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue, due to the strengthening of the US dollar relative to the Canadian dollar year over year, revenue decreased approximately $82 million. The decrease was driven by the flow through to customers of lower energy supply costs at Caribbean Utilities and Fortis Turks and Caicos and two additional months of contribution from Caribbean Utilities in 2008, i.e., November and December 2007. Partially offsetting the above factors was the impact of: (i) a 2.4 per cent increase in basic customer electricity rates at Caribbean Utilities, effective June 1, 2009; (ii) an increase in the cost of power component of the average customer electricity rate at Belize Electricity, effective July 1, 2008; (iii) $1 million associated with a favourable appeal judgment at Fortis Turks and Caicos related to a customer rate classification matter; and (iv) the approximate 2 per cent increase in annualized electricity sales. Tempering revenue growth was the impact of: (i) a decrease in the value-added delivery component of the average customer electricity rate at Belize Electricity, effective July 1, 2008, due to a decrease in the allowed rate of return on rate base assets ("ROA"); and (ii) a change in the methodology at Belize Electricity for recording customer installation fees and the impact of refunding certain installation fees previously collected. Customer installation fees at Belize Electricity are now recorded as a capital contribution on the balance sheet rather than as revenue on the statement of earnings.

Earnings: Earnings' contribution was $1 million lower quarter over quarter. The decrease was driven by two additional months of contribution from Caribbean Utilities in 2008, i.e., August and September 2008, of $2 million, and approximately $1 million associated with unfavourable foreign currency translation for the fourth quarter of 2009. Excluding the above items, earnings were $2 million higher quarter over quarter, mainly due to a change in depreciation estimates at Fortis Turks and Caicos favourably impacting depreciation expense by approximately $1.5 million during the fourth quarter of 2009, combined with the approximate 10 per cent increase in electricity sales and the 2.4 per cent basic customer electricity rate increase at Caribbean Utilities, partially offset by higher finance charges, excluding foreign exchange impacts.

Earnings' contribution was $10 million higher year over year. Excluding: (i) a $13 million reduction in earnings 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 as a result of the June 2008 regulatory rate decision at Belize Electricity; (ii) two additional months of contribution from Caribbean Utilities in 2008, i.e., November and December 2007, of approximately $1.5 million; and (iii) approximately $1 million associated with favourable foreign currency translation, earnings' contribution decreased $2.5 million year over year. Factors decreasing earnings' contribution included: (i) the lower allowed ROA at Belize Electricity, effective July 1, 2008; (ii) higher operating expenses, excluding foreign exchange impacts, driven by increased employee, legal and regulatory costs and bad debt expense, partially offset by an increase in capitalized general and administrative expenses, as prescribed under Caribbean Utilities' transmission and distribution ("T&D") licence, effective April 2008; and

(iii) the favourable impact on energy supply costs in 2008 associated with a change in the fuel cost recovery mechanism at Caribbean Utilities. Included in Caribbean Utilities' T&D licence is a new mechanism for the flow through to customers of the cost of fuel and oil, which eliminates favourable or adverse timing differences in fuel and oil cost recovery for reporting periods subsequent to April 30, 2008. The above factors were partially offset by: (i) the approximate $1.5 million favourable impact of a change in depreciation estimates at Fortis Turks and Caicos; (ii) approximately $1 million associated with a favourable appeal judgment at Fortis Turks and Caicos, as described above; and (iii) the favourable impact on energy supply costs in 2009 due to a change in the methodology for calculating the cost of fuel recoverable from customers at Fortis Turks and Caicos in 2009. Earnings were also favourably impacted by the 2.4 per cent basic customer electricity rate increase at Caribbean Utilities and the approximate 2 per cent increase in annualized electricity sales.

Caribbean Utilities met a record peak of 97.5 MW in August 2009 and Fortis Turks and Caicos met a record peak of 29.6 MW in July 2009. In May 2009, Fortis Turks and Caicos commissioned two diesel-generating units, increasing the Company's generating capacity by 6 MW to 54 MW. Fortis Turks and Caicos has also entered into an agreement with a supplier to purchase two diesel-generating engines with a combined capacity of approximately 18 MW for approximately US$12 million (CDN$13 million) for delivery in mid-2010 and early 2011.

In November 2009, the Comisión Federal de Electricidad ("CFE") of Mexico cancelled the guaranteed power supply contract for firm energy with Belize Electricity, citing force majeure reasons. The contract was to mature in December 2010. CFE has stated that its generating capacity has been significantly limited as a result of problems with gas availability, generation equipment and shortfall in hydroelectric production. CFE is proposing to negotiate a new contract to provide up to 50 MW of economic and emergency energy to Belize Electricity. CFE continues to supply Belize Electricity with power when available. There is sufficient in-country generation to meet energy demand in Belize without supply from CFE.

Caribbean Utilities privately placed 15-year US$40 million 7.50% senior unsecured notes, with US$30 million and US$10 million placed in May and July 2009, respectively. The net proceeds of the debt offering were used to repay short-term borrowings and finance capital expenditures.

In July 2009, Fortis acquired, through a wholly owned subsidiary, 768,200 Class A Ordinary Shares of Caribbean Utilities at a price of US$8.00 per share. The shares were acquired by Fortis pursuant to a private agreement which resulted in Fortis increasing its controlling ownership in Caribbean Utilities by 2.7 per cent to approximately 59 per cent held as at December 31, 2009.

For an update on material regulatory decisions and applications pertaining to Belize Electricity and Caribbean Utilities for the fourth quarter of 2009, refer to "Regulatory Highlights".

NON-REGULATED - FORTIS GENERATION

Non-Regulated - Fortis Generation [1] Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
	2009 [2]	2008	Variance	**2009** [2]	2008	Variance
Energy Sales (GWh)	**87**	312	(225)	**583**	1,217	(634)
($ millions)						
Revenue	**5**	20	(15)	**39**	82	(43)
Energy Supply Costs	**-**	1	(1)	**2**	7	(5)
Operating Expenses	**3**	3	-	**11**	14	(3)
Amortization	**1**	2	(1)	**5**	10	(5)
Finance Charges	**(1)**	2	(3)	**2**	8	(6)
Corporate Taxes	**-**	3	(3)	**3**	10	(7)
Non-Controlling Interest	**(1)**	1	(2)	**-**	3	(3)
Earnings	**3**	8	(5)	**16**	30	(14)

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

(2) Results reflect contribution from the Rankine hydroelectric generating facility in Ontario until April 30, 2009. On April 30, 2009, the Rankine power-for-water exchange agreement expired at the end of its 100-year term.

***Energy Sales*:** Non-Regulated - Fortis Generation energy sales decreased 225 GWh, or 72.1 per cent, quarter over quarter and decreased 634 GWh, or 52.1 per cent, year over year. As anticipated, 164 GWh and 440 GWh of the total decrease in energy sales for the quarter and the year, respectively, was due to the expiration on April 30, 2009, at the end of its 100-year term, of the power-for-water exchange agreement related to the Rankine hydroelectric generating facility in Ontario. In addition, 46 GWh and 158 GWh of the total decrease in energy sales for the quarter and the year, respectively, related to generation operations in central Newfoundland. Energy sales for 2009 included sales related to central Newfoundland operations for only 1½ months compared to the entire year in 2008, due to the discontinuance of the consolidation method of accounting for these operations in February 2009, necessitated by the actions of the Government of Newfoundland and Labrador related to its expropriation of the assets of the Exploits Hydro River Partnership ("Exploits Partnership") (See "Non-Regulated Fortis Generation - Exploits Partnership" section of this MD&A). The remaining decrease in total energy sales quarter over quarter and year over year was mainly due to lower production in Belize and Upper New York State. Production levels were primarily a function of rainfall levels, in addition to the impact of maintenance downtime at one unit at the Chalillo hydroelectric generating facility in Belize for about 1½ months during the third quarter of 2009.

The new Vaca hydroelectric generating facility will be commissioned in the first quarter of 2010. The facility is expected to increase average annual energy production from the Macal River in Belize by approximately 80 GWh to 240 GWh.

Revenue: Revenue was $15 million lower quarter over quarter. The primary factors decreasing revenue were: (i) the loss of revenue subsequent to the expiration of the power-for-water exchange agreement related to the Rankine hydroelectric generating facility, as described above; (ii) the impact of the discontinuance of the consolidation method of accounting for the financial results of the hydroelectric generation operations in central Newfoundland during the first quarter of 2009, as described above; (iii) lower average wholesale market energy prices per megawatt hour ("MWh") in Upper New York State, which were US$40.66 for the fourth quarter of 2009 compared to US$56.86 for the same quarter in 2008 and US$38.40 for 2009 compared to US$71.10 for 2008; (iv) decreased production in Upper New York State and Belize; and (v) the approximate $0.5 million unfavourable impact of foreign currency translation.

Revenue was $43 million lower year over year. The primary factors decreasing revenue were the same as those described in (i) to (iii) above for the quarter combined with decreased production in Upper New York State. Revenue also decreased year over year due to lower average wholesale market energy prices per MWh in Ontario related to revenue earned under the Rankine power-for-water exchange agreement. The average prices were $36.83 for January through April in 2009 compared to $49.70 for the same period in 2008. The above factors were partially offset by the approximate $2 million favourable impact of foreign currency translation.

Earnings: Earnings decreased $5 million quarter over quarter, primarily related to the expiration of the Rankine power-for-water exchange agreement, lower average wholesale market energy prices in Upper New York State, decreased production in Upper New York State and Belize and the approximate $0.5 million unfavorable impact of foreign currency translation. The decrease in earnings was partially offset by higher interest revenue associated with inter-company lending from non-regulated to regulated operations in Ontario, which reduced finance charges.

Earnings decreased $14 million year over year driven by the expiration of the Rankine power-for-water exchange agreement, lower average wholesale market energy prices in Upper New York State and Ontario and the impact of lower production in Upper New York State. The decrease in earnings was partially offset by lower finance charges for the reason described above for the quarter, and the approximate $1 million favourable impact of foreign currency translation. Earnings' contribution associated with the Rankine hydroelectric generating facility were nil for the fourth quarter 2009 and $3.5 million for 2009 compared to approximately $4 million and $16 million for the respective periods in 2008.

NON-REGULATED - FORTIS PROPERTIES

Non-Regulated - Fortis Properties Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			**Annual**		
($ millions)	**2009**	2008	Variance	**2009**	2008	Variance
Hospitality Revenue	**37**	36	1	**154**	144	10
Real Estate Revenue	**16**	16	-	**64**	63	1
Total Revenue	**53**	52	1	**218**	207	11
Operating Expenses	**37**	36	1	**146**	135	11
Amortization	**4**	4	-	**16**	15	1
Finance Charges	**5**	6	(1)	**22**	24	(2)
Corporate Taxes	**2**	2	-	**10**	10	-
Earnings	**5**	4	1	**24**	23	1

Revenue: Hospitality revenue was $1 million higher quarter over quarter and $10 million higher year over year, driven by revenue contribution from the Sheraton Hotel Newfoundland, which was acquired in November 2008, and the Holiday Inn Select Windsor, in Ontario, which was acquired in April 2009, partially offset by decreased revenue in all regions related to the remainder of the Company's hotel operations due to the economic downturn.

Revenue per available room ("REVPAR") was $68.87 for the fourth quarter compared to $72.86 for the same quarter in 2008 and $76.55 for the year compared to $80.39 for 2008. The decrease in annual REVPAR was mainly due to lower hotel occupancies in all of the Company's operating regions, the most significant of which were experienced in western Canada and Ontario.

Real Estate revenue was comparable quarter over quarter and $1 million higher year over year. The increase reflected growth in all operating regions. The occupancy rate of the Real Estate Division was 96.2 per cent as at December 31, 2009 compared to 96.8 per cent as at December 31, 2008. The decrease in the occupancy rate was primarily associated with a property in rural Newfoundland.

Earnings: Earnings were $1 million higher quarter over quarter and year over year. Contributions from the Sheraton Hotel Newfoundland and the Holiday Inn Select Windsor combined with increased contribution from the Real Estate Division and lower finance charges were partially offset by the impact of generally lower occupancies at the remainder of the Company's hotel operations. Finance charges decreased mainly due to lower external debt balances resulting from regularly scheduled debt repayments.

Operating expenses were $1 million higher quarter over quarter, driven by the Holiday Inn Select Windsor. Operating expenses were $11 million higher year over year primarily related to the Sheraton Hotel Newfoundland, including non-recurring transitional operating costs incurred during the first quarter of 2009, and the Holiday Inn Select Windsor. The increases quarter over quarter and year over year were partially offset by overall cost reductions realized in the balance of the Hospitality Division and lower operating expenses incurred at the Real Estate Division. The decrease in operating expenses incurred at the Real Estate Division mainly related to the reclassification to amortization costs during 2009 of certain major operating expenses recoverable from tenants, which were previously deferred and amortized to operating expenses.

CORPORATE AND OTHER

Corporate and Other [1] Financial Highlights (Unaudited) Periods Ended December 31						
	Quarter			Annual		
($ millions)	**2009**	2008	Variance	**2009**	2008	Variance
Revenue	**6**	6	-	**27**	26	1
Operating Expenses	**5**	8	(3)	**14**	16	(2)
Amortization	**1**	2	(1)	**8**	8	-
Finance Charges [2]	**21**	20	1	**79**	80	(1)
Corporate Tax Recovery	**(6)**	(8)	2	**(21)**	(23)	2
Preference Share Dividends	**4**	4	-	**18**	14	4
Net Corporate and Other Expenses	**(19)**	(20)	1	**(71)**	(69)	(2)

[1] Includes Fortis net corporate expenses and 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 comparable quarter over quarter and $1 million higher year over year. The increase was driven by higher inter-company interest revenue due to increased inter-company lending, partially offset by lower revenue contributions from CustomerWorks Limited Partnership ("CWLP") due to 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. An increase in finance charges was more than offset by lower operating expenses due to decreased business development costs at Fortis, partially offset by higher corporate legal and consulting fees and employee-benefit costs at Terasen.

Net corporate and other expenses were $2 million higher year over year. Excluding a $1 million favourable corporate tax adjustment at Fortis during the third quarter of 2009 and a $2 million tax reduction recorded in the third quarter of 2008, associated with the settlement of historical corporate tax matters at Terasen, net corporate and other expenses were $1 million higher year over year. The increase was due to higher preference share dividends, due to the issuance of First Preference Shares, Series G during the second quarter of 2008, and lower earnings' contribution from CWLP, partially offset by decreased operating expenses for the same reasons described above for the quarter, and lower finance charges.

Finance charges increased quarter over quarter due to interest costs associated with the $200 million 6.51% unsecured debentures issued in July 2009, partially offset by lower interest rates charged on credit facility borrowings and the favourable impact of foreign exchange associated with the translation of US dollar-denominated interest expense. Finance charges decreased year over year as a result of lower average credit facility borrowings in 2009 compared to 2008 and lower interest rates charged on those facility borrowings. The decrease was partially offset by interest costs associated with the $200 million 6.51% unsecured debentures and the unfavourable impact of foreign exchange associated with the translation of US dollar-denominated interest expense.

In January 2010, Fortis completed a $250 million five-year fixed rate reset preference share offering, the net proceeds of approximately $242 million were used to repay borrowings under its committed credit facility and to fund an equity injection into TGI to repay borrowings under the utility's credit facilities in support of working capital and capital expenditure requirements.

REGULATORY HIGHLIGHTS

An update on material regulatory decisions and applications for the Corporation's regulated utilities for the fourth quarter of 2009 is as follows:

Material Regulatory Decisions and Applications	
Regulated Utility	**Summary Description**
TGI/TGVI	• Every three months TGI and TGVI review natural gas and propane commodity rates with the British Columbia Utilities Commission ("BCUC") in order to ensure the flow-through rates charged to customers are sufficient to cover the cost of purchasing natural gas and propane, while mid-stream rates are reviewed by the BCUC annually in December. Effective October 1, 2009, the BCUC approved a decrease in commodity rates for natural gas for customers in the Lower Mainland, Fraser Valley and Interior service areas. Effective January 1, 2010, the BCUC approved an increase in mid-stream rates for natural gas and kept commodity rates for natural gas unchanged for customers in the Lower Mainland, Fraser Valley, Interior, North and the Kootenay service areas. The BCUC also approved an increase in commodity rates for propane for customers in Revelstoke, an increase in commodity rates for natural gas for customers in Fort Nelson and a decrease in commodity rates for natural gas for customers in Whistler, effective January 1, 2010. • In November and December 2009, the BCUC approved: (i) Negotiated Settlement Agreements ("NSAs") pertaining to the 2010 and 2011 Revenue Requirements Applications for TGI and TGVI; (ii) an increase in the deemed equity component of TGI's total capital structure, effective January 1, 2010, to 40 per cent from 35 per cent; (iii) an increase in TGI's allowed ROE, effective July 1, 2009, to 9.50 per cent from 8.47 per cent; and (iii) an increase in the allowed ROE to 10.00 per cent, effective July 1, 2009, from 9.17 per cent for each of TGVI and TGWI. In its decision on the Return on Equity and Capital Structure Application, the BCUC maintained TGI as a benchmark for calculating the allowed ROE for certain utilities regulated by the BCUC. The BCUC also determined that the former automatic adjustment mechanism used to establish the ROE annually will no longer apply and the allowed ROEs as determined in the BCUC decision will apply until reviewed further by the BCUC. The BCUC-approved NSA for TGI did not include a provision to allow the continued use of a PBR mechanism after the expiry, on December 31, 2009, of TGI's previous PBR agreement. The NSAs assume a mid-year rate base at TGI of approximately $2,534 million for 2010 and $2,599 million for 2011, and a mid-year rate base at TGVI of approximately $554 million for 2010 and $729 million for 2011. The overall impact on customer rates, including the effect of changes in the commodity and/or mid-stream rates for natural gas and/or propane, effective January 1, 2010, was: (i) an increase of approximately 10 per cent for residential customers in the Lower Mainland, Fraser Valley, Interior, North and the Kootneys; (ii) an increase of approximately 16 per cent for residential customers in Revelstoke; (iii) a decrease of approximately 12 per cent for customers in Whistler; and (iv) an increase of approximately 8 per cent for customers in Fort Nelson. Customer rates for TGVI's sales customers will remain unchanged for the two-year period beginning January 1, 2010, as provided in the BCUC-approved NSA for TGVI. • In June 2009, TGI filed an application with the BCUC requesting the in-sourcing of core elements of its customer care services and implementation of a new customer information system. Two new call centres and the customer information system are expected to be in place effective January 2012 at a total expected project cost of approximately $113 million, before deferral of certain operating and maintenance expenses.
FortisBC	• In December 2009, the BCUC approved an NSA pertaining to FortisBC's 2010 Revenue Requirements Application. The result was a general customer electricity rate increase of 6.0 per cent, effective January 1, 2010. The rate increase was primarily the result of the Company's ongoing investment in infrastructure, increasing power supply costs and the higher cost of capital. FortisBC's allowed ROE has increased to 9.90 per cent, effective January 1, 2010, from 8.87 per cent in 2009 as a result of the BCUC decision to increase the allowed ROE of TGI, the benchmark utility in British Columbia. The BCUC-approved NSA assumes a mid-year rate base of approximately $975 million for 2010.
FortisAlberta	• In November 2009, the Alberta Utilities Commission ("AUC") issued its decision on the 2009 Generic Cost of Capital Proceeding, establishing a generic allowed ROE for all Alberta utilities it regulates of 9.00 per cent for each of 2009 and 2010. The allowed ROE of 9.00 per cent is up from 8.61 per cent that the former ROE automatic adjustment formula would have provided for FortisAlberta in 2009. The ROE automatic adjustment mechanism will no longer apply until reviewed further by the AUC. The AUC also increased the deemed equity component of FortisAlberta's total capital structure to 41 per cent from 37 per cent, effective January 1, 2009. Two hundred basis points of the increase in the equity component of the capital structure reflected the effects of FortisAlberta having become a non-taxable utility for rate-setting purposes. The AUC also ordered that the generic allowed ROE for Alberta utilities that it regulates, including FortisAlberta, be established on an interim basis for 2011 at 9.00 per cent. The establishment of an interim ROE level was chosen because the AUC was not prepared to re-impose an adjustment formula without the opportunity to assess changes in the capital markets and to reconsider the types of factors that should be built into a formula. • In June 2009, FortisAlberta filed a comprehensive two-year Distribution Revenue Requirements Application for 2010 and 2011. The application forecasts a mid-year rate base of approximately $1,538 million for 2010 and $1,724 million for 2011. The expected impact on the distribution component of customer rates is an average increase of 13.3 per cent for 2010 and 14.9 per cent for 2011, before considering the impact of the increase in the allowed ROE and the deemed equity component of the total capital structure, as per the AUC Generic Cost of Capital Decision. The incremental effect of the final approved 2009 ROE and capital structure is expected to be collected in customer electricity rates in 2010. New customer electricity rates to be established for 2010 will reflect an allowed ROE of 9.00 per cent on a deemed equity level of 41 per cent. FortisAlberta anticipates a regulatory decision by the AUC to be received in spring 2010 with final customer electricity rates anticipated to take effect in late 2010 or early 2011. An interim approval of customer electricity rates by the AUC has resulted in an overall 7.5 per cent average increase in base customer electricity distribution rates at FortisAlberta, effective January 1, 2010.

Material Regulatory Decisions and Applications (cont'd)	
Regulated Utility	**Summary Description**
Newfoundland Power	• In December 2009, the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") issued a decision on Newfoundland Power's 2010 General Rate Application resulting in an overall average increase in basic customer electricity rates of approximately 3.5 per cent, effective January 1, 2010, including the impact of an increase in the allowed ROE to 9.00 per cent from 8.95 per cent in 2009, as set by the PUB for 2010. The PUB decision assumes a mid-year rate base of approximately $869 million for 2010. The PUB also ordered that Newfoundland Power's allowed ROE for each of 2011 and 2012 be determined using the ROE automatic adjustment formula. The ROE automatic adjustment formula is subject to a review in the first quarter of 2010. • In November 2009, the Company's 2010 Capital Budget Application totalling approximately $65 million was approved by the PUB.
Maritime Electric	• In January 2010, Maritime Electric filed an application with the Island Regulatory and Appeals Commission: (i) providing a report on the impact of the rebasing of the Energy Cost Adjustment Mechanism ("ECAM") deferral account in 2009 and requesting the rebasing of the ECAM from 7.7 cents per kilowatt hour ("kWh") to 9.4 cents per kWh, effective April 1, 2010, and from 9.4 cents per kWh to 9.6 cents per kWh, effective April 1, 2011; (ii) requesting that the replacement energy costs incurred during the refurbishment of the New Brunswick Power Point Lepreau Nuclear Generating Station ("Point Lepreau") be amortized over a period of 25 years, representing the extended life of the unit; and (iii) requesting an allowed ROE of 9.75 per cent for both 2010 and 2011, unchanged from 2009. • In October 2009, Maritime Electric received regulatory approval, as filed, of its 2010 Capital Budget totalling $22 million, before customer contributions. • In October 2009, Maritime Electric received regulatory approval of the extension of its energy purchase agreement with New Brunswick Power to December 31, 2010. The agreement, originally entered into in April 2008, was set to expire in September 2009 when Point Lepreau was to return to service. Delays in the refurbishment and resulting return to service date of Point Lepreau required an extension of the energy purchase agreement.
FortisOntario	• FortisOntario expects to file a new electricity rate application for Algoma Power during the first quarter of 2010 for rates effective July 1, 2010, using 2010 as a forward test year and an allowed ROE of 9.75 per cent. • In September and October 2009, the Ontario Energy Board ("OEB") held a stakeholder conference to determine whether current economic and financial market conditions warranted an adjustment to any cost of capital. In December 2009, the OEB issued its *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*. Based on current economic indicators, the preliminary allowed ROE has been set at 9.75 per cent for utilities in Ontario regulated by the OEB. The ROE formula has been refined to reduce sensitivity to changes in long-term Canada bond yields and includes an additional factor for utility bond spreads. The updated allowed ROE will come into effect for the setting of customer rates beginning in 2010 by way of a cost-of-service application. • In October and November 2009, FortisOntario filed Third-Generation Incentive Rate Mechanism ("IRM") electricity distribution rate applications for harmonized rates for Fort Erie and Gananoque and rates for Port Colborne, effective May 1, 2010, based on a deemed capital structure containing 40 per cent equity. In non-rebasing years, customer electricity rates are set using inflationary factors less an efficiency target under the OEB's Third-Generation IRM. • In October 2009, the OEB issued its Rate Order for Port Colborne, approving final electricity rate increases using 2009 as a forward test year, effective May 1, 2009, of 8.4 per cent, with impact on customer billings commencing November 1, 2009. The Rate Order confirmed a deemed capital structure containing 43.3 per cent equity and approved an allowed ROE of 8.01 per cent for 2009.
Belize Electricity	• Changes made in electricity legislation by the Government of Belize and the Public Utilities Commission in Belize ("PUC"), and the PUC's June 2008 Final Decision and the PUC's February 2009 amendment of the June 2008 Final Decision (the "Amendment"), which were based on the changed legislation, have been judicially challenged by Belize Electricity in several proceedings. The judicial process is ongoing with interim rulings, judgments and appeals. The timing or likely final outcome of the proceedings is indeterminable at this time. The Supreme Court of Belize issued an injunction against the Amendment until Belize Electricity's appeal of the June 2008 Final Decision has been heard in court. The court appeal of the June 2008 Final Decision was called in early October 2009 but, after considering some preliminary matters, the trial judge postponed the case for a date to be determined. In addition, Belize Electricity's appeal of the Supreme Court of Belize's previous decision to uphold certain changes made in electricity legislation by the Government of Belize and the PUC was dismissed in June 2009. • In June 2009, the Government of Belize issued a statutory instrument purporting to declare providers of electricity generation and water services, including Belize Electric Company Limited, as public utility providers within the meaning of the *Public Utilities Commission Act* as of May 1, 2009. Fortis continues to assess the statutory instrument and its impact on previously negotiated and PUC-approved power purchase agreements.
Caribbean Utilities	• In October 2009, Caribbean Utilities submitted a Five-Year Capital Plan totalling US$157 million for the period 2010 through 2014 to the Electricity Regulatory Authority ("ERA"). • In April 2009, Caribbean Utilities submitted its bid to install 16 MW of generation in May 2012 and another 16 MW of generation in May 2013. There was one other bidder for the 32 MW of generation. In September 2009, based on economic conditions and revised medium-term future load growth projections by Caribbean Utilities, the ERA cancelled its 32 MW capacity-expansion solicitation. Caribbean Utilities and the ERA will continue to monitor growth indicators and revise forecasts as necessary. A new solicitation may occur at such time there are indicators of a future need for additional capacity. Caribbean Utilities' capital investment plan for 2010 through 2014 reflects the Company's lower growth projections and delay of the 32 MW of new generating capacity.

CAPITAL STRUCTURE

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

The consolidated capital structure of Fortis as at December 31, 2009 compared to December 31, 2008 is presented in the following table.

Fortis Inc.
Capital Structure (Unaudited)
As at December 31

	2009		2008	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,830**	**60.2**	5,468	59.5
Preference shares [(2)]	**667**	**6.9**	667	7.3
Common shareholders' equity	**3,193**	**32.9**	3,046	33.2
Total	**9,690**	**100.0**	9,181	100.0

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

The slight change in the capital structure was driven by higher debt levels primarily in support of infrastructure investment and increased accumulated other comprehensive loss driven by unfavourable foreign exchange, partially offset by net earnings applicable to common shares, net of common share dividends, of $129 million and increased common shares outstanding reflecting the impact of the Corporation's enhanced Dividend Reinvestment and Share Purchase Plan.

The Corporation's credit ratings are as follows:

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

In September 2009, S&P confirmed its credit rating for Fortis at A- (stable outlook). The credit ratings of Fortis reflect the diversity of the operations of Fortis, the stand-alone nature and financial separation of each of the regulated subsidiaries of Fortis, management's commitment to maintaining low levels of debt at the holding company level and the continued focus of Fortis on pursuing the acquisition of stable regulated utilities.

CASH FLOW

The table below outlines the Corporation's 2009 fourth quarter and annual sources and uses of cash compared to the same periods in 2008.

Fortis Inc. Summary of Cash Flows (Unaudited) Periods Ended December 31						
	Quarter			**Annual**		
($ millions)	**2009**	2008	Variance	**2009**	2008	Variance
Cash, beginning of period	**106**	68	38	**66**	58	8
Cash provided by (used in)						
Operating activities	**70**	208	(138)	**637**	661	(24)
Investing activities	**(312)**	(272)	(40)	**(1,052)**	(852)	(200)
Financing activities	**222**	59	163	**438**	196	242
Foreign currency impact on cash balances	**(1)**	3	(4)	**(4)**	3	(7)
Cash, end of period	**85**	66	19	**85**	66	19

Cash flow provided by operating activities, after working capital adjustments, decreased $138 million quarter over quarter. The decrease was mainly due to unfavourable working capital changes at the Terasen Gas companies reflecting differences in the commodity cost of natural gas and cost of natural gas charged to customers period over period, and the timing of the declaration of common share dividends. Annual cash flow provided by operating activities, after working capital adjustments, was $24 million lower than the previous year, due to the same reasons described above for the quarter, combined with the timing and an increase in the amount of corporate income taxes paid at Newfoundland Power, partially offset by favourable changes in the Alberta Electric System Operator ("AESO") charges deferral account at FortisAlberta.

Cash used in investing activities increased $40 million quarter over quarter, reflecting the acquisition of Algoma Power during the fourth quarter of 2009 for approximately $70 million, net of cash acquired, compared to the acquisition of the Sheraton Hotel Newfoundland during the fourth quarter of 2008 for approximately $22 million and lower contributions in aid of construction, partially offset by lower capital spending driven by the utilities in the Caribbean. Annual cash used in investing activities was $200 million higher than the previous year. Investing activities in 2009, however, reflected the acquisition of Algoma Power for approximately $70 million, net of cash acquired, the Holiday Inn Select Windsor for approximately $7 million and an additional 2.7 per cent ownership interest in Caribbean Utilities for approximately $7 million. Investing activities in 2008 reflected the acquisition of the Sheraton Hotel Newfoundland for approximately $22 million. Excluding the impact of business acquisitions in 2009 and 2008, annual cash used in investing activities increased year over year due to higher capital spending driven by FortisAlberta and the Terasen Gas companies, and lower contributions in aid of construction.

Cash provided by financing activities was $163 million higher quarter over quarter, primarily due to a net increase in debt during the fourth quarter of 2009 compared to a net decrease in debt during the fourth quarter of 2008, partially offset by lower proceeds from common share offerings. During the fourth quarter of 2008, Fortis issued $300 million in common shares. Annual cash provided by financing activities increased $242 million year over year. The increase was mainly due to a net increase in debt during 2009 compared to a net decrease in debt during 2008, partially offset by lower proceeds from common and preference share offerings. In addition to the $300 million common equity offering in 2008, the Corporation issued $230 million preference shares during the second quarter of 2008.

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.

Gross consolidated capital expenditures for the year ended December 31, 2009 were over $1 billion. A breakdown of gross capital expenditures by segment for 2009 is provided in the following table.

Gross Capital Expenditures (Unaudited) (1)
Year Ended December 31, 2009
($ millions)

Terasen Gas Companies	Fortis Alberta (2)	FortisBC	Newfoundland Power	Other Regulated Utilities - Canadian	**Total Regulated Utilities - Canadian**	**Regulated Utilities - Caribbean**	**Non - Regulated - Utility** (3)	**Fortis Properties**	**Total**
246	407	115	74	46	**888**	**92**	**18**	**26**	**1,024**

(1) Relates to utility capital assets, income producing properties and intangible assets and includes expenditures associated with assets under construction. Includes asset removal and site restoration expenditures, net of salvage proceeds, for those utilities where such expenditures are permissible in rate base in 2009. Excludes capitalized non-cash equity component of the Allowance for Funds Used During Construction ("AFUDC").
(2) Includes payments made to AESO for investment in transmission capital projects
(3) Includes non-regulated utility and Corporate capital expenditures

Actual gross consolidated capital expenditures for 2009 were comparable to those forecasted and disclosed in the MD&A for the year ended December 31, 2008. Planned capital expenditures are based on detailed forecasts of energy demand, weather and cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from forecasts. An increase in capital spending at FortisAlberta associated with higher than anticipated customer driven capital expenditures, including new customer connections, and the inclusion of AESO transmission capital expenditures in total capital expenditures was offset mainly by: (i) a shift from 2009 to 2010 of some capital spending related to the Vaca hydroelectric generating project and certain projects at the Terasen Gas companies and FortisBC; (ii) lower-than-forecasted capital spending at non-regulated TES; and (iii) lower spending at FortisBC associated with the Okanagan Transmission Reinforcement Project, as discussed below.

An update on significant capital projects for 2009 from December 31, 2008 is provided below.

FortisAlberta continued the replacement of conventional customer meters with new Automated Meter Infrastructure ("AMI") technology during 2009. In response to the direction of the Alberta Department of Energy on AMI capabilities, FortisAlberta has adjusted the scope of its planned AMI program, which is now expected to cost approximately $155 million, up from $124 million as disclosed in the MD&A for the year ended December 31, 2008. Additional capital costs may be incurred under this project, pending clarification of meter data reporting requirements by the appropriate government agencies. The final project cost is subject to regulatory approval.

TGVI's construction of the 50-kilometer Squamish-to-Whistler natural gas pipeline lateral was completed during spring 2009 with conversion of Whistler customer appliances completed in August 2009. The total project cost of the pipeline construction and conversion of the appliances is estimated at approximately $56 million, $8 million above the amount previously approved by the BCUC for this project. A provision for approximately $5 million after-tax related to the additional costs associated with the conversion of the appliances has been expensed to earnings in the fourth quarter of 2009. Applications, however, have been filed with the BCUC requesting inclusion in rate base of the total additional costs. The pipeline lateral and appliance conversion were required as part of the overall conversion of TGWI's propane distribution system to a natural gas distribution system.

The Fraser River South Bank South Arm Rehabilitation Project was approved by the BCUC in March 2009 and involves the installation and replacement of underwater transmission pipeline crossings that are at potential risk of failure from a major seismic event. The project is estimated to cost approximately $27 million and is expected to be in service in 2010.

In June 2009, TGI filed an application with the BCUC requesting the in-sourcing of core elements of its customer care services and for implementation of a new customer information system. Two new call centres and the customer information system are expected to be in place effective January 2012 at an expected project cost of approximately

$113 million, before deferral of certain operating and maintenance expenses. The revised project cost compares to $145 million originally estimated and disclosed in the second quarter of 2009.

FortisBC began construction on the approximate $110 million Okanagan Transmission Reinforcement Project in July 2009, with completion expected in 2011. The total forecast cost of the project is down from the original estimate of $141 million as disclosed in the MD&A for the year ended December 31, 2008. The decrease in cost is mainly due to lower forecasted labour, equipment and commodity costs. The project relates to upgrading the existing overhead transmission lines from 161 kilovolts ("kV") to 230 kV between Penticton and Oliver and building a new 230-kV terminal in the Oliver area.

In 2009, Caribbean Utilities commissioned a 16-MW diesel generating unit for a total cost of approximately $35 million.

The US$53 million Vaca hydroelectric generating facility will be commissioned in the first quarter of 2010. The facility is expected to increase average annual energy production from the Macal River in Belize by approximately 80 GWh to 240 GWh.

Over the five-year period 2010 through 2014, consolidated gross capital expenditures are expected to approach $5 billion. Approximately 70 per cent of the capital spending is expected to be incurred at the Regulated Electric Utilities, driven by FortisAlberta and FortisBC. Approximately 27 per cent is expected to be incurred at the Regulated Gas Utilities and the remaining 3 per cent is expected to relate to non-regulated activities. Capital expenditures at the Regulated Utilities are subject to regulatory approval.

A breakdown of forecast gross capital expenditures by segment for 2010 is provided in the following table.

Forecast Gross Capital Expenditures (Unaudited) [(1)]
Year Ending December 31, 2010
($ millions)

Terasen Gas Companies	Fortis Alberta [(2)]	FortisBC	Newfoundland Power	Other Regulated Utilities - Canadian	**Total Regulated Utilities - Canadian**	**Regulated Utilities - Caribbean**	**Non - Regulated - Utility** [(3)]	**Fortis Properties**	**Total**
327	363	168	69	47	**974**	**82**	**16**	**26**	**1,098**

(1) Relates to utility capital assets, income producing properties and intangible assets and includes forecast expenditures associated with assets under construction. Includes forecast asset removal and site restoration expenditures, net of salvage proceeds, for those utilities where such expenditures are permissible in rate base. Excludes forecast capitalized non-cash equity component of AFUDC.
(2) Includes forecast payments to be made to AESO for investment in transmission capital projects
(3) Includes forecast non-regulated utility and Corporate capital expenditures

Significant capital projects for 2010 include the continuation of the construction of the liquefied natural gas storage facility at TGVI; commencement of the customer care enhancement project at TGI, subject to regulatory approval; the continuation of the Okanagan Transmission Reinforcement project, transmission projects and generation asset upgrades at FortisBC; the continued implementation of AMI technology at FortisAlberta; and the completion of the Fraser River South Arm Rehabilitation project.

CREDIT FACILITIES

As at December 31, 2009, the Corporation and its subsidiaries had consolidated credit facilities of approximately $2.2 billion, of which approximately $1.4 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. Approximately $2.0 billion of the total credit facilities are committed facilities, the majority of which have maturities between 2011 and 2013.

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 December 31, 2009	Total as at December 31, 2008
Total credit facilities	645	1,495	13	**2,153**	2,228
Credit facilities utilized:					
Short-term borrowings	-	(409)	(6)	**(415)**	(410)
Long-term debt (including current portion)	(125)	(83)	-	**(208)**	(224)
Letters of credit outstanding	(1)	(98)	(1)	**(100)**	(104)
Credit facilities available	519	905	6	**1,430**	1,490

FortisBC expects to have its $100 million 364-day committed revolving credit facility, due to mature in May 2010, extended for a further 364 days.

Maritime Electric expects to have its $50 million 364-day committed revolving credit facility, due to mature in March 2010, extended for a further 364 days.

NON-REGULATED FORTIS GENERATION - EXPLOITS PARTNERSHIP

The Exploits Partnership is owned 51 per cent by Fortis Properties and 49 per cent by AbitibiBowater Inc. ("Abitibi"). The Exploits Partnership operated two non-regulated hydroelectric generation plants in central Newfoundland with a combined capacity of approximately 36 MW. In December 2008, the Government of Newfoundland and Labrador expropriated Abitibi's hydroelectric assets and water rights in Newfoundland, including those of the Exploits Partnership. The newsprint mill in Grand Falls-Windsor closed on February 12, 2009, subsequent to which the day-to-day operations of the Exploits Partnership's hydroelectric generating facilities were assumed by Nalcor Energy, a Crown corporation, as an agent for the Government of Newfoundland and Labrador with respect to expropriation matters. The loss of control over cash flows and operations has required Fortis to cease consolidation of the Exploits Partnership, effective February 12, 2009. Discussions between Fortis Properties and Nalcor Energy with respect to expropriation matters are ongoing.

IMPACT OF THE ECONOMIC DOWNTURN

Capital Expenditures: Gross consolidated capital expenditures are expected to be approximately $1.1 billion for 2010, comparable to 2009, and approach $5 billion over the next five years. Planned capital expenditures are based on detailed forecasts of energy demand, weather and cost of labour and materials, as well as other factors, including economic conditions, which could change and cause actual expenditures to differ from forecasts. Significantly reduced energy demand in the Corporation's service territories, as a result of a severe and prolonged downturn in economic conditions, could reduce capital spending which would, in turn, impact rate base and earnings' growth.

Cash Flows: The Corporation does not expect any significant decrease in consolidated annual operating cash flows for 2010 as a result of any continuation of the economic downturn. The subsidiaries expect to be able to source the cash required to fund their 2010 capital expenditure programs.

Cost of and Access to Capital: Despite volatility in the global capital markets, the Corporation and its subsidiaries have been successful at raising long-term capital at reasonable rates. However, continued volatility in the global capital markets may increase the cost of, and affect the timing of, issuance of long-term capital by the Corporation and its utilities. While the cost of borrowing may increase, the Corporation and its utilities expect to continue to have reasonable access to capital in the near to medium terms. The cost of renewed and extended credit facilities may also increase going forward; however, any increased interest expense and/or fees are not expected to materially impact the Corporation's consolidated financial results in 2010, as the majority of the total committed credit facilities have maturities between 2011 and 2013. Due to the regulated nature of the Corporation's utilities, increased borrowing costs are eligible to be recovered in future customer rates.

Regulated Allowed Returns: The ROE adjustment mechanisms tied to long-term Canada bond yields used in recent years at the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power have resulted in lower allowed ROEs. Regulatory decisions received in the fourth quarter of 2009 have reduced the risk of further decreases in allowed ROEs. In December 2009, the BCUC issued a decision increasing the allowed ROE at TGI and FortisBC to 9.50 per cent and 9.90 per cent, respectively. The BCUC also determined that the previous ROE automatic adjustment mechanism will no longer apply and that the allowed ROE, as determined in the BCUC decision, will apply until reviewed further by the BCUC. In November 2009, the AUC issued its decision on the 2009 Generic Cost of Capital Proceeding. The decision increased the allowed ROE of utilities in Alberta that it regulates, including FortisAlberta, to 9.00 per cent and discontinued the use of the ROE automatic adjustment formula until reviewed further by the AUC. In December 2009, the OEB issued a report reviewing cost of capital for utilities in Ontario. The OEB increased the allowed ROE for utilities in Ontario that it regulates, including FortisOntario, to 9.75 per cent and refined the ROE formula to reduce sensitivity to changes in long-term Canada bond yields and included an additional factor for utility bond spreads. The National Energy Board ("NEB"), an independent federal agency that regulates several parts of Canada's energy industry, issued a decision in 2009 increasing the regulated total cost of capital of Trans Quebec & Maritimes Inc. ("TQM"), a Canadian regulated natural gas pipeline utility, which effectively established an approximate 100 basis points increase in TQM's allowed ROE for 2008 to 9.70 per cent on a 40 per cent equity ratio. The increase in the total cost of capital and allowed ROE was the result of a change in methodology which now takes into account financial market information which considers, among other things, changes that have impacted financial markets and economic conditions. In October 2009, the NEB also issued a decision stating that its 1994 multi-pipeline return on equity formula, used to determine the cost of capital for regulated pipeline companies, is no longer in effect, as there is doubt as to the ongoing correctness of using this formula. Instead, cost of capital will be determined by negotiations between the pipelines and their shippers or by the NEB.

Results of Operations: Same-hotel revenue declined at Fortis Properties' Hospitality Division in 2009 and organic revenue growth will continue to be challenged in 2010 as a result of the economic downturn and its impact on leisure and business travel and hotel stays. In the Caribbean, the level of, and fluctuations in, tourism and related activities, which are closely tied to economic conditions, influences electricity sales as it impacts electricity demand of the large hotels and condominium complexes that are serviced by the Corporation's regulated utilities in that region. Due to the impact of the economic downturn, annualized electricity sales growth at the Corporation's Regulated Caribbean Electric Utilities was only approximately 2 per cent for 2009 and is expected to be negligible for 2010.

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

Defined Benefit Pension Plans: The fair value of the Corporation's consolidated defined benefit pension plan assets increased approximately 14 per cent, or $82 million, during 2009 commensurate with the recovery in the capital markets. This increase compares to a decrease of approximately 14 per cent, or $95 million, during 2008 mainly due to unfavourable market conditions during that year. Market-driven changes impacting the performance of pension plan assets and the discount rates may result in material changes in future pension funding requirements and/or net pension costs. The decline in fair value of the pension plan assets during 2008 did not materially affect the Corporation's consolidated defined benefit pension plan funding obligations for 2009. The discount rates used to determine defined benefit net pension costs for 2009 were higher than those used to determine defined benefit net pension costs for 2008, as a result of the impact of increased credit risk spreads on investment-grade corporate bonds due to volatility in the capital markets. For 2009, the amortization of 2008 losses associated with the pension plan assets was largely offset by the impact of higher assumed discount rates.

Consolidated defined benefit net pension costs for 2009 were not materially impacted by the outcome of the actuarial valuations, as at December 31, 2008 for defined benefit pension plans at Newfoundland Power and the Corporation, and as at December 31, 2007 for one of the defined benefit pension plans at Terasen, which were completed during the first quarter of 2009.

Consolidated defined benefit pension funding contributions, including current service, solvency and special funding amounts, were $21 million in 2009 and are expected to be $20 million in 2010, $8 million in 2011, $4 million in 2012 and $3 million in 2013. Fortis expects defined benefit pension plan funding requirements to be sourced primarily from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities. The contributions above, however, are based on estimates provided under the latest completed actuarial valuations, which generally provide funding estimates for a period of only three to five years from the date of the valuations.

The date of the next actuarial valuations for the larger defined benefit pension plans are expected to be as follows:

December 31, 2009	Terasen (covering non-unionized employees)
December 31, 2010	Terasen (covering unionized employees) and FortisBC
December 31, 2011	Newfoundland Power

Consolidated defined benefit net pension costs for 2010 are expected to be higher than for 2009, driven mainly by decreases in discount rates assumed in the measurement of the pension obligations, due to decreased credit risk spreads on investment-grade corporate bonds, and the amortization of net actuarial losses that arose in prior years.

Any increase in future defined benefit pension funding requirements and/or net benefit costs at the regulated utilities may be recovered from, or refunded to, customers in future rates, subject to forecast risk. At the Terasen Gas companies, FortisBC, and Newfoundland Power beginning in 2010, however, actual pension expense above or below the forecast pension expense approved for recovery in customer rates for the year is subject to deferral account treatment for recovery from, or refund to, customers in future rates, subject to regulatory approval.

Counterparty Risk: The Terasen Gas companies are exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments. The Terasen Gas companies are also exposed to significant credit risk on physical off-system sales. The Terasen Gas companies deal with high credit-quality institutions in accordance with established credit approval practices. Due to events in the capital markets over the past year, including significant government intervention in the banking system, the Terasen Gas companies have further limited the financial counterparties they transact with and have reduced available credit to, or taken additional security from, the physical off-system sales counterparties with which they transact. The Terasen Gas companies did not experience any counterparty defaults during 2009 and are not expecting any counterparties to fail to meet their obligations. As events over the past year have indicated, however, the credit quality of counterparties can change rapidly.

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

Credit Ratings: During 2009, the only changes in credit ratings for the Corporation's currently rated subsidiaries were for Newfoundland Power, TGI and Caribbean Utilities. In August 2009, Moody's upgraded the credit rating of Newfoundland Power's first mortgage bonds from Baa1 to A2 and of TGI's secured debentures from A2 to A1. In November 2009, S&P changed the outlook on Caribbean Utilities' issuer credit rating from A(stable) to A(negative) as a result of pressures facing the Cayman Island economy and concern that it could create a more difficult operating environment for Caribbean Utilities in the next few years. Fortis and its regulated utilities do not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, the global financial crisis has placed increased scrutiny on rating agencies and rating agency criteria which may result in changes to credit rating practices and policies.

SUBSEQUENT EVENT

In January 2010, Fortis completed a $250 million five-year fixed rate reset preference share offering, the net proceeds of approximately $242 million were used to repay borrowings under its committed credit facility and to fund an equity injection into TGI to repay borrowings under the utility's credit facilities in support of working capital and capital expenditure requirements.

OUTLOOK

The Corporation's significant capital program, which is expected to approach $5 billion over the next five years, should drive growth in earnings and dividends.

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

FORTIS INC.

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

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

		2009		2008
ASSETS				
Current assets				
Cash and cash equivalents	$	85	$	66
Accounts receivable		595		681
Prepaid expenses		16		17
Regulatory assets		223		157
Inventories		178		229
Future income taxes		29		-
		1,126		1,150
Other assets		174		230
Regulatory assets		758		203
Future income taxes		17		54
Utility capital assets		7,687		7,141
Income producing properties		559		540
Intangible assets		279		273
Goodwill		1,560		1,575
	$	12,160	$	11,166
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term borrowings	$	415	$	410
Accounts payable and accrued charges		852		874
Dividends payable		3		47
Income taxes payable		23		66
Regulatory liabilities		53		45
Current installments of long-term debt and capital lease obligations		224		240
Future income taxes		24		15
		1,594		1,697
Deferred credits		295		277
Regulatory liabilities		436		389
Future income taxes		576		61
Long-term debt and capital lease obligations		5,276		4,884
Non-controlling interest		123		145
Preference shares		320		320
		8,620		7,773
Shareholders' equity				
Common shares		2,497		2,449
Preference shares		347		347
Contributed surplus		11		9
Equity portion of convertible debentures		5		6
Accumulated other comprehensive loss		(83)		(52)
Retained earnings		763		634
		3,540		3,393
	$	12,160	$	11,166

Fortis Inc.

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

	Quarter Ended		Year Ended	
	2009	2008	**2009**	2008
Revenue	**$ 1,018**	$ 1,181	**$ 3,637**	$ 3,903
Expenses				
Energy supply costs	**520**	685	**1,799**	2,112
Operating	**212**	208	**773**	743
Amortization	**90**	93	**364**	348
	822	986	**2,936**	3,203
Operating income	**196**	195	**701**	700
Finance charges	**93**	93	**360**	363
Earnings before corporate taxes and non-controlling interest	**103**	102	**341**	337
Corporate taxes	**15**	17	**49**	65
Net earnings before non-controlling interest	**88**	85	**292**	272
Non-controlling interest	**3**	5	**12**	13
Net earnings	**85**	80	**280**	259
Preference share dividends	**4**	4	**18**	14
Net earnings applicable to common shares	**$ 81**	$ 76	**$ 262**	$ 245
Earnings per common share				
Basic	**$ 0.48**	$ 0.48	**$ 1.54**	$ 1.56
Diluted	**$ 0.46**	$ 0.46	**$ 1.51**	$ 1.52

Fortis Inc.

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

	Quarter Ended		Year Ended	
	2009	2008	**2009**	2008
Balance at beginning of period	**$ 682**	$ 602	**$ 634**	$ 551
Net earnings applicable to common shares	**81**	76	**262**	245
	763	678	**896**	796
Dividends on common shares	**-**	(44)	**(133)**	(162)
Balance at end of period	**$ 763**	$ 634	**$ 763**	$ 634

Fortis Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

For the periods ended December 31

(in millions of Canadian dollars)

	Quarter Ended		Year Ended	
	2009	2008	**2009**	2008
Net earnings	**$ 85**	$ 80	**$ 280**	$ 259
Other comprehensive income				
Unrealized foreign currency translation (losses) gains on net investments in self-sustaining foreign operations	**(11)**	80	**(90)**	115
Gains (losses) on hedges of net investments in self-sustaining foreign operations	**8**	(64)	**67**	(92)
Corporate tax (expense) recovery	**(1)**	9	**(9)**	13
Change in unrealized foreign currency translation (losses) gains, net of hedging activities and tax	**(4)**	25	**(32)**	36
Gain on derivative instruments designated as cash flow hedges, net of tax	**-**	-	**1**	-
Comprehensive income	**$ 81**	$ 105	**$ 249**	$ 295

Fortis Inc.

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

	Quarter Ended		Year Ended	
	2009	2008	**2009**	2008
Operating Activities				
Net earnings	**$ 85**	$ 80	**$ 280**	$ 259
Items not affecting cash				
Amortization - utility capital assets and income producing properties	**79**	83	**317**	308
Amortization - intangibles assets	**11**	9	**43**	37
Amortization - other	**-**	1	**4**	3
Future income taxes	**(4)**	(3)	**5**	14
Non-controlling interest	**3**	5	**12**	13
Write-down of deferred power costs - Belize Electricity	**-**	-	-	18
Other	**1**	(1)	**(8)**	(7)
Change in long-term regulatory assets and liabilities	**(5)**	(20)	**25**	(23)
	170	154	**678**	622
Change in non-cash operating working capital	**(100)**	54	**(41)**	39
	70	208	**637**	661
Investing Activities				
Change in other assets and deferred credits	**3**	14	**(1)**	5
Capital expenditures - utility capital assets	**(241)**	(263)	**(966)**	(872)
Capital expenditures - income producing properties	**(11)**	(3)	**(26)**	(14)
Capital expenditures - intangible assets	**(9)**	(23)	**(32)**	(49)
Contributions in aid of construction	**16**	25	**56**	85
Proceeds on sale of utility capital assets	**-**	-	**1**	15
Business acquisitions, net of cash acquired	**(70)**	(22)	**(84)**	(22)
	(312)	(272)	**(1,052)**	(852)
Financing Activities				
Change in short-term borrowings	**79**	(33)	**8**	(69)
Proceeds from long-term debt, net of issue costs	**119**	3	**729**	662
Repayments of long-term debt and capital lease obligations	**(24)**	(211)	**(172)**	(431)
Net borrowings (repayments) under committed credit facilities	**40**	65	**(14)**	(309)
Advances (to) from non-controlling interest	**-**	(1)	**2**	3
Issue of common shares, net of costs	**14**	292	**46**	308
Issue of preference shares, net of costs	**-**	-	**-**	223
Dividends				
Common shares	**-**	(44)	**(133)**	(162)
Preference shares	**(4)**	(4)	**(18)**	(14)
Subsidiary dividends paid to non-controlling interest	**(2)**	(8)	**(10)**	(15)
	222	59	**438**	196
Effect of exchange rate changes on cash and cash equivalents	**(1)**	3	**(4)**	3
Change in cash and cash equivalents	**(21)**	(2)	**19**	8
Cash and cash equivalents, beginning of period	**106**	68	**66**	58
Cash and cash equivalents, end of period	**$ 85**	$ 66	**$ 85**	$ 66

SEGMENTED INFORMATION (Unaudited)

Information by reportable segment is as follows:

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Quarter ended Decmber 31, 2009 *($ millions)*	**Terasen Gas Companies - Canadian**	Fortis Alberta	Fortis BC	NF Power	Other Canadian [1]	**Total Electric Canadian**	**Electric Caribbean [2]**	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**497**	86	69	146	77	**378**	**85**	**5**	**53**	**6**	**(6)**	**1,018**
Energy supply costs	**300**	-	22	99	50	**171**	**50**	**-**	**-**	**-**	**(1)**	**520**
Operating expenses	**79**	34	19	13	11	**77**	**13**	**3**	**37**	**5**	**(2)**	**212**
Amortization	**26**	24	9	12	5	**50**	**8**	**1**	**4**	**1**	**-**	**90**
Operating income	**92**	28	19	22	11	**80**	**14**	**1**	**12**	**-**	**(3)**	**196**
Finance charges	**30**	14	9	9	6	**38**	**3**	**(1)**	**5**	**21**	**(3)**	**93**
Corporate taxes (recoveries)	**14**	(1)	2	4	(1)	**4**	**1**	**-**	**2**	**(6)**	**-**	**15**
Non-controlling interest	**-**	-	-	1	-	**1**	**3**	**(1)**	**-**	**-**	**-**	**3**
Net earnings (loss)	**48**	15	8	8	6	**37**	**7**	**3**	**5**	**(15)**	**-**	**85**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Net earnings (loss) applicable to common shares	**48**	15	8	8	6	**37**	**7**	**3**	**5**	**(19)**	**-**	**81**
Goodwill	**908**	227	221	-	63	**511**	**141**	**-**	**-**	**-**	**-**	**1,560**
Identifiable assets	**4,084**	1,892	1,141	1,188	631	**4,852**	**799**	**252**	**576**	**130**	**(93)**	**10,600**
Total assets	**4,992**	2,119	1,362	1,188	694	**5,363**	**940**	**252**	**576**	**130**	**(93)**	**12,160**
Gross capital expenditures [3]	**70**	92	36	22	13	**163**	**15**	**-**	**10**	**3**	**-**	**261**
Quarter ended December 31, 2008												
Revenue	**606**	78	66	139	65	**348**	**159**	**20**	**52**	**6**	**(10)**	**1,181**
Energy supply costs	**418**	-	23	94	44	**161**	**109**	**1**	**-**	**-**	**(4)**	**685**
Operating expenses	**71**	34	18	12	7	**71**	**20**	**3**	**36**	**8**	**(1)**	**208**
Amortization	**24**	22	9	12	5	**48**	**13**	**2**	**4**	**2**	**-**	**93**
Operating income	**93**	22	16	21	9	**68**	**17**	**14**	**12**	**(4)**	**(5)**	**195**
Finance charges	**33**	12	7	8	5	**32**	**5**	**2**	**6**	**20**	**(5)**	**93**
Corporate taxes (recoveries)	**13**	(1)	2	4	1	**6**	**1**	**3**	**2**	**(8)**	**-**	**17**
Non-controlling interest	**-**	-	-	1	-	**1**	**3**	**1**	**-**	**-**	**-**	**5**
Net earnings (loss)	**47**	11	7	8	3	**29**	**8**	**8**	**4**	**(16)**	**-**	**80**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Net earnings (loss) applicable to common shares	**47**	11	7	8	3	**29**	**8**	**8**	**4**	**(20)**	**-**	**76**
Goodwill	**903**	227	221	-	63	**511**	**161**	**-**	**-**	**-**	**-**	**1,575**
Identifiable assets	**3,721**	1,574	978	1,001	520	**4,073**	**867**	**285**	**559**	**126**	**(40)**	**9,591**
Total assets	**4,624**	1,801	1,199	1,001	583	**4,584**	**1,028**	**285**	**559**	**126**	**(40)**	**11,166**
Gross capital expenditures [3]	**68**	88	36	20	18	**162**	**45**	**6**	**3**	**5**	**-**	**289**

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

SEGMENTED INFORMATION (Unaudited) (cont'd)

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Annual December 31, 2009 *($ millions)*	**Terasen Gas Companies - Canadian**	Fortis Alberta	Fortis BC	NF Power	Other Canadian [1]	**Total Electric Canadian**	**Electric Caribbean [2]**	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**1,663**	331	253	527	279	**1,390**	**339**	**39**	**218**	**27**	**(39)**	**3,637**
Energy supply costs	**1,022**	-	72	346	183	**601**	**192**	**2**	**-**	**-**	**(18)**	**1,799**
Operating expenses	**268**	132	70	52	32	**286**	**54**	**11**	**146**	**14**	**(6)**	**773**
Amortization	**102**	94	37	46	19	**196**	**37**	**5**	**16**	**8**	**-**	**364**
Operating income	**271**	105	74	83	45	**307**	**56**	**21**	**56**	**5**	**(15)**	**701**
Finance charges	**121**	50	32	34	19	**135**	**16**	**2**	**22**	**79**	**(15)**	**360**
Corporate taxes (recoveries)	**33**	(5)	5	16	6	**22**	**2**	**3**	**10**	**(21)**	**-**	**49**
Non-controlling interest	**-**	-	-	1	-	**1**	**11**	**-**	**-**	**-**	**-**	**12**
Net earnings (loss)	**117**	60	37	32	20	**149**	**27**	**16**	**24**	**(53)**	**-**	**280**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**18**	**-**	**18**
Net earnings (loss) applicable to common shares	**117**	60	37	32	20	**149**	**27**	**16**	**24**	**(71)**	**-**	**262**
Goodwill	**908**	227	221	-	63	**511**	**141**	**-**	**-**	**-**	**-**	**1,560**
Identifiable assets	**4,084**	1,892	1,141	1,188	631	**4,852**	**799**	**252**	**576**	**130**	**(93)**	**10,600**
Total assets	**4,992**	2,119	1,362	1,188	694	**5,363**	**940**	**252**	**576**	**130**	**(93)**	**12,160**
Gross capital expenditures [3]	**246**	407	115	74	46	**642**	**92**	**14**	**26**	**4**	**-**	**1,024**
Annual December 31, 2008												
Revenue	**1,902**	300	237	517	262	**1,316**	**408**	**82**	**207**	**26**	**(38)**	**3,903**
Energy supply costs	**1,268**	-	68	337	177	**582**	**273**	**7**	**-**	**-**	**(18)**	**2,112**
Operating expenses	**253**	130	67	50	28	**275**	**55**	**14**	**135**	**16**	**(5)**	**743**
Amortization	**97**	85	34	45	18	**182**	**36**	**10**	**15**	**8**	**-**	**348**
Operating income	**284**	85	68	85	39	**277**	**44**	**51**	**57**	**2**	**(15)**	**700**
Finance charges	**129**	42	28	33	18	**121**	**16**	**8**	**24**	**80**	**(15)**	**363**
Corporate taxes (recoveries)	**37**	(3)	6	19	7	**29**	**2**	**10**	**10**	**(23)**	**-**	**65**
Non-controlling interest	**-**	-	-	1	-	**1**	**9**	**3**	**-**	**-**	**-**	**13**
Net earnings (loss)	**118**	46	34	32	14	**126**	**17**	**30**	**23**	**(55)**	**-**	**259**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**14**	**-**	**14**
Net earnings (loss) applicable to common shares	**118**	46	34	32	14	**126**	**17**	**30**	**23**	**(69)**	**-**	**245**
Goodwill	**903**	227	221	-	63	**511**	**161**	**-**	**-**	**-**	**-**	**1,575**
Identifiable assets	**3,721**	1,574	978	1,001	520	**4,073**	**867**	**285**	**559**	**126**	**(40)**	**9,591**
Total assets	**4,624**	1,801	1,199	1,001	583	**4,584**	**1,028**	**285**	**559**	**126**	**(40)**	**11,166**
Gross capital expenditures [3]	**220**	333	117	67	46	**563**	**110**	**19**	**14**	**9**	**-**	**935**

[1] Includes Maritime Electric and FortisOntario

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

[3] Relates to utility capital assets, including amounts for AESO transmission capital projects, and income producing properties and intangible assets

CORPORATE INFORMATION

Fortis Inc. is the largest investor-owned distribution utility in Canada. With more than $12 billion in assets and $3.6 billion in annual revenues, the Corporation serves approximately 2,100,000 gas and electricity customers. Its regulated holdings include electric distribution 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. It also owns hotels and commercial real estate across Canada. Fortis Inc. shares are listed on the Toronto Stock Exchange and trade under the symbol FTS.

Share Transfer Agent and Registrar:
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

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

For further information, please contact:

Barry V. Perry
Vice President Finance and Chief Financial Officer
Fortis Inc.
T: 709.737.2822