

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and thereby only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800) and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Secretary of the issuer at the above-mentioned address and telephone number and is also available electronically at www.sedar.com. The securities being offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and, except in limited circumstances, will not be offered or sold within the United States or for the account or benefit of United States persons. See "Plan of Distribution".

New Issue

January 10, 2007

SHORT FORM PROSPECTUS

FORTIS INC.


\$149,930,000

5,170,000 Common Shares

This short form prospectus (the "Prospectus") qualifies for distribution 5,170,000 common shares (the "Offered Shares") of Fortis Inc. ("Fortis" or the "Corporation") which are being offered and sold pursuant to the provisions of an underwriting agreement (the "Underwriting Agreement") dated January 4, 2007 among Fortis and Scotia Capital Inc. ("Scotia Capital"), CIBC World Markets Inc. ("CIBCWM"), BMO Nesbitt Burns Inc. ("BMO Nesbitt Burns"), RBC Dominion Securities Inc. ("RBCDS"), TD Securities Inc. ("TD Securities"), Canaccord Capital Corporation ("Canaccord"), HSBC Securities (Canada) Inc. ("HSBC Securities"), National Bank Financial Inc. ("NB Financial") and UBS Securities Canada Inc. ("UBS Securities" and, collectively with Scotia Capital, CIBCWM, BMO Nesbitt Burns, RBCDS, TD Securities, Canaccord, HSBC Securities and NB Financial, the "Underwriters"). The Offered Shares will be issued and sold by Fortis to the Underwriters at the price of \$29.00 (the "Offering Price") per Offered Share. The Offering Price was determined by negotiation between the Corporation and the Underwriters.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Offered Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before April 8, 2007. The Corporation's outstanding common shares (the "Common Shares") are listed and posted for trading on the TSX under the symbol "FTS". On January 9, 2007, the closing price of the Common Shares on the TSX was \$27.34.

Investing in the Offered Shares involves risks, certain of which are described under the heading "Business Risk Management" in the Management Discussion and Analysis of financial conditions and results of operations found on pages 62 to 67 of the Corporation's 2005 Annual Report and under the heading "Risk Factors" found on pages 44 to 48 of the Corporation's 2005 Annual Information Form. See "Documents Incorporated by Reference".

Price: \$29.00 per Common Share

	Price to the Public	Underwriters' Fee	Net proceeds to Fortis (1)
Per Common Share	\$29.00	\$1.16	\$27.84
Total	\$149,930,000	\$5,997,200	\$143,932,800

(1) Before deducting expenses of the offering estimated at \$550,000 which, together with the Underwriters' fees, will be paid out of the general funds of Fortis. See "Plan of Distribution".

Scotia Capital, CIBCWM, BMO Nesbitt Burns, RBCDS, TD Securities, HSBC Securities and NB Financial are each subsidiaries of Canadian chartered banks that have, either solely or as a member of a syndicate of financial institutions, extended credit facilities to the Corporation and/or its subsidiaries. The net proceeds from this offering will be used in part to repay indebtedness under credit facilities owing by the Corporation to certain of such banks. Accordingly, the Corporation may be considered a “connected issuer” of such Underwriters under applicable securities legislation. See “Use of Proceeds” and “Plan of Distribution”.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by Fortis and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of the Corporation by Davies Ward Phillips & Vineberg LLP, Toronto and McInnes Cooper, St. John’s and on behalf of the Underwriters by Stikeman Elliott LLP, Toronto. See ‘Plan of Distribution’.

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering (the “Closing”) will take place on or about January 18, 2007 (the “Closing Date”), or such other date as may be agreed upon by the Corporation and the Underwriters, but not later than February 21, 2007.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus (the “Prospectus”), and the documents incorporated herein by reference, contain forward-looking statements which reflect management’s expectations regarding the Corporation’s future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as “anticipate”, “believe”, “expects”, “intend” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to the Corporation’s management. Forward-looking statements involve significant risks, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements, including regulation, derivative instruments and hedging, energy prices, economic conditions, loss of service areas, environmental matters, insurance, labour relations, weather, liquidity risks and human resources. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in the Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Corporation cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the Prospectus, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

The disclosure documents of Fortis Inc. (“Fortis” or the “Corporation”) listed below and filed with the appropriate securities commissions or similar regulatory authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this Prospectus:

- (a) annual information form dated March 29, 2006 for the year ended December 31, 2005;
- (b) audited comparative consolidated financial statements for the years ended December 31, 2005 and 2004, together with notes thereto and the auditors’ report thereon dated January 27, 2006 as contained in the Corporation’s 2005 Annual Report;
- (c) Management Discussion and Analysis of financial condition and results of operations for the year ended December 31, 2005 as contained in the Corporation’s 2005 Annual Report;
- (d) unaudited interim consolidated financial statements as at September 30, 2006 and for the three and nine-month periods ended September 30, 2006 and 2005 and related management discussion and analysis of financial condition and results of operations for the three and nine-month periods ended September 30, 2006;

- (e) management information circular dated March 17, 2006 prepared in connection with the Corporation's annual meeting of shareholders held on May 2, 2006;
- (f) material change report dated September 15, 2006 describing the entering into of an agreement between the Corporation and a syndicate of underwriters led by BMO Nesbitt Burns Inc. for the public offering by the Corporation of 5,000,000 4.90% cumulative redeemable First Preference Shares, Series F; and
- (g) material change report dated January 5, 2007 describing the entering into of an agreement between the Corporation and Scotia Capital Inc. and CIBC World Markets Inc. for the public offering by the Corporation of 5,170,000 common shares.

Any document of the type referred to in the preceding paragraph (other than any confidential material change report) subsequently filed by the Corporation with such securities commissions or regulatory authorities after the date of the Prospectus, and prior to the termination of the offering, shall be deemed to be incorporated by reference into the Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800). These documents are also available through the Internet on the Corporation's website at www.fortisinc.com or on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. The information contained on, or accessible through, these websites is not incorporated by reference into the Prospectus and is not, and should not be considered to be, a part of the Prospectus, unless it is explicitly so incorporated.

ELIGIBILITY FOR INVESTMENT

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, the common shares of the Corporation being offered pursuant to the Prospectus (the "Offered Shares"), if issued on the date hereof, would be qualified investments under the Income Tax Act (Canada) for a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or registered education savings plan.

Unless otherwise indicated, dollar amounts in the Prospectus are expressed in Canadian dollars.

FORTIS

Fortis Inc. was incorporated as 81800 Canada Ltd. under the Canada Business Corporations Act on June 28, 1977. The Corporation was continued under the Corporations Act (Newfoundland) on August 28, 1987 and on October 12, 1987 the Corporation amended its articles to change its name to “Fortis Inc.” The address of the head office and principal place of business of the Corporation is The Fortis Building, Suite 1201, 139 Water Street, St. John’s, Newfoundland and Labrador A1B 3T2.

Fortis is principally a diversified, international electric utility holding company that owns subsidiaries engaged in the regulated distribution of electricity. Regulated utility assets comprise approximately 84% of the Corporation’s total assets, with the balance comprised primarily of non-regulated electricity generating assets, and commercial real estate and hotel investments owned and operated through its non-utility subsidiary. Fortis is the indirect owner of all of the common shares of FortisAlberta Inc. (“FortisAlberta”) and FortisBC Inc. (“FortisBC”). Fortis Alberta is a regulated electric utility that distributes electricity generated by other market participants in Alberta. FortisBC is a regulated electric utility that generates, transmits and distributes electricity in British Columbia. Fortis also holds all the common shares of Newfoundland Power Inc. (“Newfoundland Power”) and, through its wholly owned subsidiary Fortis Properties Corporation (“Fortis Properties”), holds all the common shares of Maritime Electric Company, Limited (“Maritime Electric”), which are the principal distributors of electricity in Newfoundland and Prince Edward Island, respectively. As well, through its wholly owned subsidiary FortisOntario Inc. (“FortisOntario”) and its subsidiaries, Canadian Niagara Power Inc. (“CNPI”) and Cornwall Street Railway, Light and Power Company, Limited (“Cornwall Electric”), Fortis distributes electricity to customers primarily in Fort Erie, Port Colborne, Gananoque and Cornwall, Ontario.

The Corporation’s regulated electric utility assets in the Caribbean consist of its ownership, through wholly owned subsidiaries, of a 70.1% interest in Belize Electricity Limited (“Belize Electricity”), the primary distributor of electricity in Belize, and an approximate 54% interest in Caribbean Utilities Company Limited (“Caribbean Utilities”), the sole provider of electricity to the island of Grand Cayman, Cayman Islands. On August 28, 2006, Fortis acquired, through a wholly owned subsidiary, all of the outstanding shares of P.P.C. Limited (“PPC”) and Atlantic Equipment & Power (Turks and Caicos) Ltd. (“Atlantic”), which together generate and distribute electricity to approximately 80% of electricity customers in the Turks and Caicos Islands.

The Corporation’s non-regulated electricity generation operations consist of its 100% interest in each of Belize Electric Company Limited (“BECOL”), FortisUS Energy Corporation (“FortisUS Energy”), and FortisOntario, as well as non-regulated electricity generation assets owned by FortisBC and Fortis Properties.

Fortis Properties is the direct owner of a 51% interest in the Exploits River Hydro Partnership (the “Exploits Partnership”). The Exploits Partnership was established with Abitibi-Consolidated Company of Canada (“Abitibi-Consolidated”), which holds the remaining 49% interest, to develop additional capacity at Abitibi-Consolidated’s hydroelectric plant at Grand Falls-Windsor and redevelop Abitibi-Consolidated’s hydroelectric plant at Bishop’s Falls, Newfoundland and Labrador. Fortis Properties’ holdings also include six small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 megawatts (“MW”).

BECOL owns and operates both the 25 MW Mollejon and 7 MW Chalillo hydroelectric facilities, located on the Macal River in Belize, Central America. Through FortisUS Energy, a wholly owned subsidiary of Fortis Properties, the Corporation owns and operates 4 hydroelectric generating stations in upper New York State with a total combined capacity of 23 MW. FortisOntario includes 75 MW of water right entitlement associated with the Rankine Generating Station at Niagara Falls and the operation of a 5 MW gas-fired cogeneration plant that provides district heating to 17 commercial customers in Cornwall. The Rankine Generating Station assets have been decommissioned and written down as a result of the implementation of a water and power exchange agreement (the “Niagara Exchange Agreement”) with Ontario Power Generation Inc. (“OPGI”). The Niagara Exchange Agreement assigns FortisOntario’s water rights on the Niagara River to OPGI and facilitates the irrevocable exchange of 75 MW of wholesale electric power supply to FortisOntario from OPGI until April 30, 2009 in exchange for FortisOntario’s agreement not to seek renewal of the water entitlement at that time. The non-regulated electricity generation operations of FortisBC conducted through Walden, its wholly owned partnership, include the 16 MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia.

Through its wholly owned subsidiary, Fortis Properties, the Corporation owns and operates hotels in seven provinces in Canada and commercial real estate in Atlantic Canada. Its holdings include 18 hotels with more than 3,200 rooms and approximately 2.7 million square feet of commercial real estate.

Regulated Utilities — Canadian

FortisAlberta

On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of FortisAlberta (formerly Aquila Networks Canada (Alberta) Ltd.). FortisAlberta owns and operates the electricity distribution system in a substantial portion of southern and central Alberta. FortisAlberta distributes electricity to approximately 426,000 customers using approximately 104,000 kilometres of power lines. FortisAlberta's business is the ownership and operation of regulated electricity distribution facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers. FortisAlberta is not involved in the generation, transmission or direct sale of electricity.

FortisBC

On May 31, 2004, Fortis, through an indirect wholly owned subsidiary, acquired all of the issued and outstanding shares of FortisBC (formerly Aquila Networks Canada (British Columbia Ltd.)). FortisBC is an integrated regulated electric utility that owns a network of generation, transmission and distribution assets located in the southern interior of British Columbia. FortisBC serves a diverse mix of over 150,000 customers, with residential customers representing the largest customer segment. FortisBC owns four regulated hydroelectric generating plants with an aggregate capacity of 235 MW that provide approximately 50% of the Corporation's energy and 30% of its capacity needs. FortisBC's remaining electricity supply is acquired through long-term power purchase contracts and short-term market purchases. FortisBC includes non-regulated operating, maintenance and management services relating to the 450 MW Waneta hydroelectric generation facility owned by Teck Cominco Metals Ltd., the 149 MW Brilliant Hydroelectric Plant and the 185 MW Arrow Lakes Hydroelectric Plant owned by Columbia Power Corporation and Columbia Basin Trust and the distribution system owned by the City of Kelowna.

FortisBC's assets include the electric utility formerly owned by Princeton Light and Power Company, Limited (the "PLP Utility"). The PLP Utility serves approximately 3,500 customers, mainly in Princeton, British Columbia. The PLP Utility was purchased by Fortis through an indirect subsidiary on May 31, 2005 and became part of FortisBC on January 1, 2007 as the result of an internal corporate reorganization.

Newfoundland Power

Fortis holds all of the common shares of Newfoundland Power. Newfoundland Power is an electric utility that operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. Newfoundland Power serves over 227,000 customers, or approximately 85% of electricity customers in the Province, in approximately 600 communities, and met a peak demand of 1,124 MW in 2005. Approximately 90% of the electricity that Newfoundland Power sells to its customers is purchased from Newfoundland and Labrador Hydro Corporation. Currently, Newfoundland Power has an installed generating capacity of 136 MW, of which 92 MW is hydroelectric generation.

Maritime Electric

Through its subsidiary, Fortis Properties, Fortis owns all of the common shares of Maritime Electric, which is the principal distributor of electricity on Prince Edward Island. Maritime Electric directly supplies approximately 71,000 customers, or approximately 90% of the electricity consumers on the Island, and met a peak demand of 209 MW in 2005. Maritime Electric purchases most of the energy it distributes to its customers from New Brunswick Power Corporation and maintains on-Island generating facilities at Charlottetown and Borden-Carleton with a combined total capacity of 150 MW.

FortisOntario

The Corporation's regulated utility investments in Ontario are comprised of CNPI, including the operations of Port Colborne Hydro, and Cornwall Electric, all of which are owned through FortisOntario. In total, its distribution operations serve approximately 51,500 customers in the Fort Erie, Port Colborne, Cornwall and Gananoque areas of Ontario and met a combined peak demand of 249 MW in 2005. CNPI owns international transmission facilities at

Fort Erie as well as a 10% interest in each of Westario Power Holdings Inc. and Rideau St. Lawrence Holdings Inc., two regional electric distribution companies formed in 2000 that, together, serve approximately 27,000 customers.

Regulated Utilities — Caribbean

Belize Electricity

Fortis, through wholly owned subsidiaries incorporated under the laws of the Cayman Islands, holds a 70.1% interest in Belize Electricity. Belize Electricity is the primary distributor of electricity in the Central American country of Belize. Belize Electricity directly supplies approximately 69,000 customers in Belize and meets a peak demand of 64 MW.

Caribbean Utilities

Fortis, through a wholly owned subsidiary, holds an approximate 54% interest in Caribbean Utilities, the only public electric utility on Grand Cayman, Cayman Islands. Caribbean Utilities has the exclusive right to generate, distribute, transmit and supply electricity to the island of Grand Cayman, Cayman Islands, pursuant to a 25-year exclusive licence. The current licence remains in effect until January 2011 or until replaced by a new licence by the mutual consent of Caribbean Utilities and the Government of the Cayman Islands. Negotiations regarding the renewal of the licence are ongoing. In June 2006, Caribbean Utilities surpassed its pre-Hurricane Ivan customer base and currently serves approximately 22,000 customers. By the end of July 2006, Caribbean Utilities' total owned generating capacity reached 120 MW compared to 123 MW pre-Hurricane Ivan. Hurricane Ivan was a Category V hurricane that struck Grand Cayman in September 2004. In October 2006, Caribbean Utilities achieved a new record peak load at approximately 87 MW, exceeding a pre-Hurricane Ivan peak load of 85 MW.

The Class A Ordinary Shares of Caribbean Utilities are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol CUP.U. The Corporation's investment in Caribbean Utilities resulted from a series of transactions from March 2000 through November 2006. Fortis acquired its indirect controlling interest in Caribbean Utilities on November 7, 2006 through the purchase by its wholly owned subsidiary of approximately 16% of the outstanding Class A Ordinary Shares of Caribbean Utilities from International Power Holdings Ltd. and four other vendors. See "Recent Developments". Following these transactions, Fortis beneficially owns 13,565,511 Class A Ordinary Shares, or approximately 54% of the outstanding Class A Ordinary Shares.

Turks and Caicos Utilities

The Corporation owns, through a wholly owned subsidiary, all of the outstanding shares of PPC and Atlantic. Together, PPC and Atlantic serve almost 7,500 customers, or approximately 80% of electricity customers in the Turks and Caicos Islands. PPC is the sole provider of electricity in Providenciales, North Caicos and Middle Caicos pursuant to a 50-year licence that expires in 2037. Atlantic is the sole provider of electricity in South Caicos pursuant to a 50-year licence that expires in 2036. The utilities have a combined diesel-fired generating capacity of approximately 35 MW and meet a peak demand of approximately 20 MW.

Each utility is regulated under a traditional rate of return on rate base approach, with a fixed rate of return of 17.5% on a defined asset base of approximately US\$50 million.

Non-Regulated — Fortis Generation

Ontario

Non-regulated generation assets in Ontario include the operations of FortisOntario and Fortis Properties. Fortis Properties' operations in Ontario consist of six small hydroelectric generating stations, which were originally acquired as Granite Power Distribution and Rideau Falls, with a combined capacity of approximately 8 MW. FortisOntario's assets include 75 MW of water entitlement associated with the Rankine Generating Station at Niagara Falls and the operation of a 5-MW gas-fired cogeneration plant that provides district heating to 17 commercial customers in Cornwall. The Rankine Generating Station assets have been decommissioned and written down as a result of the implementation of the Niagara Exchange Agreement. The Niagara Exchange Agreement assigns FortisOntario's water rights on the Niagara River to OPGI and facilitates the irrevocable exchange of 75 MW of wholesale electric power supply to FortisOntario from OPGI until April 30, 2009 in exchange for FortisOntario's agreement not to seek renewal of the water entitlement at that time.

Belize

Non-regulated generation operations in Belize are conducted through the Corporation's wholly owned indirect subsidiary, BECOL, under a franchise agreement with the Government of Belize. BECOL owns and operates the 25-MW Mollejon hydroelectric facility and the 7-MW Chalillo hydroelectric facility, which was inaugurated on November 15, 2005. Both facilities are located on the Macal River in Belize. These generating plants have the capability of delivering average annual energy production of approximately 160 gigawatt hours ("GWh"). BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement.

Central Newfoundland

Non-regulated generation operations in central Newfoundland are conducted through the Corporation's indirect 51% interest in the Exploits Partnership. The Exploits Partnership is a partnership with Abitibi-Consolidated that constructed, installed and operates additional capacity at Abitibi-Consolidated's hydroelectric plant at Grand Falls-Windsor and redeveloped the forestry company's hydroelectric plant at Bishop Falls, Newfoundland and Labrador. The 51% interest in the partnership is owned by Fortis Properties. The project undertaken by the Exploits Partnership was completed in November 2003. Abitibi-Consolidated continues to utilize the historical annual generation of approximately 450 GWh while the additional energy produced from the new facilities, approximately 140 GWh, is sold to Newfoundland Hydro under a 30-year take-or-pay power purchase agreement, which is exempt from regulation.

Upper New York State

Non-regulated generation operations in upper New York State are conducted through the Corporation's wholly owned indirect subsidiary FortisUS Energy, which became a direct subsidiary of Fortis Properties on January 1, 2005 by way of a transfer from its subsidiary, Maritime Electric. Generating operations in upper New York State include the operations of four hydroelectric generating stations with a combined generating capacity of 23 MW operating under licences from the United States Federal Energy Regulatory Commission.

British Columbia

Non-regulated generation operations in British Columbia were acquired as part of FortisBC in May 2004. Generating assets in British Columbia consist of the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. This plant sells its entire output to BC Hydro under a power purchase agreement.

Non-Regulated — Fortis Properties

Fortis has owned all of the issued and outstanding shares of Fortis Properties since its inception in 1989. In addition to its non-regulated generation operations, Fortis Properties owns and operates hotels in seven provinces in Canada and commercial real estate in Atlantic Canada. Its holdings include 18 hotels with more than 3,200 rooms and approximately 2.7 million square feet of commercial real estate. On October 31, 2006, Fortis Properties completed the purchase of four hotels located in Alberta and British Columbia from Lodge Motel (Kelowna) Ltd. for \$51.6 million. See "Recent Developments".

RECENT DEVELOPMENTS

Acquisition of Hotels in Western Canada

On October 31, 2006, Fortis Properties completed the purchase of four hotels located in Alberta and British Columbia from Lodge Motel (Kelowna) Ltd. for \$51.6 million. The purchased hotels were: the Holiday Inn Express and Suites and the Best Western, both in Medicine Hat, Alberta; the Ramada Hotel and Suites, in Lethbridge, Alberta; and the Holiday Inn Express, in Kelowna, British Columbia. Through the purchase, Fortis Properties' hospitality operations were expanded by 454 rooms.

Acquisition of Additional Shares of Caribbean Utilities

On November 7, 2006, Fortis acquired an aggregate of 4,113,116 or approximately 16% of the outstanding Class A Ordinary Shares of Caribbean Utilities from International Power Holdings Ltd. ("International Power") and four other vendors associated with International Power for US\$11.89 per share under a private agreement. Pursuant to this purchase, Fortis acquired control of Caribbean Utilities through its beneficial ownership of approximately 13,565,511 or 54% of the outstanding Class A Ordinary Shares. As a result of acquiring control of Caribbean Utilities, Fortis is now consolidating the financial results of Caribbean Utilities into the financial statements of Fortis.

Previously, Fortis had accounted for its investment in Caribbean Utilities on an equity basis, pursuant to which Fortis only recorded its pro rata share of earnings of Caribbean Utilities in the consolidated statements of earnings of Fortis.

Private Placement of Convertible Debentures

On November 7, 2006, Fortis issued, by way of private placement, US\$40 million aggregate principal amount of unsecured subordinated convertible debentures (the “Debentures”). The Debentures bear interest at an annual rate of 5.5% and mature on November 7, 2016. The Debentures may be redeemed by Fortis at par at any time on or after November 7, 2011 and are convertible into common shares of Fortis (“Common Shares”) at the option of the holder at any time prior to their maturity at US\$29.11 per share.

Regulatory Matters

During the fourth quarter of 2006 the allowed regulated returns on equity for FortisBC, FortisAlberta and Newfoundland Power were reset in accordance with an adjustment formula by their respective regulators. The allowed regulated returns on equity for FortisAlberta, FortisBC and Newfoundland Power were reduced from 8.93%, 9.20% and 9.24% to 8.51%, 8.77% and 8.60%, respectively.

On December 6, 2006, Newfoundland Power received approval of its 2007 amortization and cost deferral accounting application from the Newfoundland and Labrador Board of Commissioners of Public Utilities. The order provided for a one-time accounting accrual to offset increased taxes in 2007 and the deferral of increased depreciation and replacement energy expenses in 2007. Recovery of these amounts will be addressed in Newfoundland Power’s next general rate proceeding.

During the fourth quarter of 2006 the British Columbia Utilities Commission approved FortisBC’s 2007 and 2008 capital plans of \$128.6 million (net of customer contributions of \$7.2 million) and \$111.6 million (net of customer contributions of \$8.0 million), respectively, subject to additional approvals for certain projects. Earlier in 2006, a Negotiated Settlement Agreement, approved by the Alberta Energy and Utilities Board (“AEUB”), dealing with FortisAlberta’s 2006/2007 Distribution Revenue Requirement included a 2007 capital expenditure program of \$177 million (net of customer contributions of \$24 million). During the fourth quarter, FortisAlberta’s 2007 capital plan was increased to approximately \$240 million (net of customer contributions of \$33 million) primarily driven by customer growth. The increase in the 2007 capital expenditure program will be included as part of FortisAlberta’s 2008 rate application.

Issuance of Debentures by FortisAlberta

On January 3, 2007, FortisAlberta issued \$110 million aggregate principal amount of senior unsecured debentures bearing interest at a rate of 4.99% per annum due January 2047.

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The Common Shares are traded on the TSX under the symbol “FTS”. The following table sets forth the reported high and low trading prices and trading volumes of the Common Shares as reported by the TSX from November 2005.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
2005			
November	\$25.50	\$22.00	4,436,979
December	\$25.64	\$23.38	2,905,980
2006			
January	\$24.60	\$22.76	3,981,812
February	\$23.76	\$22.00	7,087,013
March	\$23.50	\$21.65	6,775,211
April	\$22.95	\$20.89	3,813,271
May	\$24.84	\$20.36	7,241,148
June	\$24.60	\$21.16	3,707,157
July	\$23.40	\$21.99	2,328,812
August	\$25.48	\$22.15	6,214,513
September	\$25.40	\$24.00	2,553,872
October	\$25.65	\$24.12	7,362,894
November	\$28.74	\$25.15	6,234,745
December	\$30.00	\$28.01	2,793,265
2007			
January (1 to 9)	\$30.00	\$27.08	1,822,203

On January 9, 2007 the closing price of the Common Shares was \$27.34

SHARE CAPITAL OF FORTIS

The authorized share capital of the Corporation consists of an unlimited number of Common Shares, an unlimited number of First Preference Shares issuable in series and an unlimited number of Second Preference Shares issuable in series, in each case without nominal or par value. As at December 31, 2006, 104,091,542 Common Shares, 5,000,000 First Preference Shares Series C, 7,993,500 First Preference Shares Series E and 5,000,000 First Preference Shares Series F were issued and outstanding.

DIVIDEND POLICY

Dividends on the Common Shares are declared at the discretion of the board of directors of Fortis. The Corporation paid cash dividends on its Common Shares of \$0.67 in 2006, \$0.588 in 2005 and \$0.54 in 2004. On September 28, 2005, the Corporation declared a stock dividend effecting a 4-for-1 stock split of the Corporation’s outstanding Common Shares. Each of the foregoing dividend payments is expressed on a post-stock split basis. On December 7, 2006, the Fortis board of directors declared a first quarter dividend of \$0.19 per Common Share, payable on March 1, 2007 to holders of record on February 2, 2007.

Regular quarterly dividends at the prescribed annual rate have been paid on all of the Series C First Preference Shares, Series E First Preference Shares and Series F First Preference Shares, respectively. On December 7, 2006, the Fortis board of directors also declared a first quarter dividend on each such series of First Preference Shares in accordance with the applicable prescribed annual rate, in each case payable on March 1, 2007 to holders of record on February 2, 2007.

DESCRIPTION OF COMMON SHARES

Dividends

Holders of Common Shares are entitled to dividends on a pro rata basis if, as and when declared by the board of directors of Fortis. Subject to the rights of the holders of the First Preference Shares and Second Preference Shares and any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the board of directors of Fortis may declare dividends on the Common Shares to the exclusion of any other class of shares of the Corporation.

Liquidation, Dissolution or Winding-Up

On the liquidation, dissolution or winding-up of Fortis, holders of Common Shares are entitled to participate rateably in any distribution of assets of Fortis, subject to the rights of holders of First Preference Shares and Second Preference Shares and any other class of shares of the Corporation entitled to receive the assets of the Corporation on such a distribution in priority to or rateably with the holders of the Common Shares.

Voting Rights

Holders of the Common Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of Fortis, other than separate meetings of holders of any other class or series of shares, and to one vote in respect of each Common Share held at such meetings.

CHANGES IN SHARE AND LOAN CAPITAL STRUCTURE

The following describes the changes in the share and loan capital structure of Fortis since September 30, 2006:

- During the period from September 30, 2006 up to and including December 31, 2006, Fortis issued an aggregate of 385,366 Common Shares pursuant to the Corporation's Consumer Share Purchase Plan, Dividend Reinvestment Plan, Employee Share Purchase Plan and upon the exercise of options granted pursuant to the 2002 Stock Option Plan and the Executive Stock Option Plan for an aggregate consideration of approximately \$6.1 million.
- On October 30, 2006, Fortis made a draw down of \$20.0 million under its credit facilities for the purpose of funding the acquisition by Fortis Properties of four hotels located in Alberta and British Columbia. See "Recent Developments".
- On November 7, 2006, Fortis made draw downs under its credit facilities of an aggregate amount of US\$48.6 million for the purpose of funding the acquisition of approximately 16% of the outstanding Class A Ordinary Shares of Caribbean Utilities. See "Recent Developments".
- On November 7, 2006, Fortis issued, by way of private placement, US\$40 million aggregate principal amount of Debentures. The Debentures bear interest at an annual rate of 5.5% and mature on November 7, 2016. The Debentures may be redeemed by Fortis at any time on or after November 7, 2011 and are convertible into Common Shares at the option of the holder at any time prior to their maturity at US\$29.11 per share. The Debentures are subordinated to all other indebtedness of Fortis, other than subordinated indebtedness ranking equally with the Debentures. On November 7, 2006, Fortis repaid US\$40 million owing under its credit facilities from the proceeds of the private placement.
- During the period from September 30, 2006 up to and including December 31, 2006, Fortis made net draw downs under its credit facilities in the amount of \$29.2 million to fund expenditures incurred in the ordinary course of its business and the operations of its subsidiaries. As of December 31, 2006, there was an aggregate of approximately \$84.1 million outstanding under the Corporation's credit facilities.
- As a result of the proposed issuance of Common Shares under this offering, shareholders' equity in the Corporation will increase by approximately \$145.6 million to a total of \$1.55 billion.

USE OF PROCEEDS

The estimated net proceeds from the sale of the Offered Shares will be approximately \$143,382,800, after deducting the Underwriters' fee and the estimated expenses of this offering. The net proceeds of this offering will be principally used to repay approximately \$84.4 million previously borrowed under the Corporation's credit facilities, which indebtedness was incurred to fund, in part, the August 28, 2006 acquisition of PPC and Atlantic and other recent acquisitions (see "Recent Developments — Acquisition of Hotels in Western Canada" and "Recent Developments — Acquisition of Additional Shares of Caribbean Utilities") and for general corporate purposes. The balance of the net proceeds of the offering will be used for general corporate purposes including equity injections into the Corporation's western Canadian regulated utilities in support of their extensive capital expenditure programs and the repayment of certain subsidiary indebtedness.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated January 4, 2007, (the "Underwriting Agreement") among Fortis and Scotia Capital Inc. ("Scotia Capital"), CIBC World Markets Inc. ("CIBCWM"), BMO Nesbitt Burns Inc. ("BMO Nesbitt Burns"), RBC Dominion Securities Inc. ("RBCDS"), TD Securities Inc. ("TD Securities"), Canaccord Capital Corporation ("Canaccord"), HSBC Securities (Canada) Inc. ("HSBC Securities"), National Bank Financial Inc. ("NB Financial") and UBS Securities Canada Inc. ("UBS Securities" and, collectively with Scotia Capital, CIBCWM, BMO Nesbitt Burns, RBCDS, TD Securities, Canaccord, HSBC Securities and NB Financial, the "Underwriters"), Fortis has agreed to issue and sell, and the Underwriters have agreed to purchase, as principals, on or about January 18, 2007 (the "Closing Date"), 5,170,000 Common Shares offered hereby at a price of \$29.00 per Common Share (the "Offering Price") subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Underwriting Agreement provides that the Underwriters will be paid a fee of \$1.16 per Common Share. The Offering Price and other terms of the offering for the Offered Shares were determined by negotiation between the Corporation and the Underwriters. The total price to the public will be \$29.00, the Underwriters' fee will be \$5,997,200 and the net proceeds to Fortis will be \$143,932,800.

Subscriptions for the Offered Shares will be received, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the closing (the "Closing") of the Offering will take place on the Closing Date or such other date as may be agreed upon by the Corporation and the Underwriters, but not later than February 21, 2007. Certificates evidencing the Offered Shares will be available for delivery at the Closing or shortly thereafter.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Offered Shares ends and all stabilization arrangements relating to the Offered Shares are terminated, bid for or purchase Offered Shares. The foregoing restrictions are subject to certain exceptions including (a) a bid for or purchase of Offered Shares if the bid or purchase is made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules of Market Regulation Services Inc., (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period, and (c) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. The Underwriters may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Offered Shares is for the purpose of maintaining a fair and orderly market in the Offered Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Offered Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell the Offered Shares within the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the 1933 Act), except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. In addition, until 40 days after the commencement of the offering of the Offered Shares pursuant to this Prospectus, an offer or sale of Offered Shares within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in reliance on Rule 144A.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion in certain circumstances including upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Offered Shares if any are purchased under the Underwriting Agreement. Under the terms of the Underwriting Agreement, the Underwriters may be entitled to indemnification by the Corporation against certain liabilities, including liabilities for misrepresentation in this Prospectus.

Scotia Capital, CIBCWM, BMO Nesbitt Burns, RBCDS, TD Securities, HSBC Securities and NB Financial are each subsidiaries of Canadian chartered banks that have, either solely or as a member of a syndicate of financial institutions, extended credit facilities to the Corporation and/or its subsidiaries. The net proceeds from this offering will be used in part to repay indebtedness under credit facilities owing by the Corporation to certain of such banks. Accordingly, the Corporation may be considered a “connected issuer” of such Underwriters under applicable securities legislation. Fortis is currently in compliance with the terms of its credit facilities with such banks. Since the execution of such credit facilities, no breach thereunder has been waived by such banks. The Underwriters will not receive any direct benefit from the offering other than the underwriting commission relating to this offering. The decision to distribute the Offered Shares hereunder and the determination of the terms of this offering were made through negotiation between the Corporation and the Underwriters. No bank had any involvement in such decision or determination. See “Use of Proceeds”.

The TSX has conditionally approved the listing of the Offered Shares. Listing will be subject to the Corporation fulfilling all of the requirements of the TSX on or before April 8, 2007.

RISK FACTORS

A prospective purchaser of Offered Shares should carefully consider the information contained under the heading “Business Risk Management” in the Management Discussion and Analysis of financial conditions and results of operations found on pages 62 to 67 of the Corporation’s 2005 Annual Report and under the heading “Risk Factors” found on pages 44 to 48 of the Corporation’s 2005 Annual Information Form, each of which is incorporated by reference in this Prospectus, as well as the other information contained in this Prospectus (including the documents incorporated by reference herein).

LEGAL MATTERS

Certain legal matters relating to this offering will be passed upon on behalf of the Corporation by Davies Ward Phillips & Vineberg LLP, Toronto, and McInnes Cooper, St. John’s and on behalf of the Underwriters by Stikeman Elliott LLP, Toronto. At the date hereof, partners and associates of each of Davies Ward Phillips & Vineberg LLP, McInnes Cooper and Stikeman Elliott LLP own beneficially, directly or indirectly, less than one per cent of any securities of the Corporation or any associate or affiliate of the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Ernst & Young LLP, The Fortis Building, 7th Floor, 139 Water Street, St. John’s, Newfoundland and Labrador A1C 1B2, are the auditors of the Corporation. The transfer agent and registrar for the Offered Shares is Computershare Trust Company of Canada in Toronto and Montréal.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Fortis Inc. (the "Corporation") dated January 10, 2007 relating to the issue and sale of 5,170,000 Common Shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference, in the above-mentioned prospectus, of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. Our report is dated January 27, 2006.

St. John's, Canada
January 10, 2007

(signed) ERNST & YOUNG LLP
Chartered Accountants

CERTIFICATE OF FORTIS INC.

Dated: January 10, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) H. STANLEY MARSHALL
President and
Chief Executive Officer

(Signed) BARRY V. PERRY
Vice-President, Finance and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) LINDA L. INKPEN
Director

(Signed) DAVID G. NORRIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: January 10, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, together with the documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

SCOTIA CAPITAL INC.

(Signed) JOHN MATOVICH

CIBC WORLD MARKETS INC.

(Signed) DAVID H. WILLIAMS

BMO NESBITT BURNS INC.

(Signed) JAMES A. TOWER

RBC DOMINION SECURITIES INC.

(Signed) DAVID DAL BELLO

TD SECURITIES INC.

(Signed) HAROLD HOLLOWAY

**CANACCORD CAPITAL
CORPORATION**

(Signed) RONALD A. RIMER

**HSBC SECURITIES (CANADA)
INC.**

(Signed) ROD A. McISAAC

**NATIONAL BANK
FINANCIAL INC.**

(Signed) MARTIN L. JURAVSKY

**UBS SECURITIES
CANADA INC.**

(Signed) MICHAEL J. KOUSAIE

FORTIS