



FOR IMMEDIATE RELEASE:

St. John's, NL (May 16, 2014):

FORTIS AND UNS ENERGY FILE SETTLEMENT AGREEMENT

Includes Customer Benefits Totalling US\$30 Million and US\$220 Million of New Equity

As previously reported on January 10, 2014, Fortis Inc. ("Fortis") (TSX:FTS) and UNS Energy Corporation ("UNS Energy") (NYSE:UNS) filed an application with the Arizona Corporation Commission ("ACC") requesting that the ACC approve a proposed merger ("Merger") in which UNS Energy would become an indirect wholly owned subsidiary of Fortis.

Completion of the Merger is subject to the following remaining processes: the approval of the ACC; the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; the review of the Merger by the Committee on Foreign Investment in the United States; and the satisfaction of other customary closing conditions.

On May 16, 2014, UNS Energy, Fortis, ACC Staff, the Residential Utility Consumer Office and other parties to the Merger proceedings entered into a settlement ("Settlement") in which the parties agree that the Merger is in the public interest, and recommend approval by the ACC, subject to certain conditions. Those conditions include, but are not limited to, the following:

- UNS Energy shall provide benefits totaling US\$30 million over five years to the retail customers of its utility subsidiaries Tucson Electric Power Company, UNS Electric, Inc. and UNS Gas, Inc. (collectively, the "Regulated Utilities"); US\$10 million in year one, and US\$5 million annually in years two through five. The amounts will be credited to customers' bills.
- UNS Energy and the Regulated Utilities will adopt certain ring-fencing and corporate governance provisions.
- Dividends paid from the Regulated Utilities to UNS Energy cannot exceed 60 percent of the Regulated Utilities' respective net income for a period of five years or until such time that their respective equity capitalization reaches 50 percent of total capital (excluding any goodwill recorded) as accounted for in accordance with U.S. Generally Accepted Accounting Principles. The dividend restrictions are contingent upon receiving necessary consents of the lenders in UNS Energy's credit facility.
- Fortis shall make an equity infusion totalling US\$220 million through UNS Energy into the Regulated Utilities following closing of the Merger. However, if the Merger closes after September 30, 2014, the equity infusion may be made into UNS Energy to retire debt.

The Settlement is subject to the review and approval of the ACC, which could approve, reject or require modifications to the Settlement as a condition of approval. ACC approval of the Merger must be obtained before the Merger can be completed.

All of the Merger conditions are described in the Settlement, which can be accessed through a link at <http://www.uns.com/acquisition/>. All documents filed with the ACC related to the Merger can be accessed on the ACC's website at <http://edocket.azcc.gov/>. The docket numbers are E-04230A-140011 and E-01933A-14-0011. Information contained on these websites is not part of any report filed with the SEC by UNS Energy or Tucson Electric Power.

As previously reported on April 18, 2014, the ACC administrative law judge ("ALJ") assigned to this matter issued a procedural order adopting the following schedule:

	Schedule
Testimony in support/opposition to settlement agreement	June 2, 2014
Settlement agreement responsive testimony	June 13, 2014
ALJ hearing commences	June 16, 2014

Fortis and UNS Energy expect the Merger to close by the end of 2014.

About UNS Energy

UNS Energy is a vertically integrated utility services holding company, headquartered in Tucson, Arizona, engaged through three subsidiaries in the regulated electric generation and energy delivery business, primarily in the State of Arizona, serving approximately 657,000 electricity and gas customers.

About Fortis

Fortis is the largest investor-owned distribution utility in Canada, with total assets of approximately \$18.6 billion and fiscal 2013 revenue exceeding \$4 billion. Its regulated utilities account for approximately 90% of total assets and serve approximately 2.5 million customers across Canada and in New York State and the Caribbean. Fortis owns non-regulated hydroelectric generation assets in Canada, Belize and Upstate New York. The Corporation's non-utility investment is comprised of hotels and commercial real estate in Canada.

For more information, visit www.fortisinc.com or www.sedar.com.

Fortis includes forward-looking information in this material 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 assumptions developed using information currently available to the Corporation's management. Although Fortis believes that the forward-looking statements are based on information and assumptions which are current, reasonable and complete, these statements are necessarily subject to a variety of risks and uncertainties. For additional information on risk factors that have the potential to affect the Corporation, 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 Corporation's annual and quarterly Management Discussion and Analysis. 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.

END

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