FOR IMMEDIATE RELEASE

St. John's, NL (May 1, 2008):

Fortis Earns Record First Quarter Earnings of $91 Million

Terasen Acquisition Drives 53 Per Cent Growth in First Quarter EPS

Fortis Inc. ("Fortis" or the "Corporation") (TSX:FTS) achieved record first quarter net earnings applicable to common shares of $91 million, or $0.58 per common share, up $49 million from earnings of $42 million, or $0.38 per common share, for the first quarter of 2007.

Growth in earnings was primarily attributable to the contribution from the Terasen Gas companies and also reflected improved performance at Caribbean Utilities. The growth was partially offset by higher corporate costs associated with the Terasen acquisition and lower earnings at Newfoundland Power associated with a shift in the quarterly distribution of annual purchased power expense. Newfoundland Power's annual earnings are not expected to be impacted by the shift in quarterly earnings distribution; however, earnings are expected to be lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods last year.

"The Terasen acquisition became accretive to earnings per common share of Fortis in the first quarter," says Stan Marshall, President and Chief Executive Officer, Fortis. "The integration is progressing well," he adds.

The Terasen Gas companies contributed $58 million to earnings in the first quarter. Due to the seasonality of the business, virtually all of the earnings of the Terasen Gas companies are generated in the first and fourth quarters. Fortis acquired Terasen for $3.7 billion on May 17, 2007.

Canadian Regulated Electric Utilities contributed earnings of $33 million for the first quarter compared to $39 million for the first quarter last year. The decrease reflected a shift in the quarterly distribution of annual purchased power expense at Newfoundland Power, which reduced earnings during the first quarter of 2008 by $6 million.

The 2008 allowed rates of return on common shareholders' equity for Terasen Gas Inc., FortisAlberta, FortisBC and Newfoundland Power have been set at 8.62 per cent, 8.75 per cent, 9.02 per cent and 8.95 per cent, respectively. In February 2008, FortisAlberta received regulatory approval of a Negotiated Settlement Agreement for its 2008 and 2009 electricity rates.

Caribbean Regulated Electric Utilities contributed $7 million to earnings in the first quarter compared to $4 million in the first quarter of 2007. Excluding a one-time loss of approximately $2 million, associated with the disposal of steam-turbine assets at Caribbean Utilities in the first quarter of 2007, earnings were $1 million higher than the first quarter last year. The higher earnings were driven by electricity sales growth, partially offset by the impact of unfavourable foreign exchange rates associated with the strengthening Canadian dollar compared to the same period last year.

In April 2008, the Government of the Cayman Islands granted a new exclusive 20-year transmission and distribution licence and a new non-exclusive 21.5-year generation licence to Caribbean Utilities. "With new licences and a new regulatory regime in place, Caribbean Utilities can focus on meeting its obligation to serve customers," adds Marshall.

In March 2008, the newly elected Government of Belize repealed regulations that had previously settled outstanding matters relating to the regulator's decision on customer rates, effective July 1, 2007. "The recovery of costs in rates is critical to ensuring the current and future energy needs of customers are met. Belize Electricity is working to resolve this issue," says Marshall.

Non-Regulated Fortis Generation contributed earnings of $6 million in the first quarter compared to $7 million in the same quarter last year. Results reflected decreased hydroelectric production due to lower rainfall in Belize.

Fortis Properties contributed earnings of $3 million in the first quarter compared to $2 million in the first quarter of 2007. Results reflected contributions from the Delta Regina in Saskatchewan acquired on August 1, 2007.

Corporate and other expenses were $16 million in the first quarter compared to $10 million in the same quarter last year. The increase in corporate and other expenses was primarily driven by Terasen acquisition-related finance charges.

"Our utilities have raised more than $400 million in the debt capital markets so far this year, providing long-term funding for capital programs that enhance reliability of gas and electricity service and meet customer growth," explains Marshall. The debt issues included $250 million 6.05% 30-year debentures by Terasen Gas (Vancouver Island) Inc., $100 million 5.85% 30-year debentures by FortisAlberta and $60 million 6.05% 30-year bonds by Maritime Electric.

Shareholders of Fortis received a dividend of 25 cents per common share in the first quarter of 2008, up from 21 cents in the fourth quarter of 2007. The increase extends the Corporation's record of annual common share dividend increases to 35 consecutive years, the longest record of any public corporation in Canada.

Utility capital expenditures, before customer contributions, were approximately $162 million in the first quarter of 2008 and are expected to be approximately $900 million for the year. Much of the Corporation's consolidated capital program is being driven by the Terasen Gas companies, FortisAlberta, FortisBC, and regulated and non-regulated electric utility operations in the Caribbean.

"The significant consolidated capital expenditure program, planned at more than $4 billion over the next five years, is expected to drive earnings growth going forward," says Marshall.

"With Terasen delivering as expected, Fortis is well positioned going forward," concludes Marshall.

Fortis Inc.
Interim Management Discussion and Analysis

For the three months ended March 31, 2008
Dated May 1, 2008

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

Fortis includes forward-looking information in the MD&A within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "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 the Corporation's management. The forward-looking information in the MD&A includes, but is not limited to, statements regarding: that cash required to complete capital spending and to finance acquisitions is expected to be derived from a combination of borrowings under credit facilities and the issuance of common shares, preference shares and long-term debt; the belief of the Corporation and its subsidiaries that they do not anticipate any difficulties in accessing required capital on reasonable market terms; the Corporation's consolidated forecasted gross utility capital expenditures for 2008 and in total over the next five years and the Corporation's belief that its capital program should drive growth in earnings. The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major events; the Corporation's ability to maintain its gas and electricity systems to ensure their continued performance; the competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the availability of natural gas supply; favourable economic conditions; the level of interest rates; the ability to hedge certain risks; access to capital; maintenance of adequate insurance coverage; the ability to obtain licences and permits; the level of energy prices; retention of existing service areas; favourable labour relations; and sufficient human resources to deliver service and execute the capital program. The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulation; integration of Terasen Inc. and management of expanded operations; operating and maintenance risks; natural gas prices and supply; economic conditions; weather and seasonality; interest rates; changes in tax legislation; derivative financial instruments and hedging; risks related to Terasen Gas (Vancouver Island) Inc.; capital resources; environment; insurance; licences and permits; energy prices and the cessation of the Niagara Exchange Agreement; loss of service area; First Nations Lands; counterparty risk; labour relations; human resources; and liquidity risk. For additional information with respect to the Corporation's risk factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and to the heading "Business Risk Management" in the MD&A for the three-months ended March 31, 2008 and for the year ended December 31, 2007.

All forward-looking information in the MD&A is qualified by 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 almost 2,000,000 gas and electricity customers. Its regulated holdings include a natural gas utility in British Columbia and electric utilities in five Canadian provinces and three Caribbean countries. 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 2007, the Corporation's electricity distribution systems met a combined peak electricity demand of approximately 5,700 megawatts ("MW") and its gas distribution systems met a peak day demand of 1,360 terajoules ("TJ"). For additional information on the Corporation's business segments, refer to Note 1 to the Corporation's interim unaudited consolidated financial statements for the three months ended March 31, 2008.

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

Fortis has adopted a strategy of profitable growth with earnings per common share as the primary measure of performance. Key financial highlights, including earnings by reportable segment, for the first quarter ended March 31, 2008 and March 31, 2007, are provided in the table below.

Financial Highlights (Unaudited) Quarter Ended March 31			
($ millions, except earnings per common share and common shares outstanding)	**2008**	2007	Variance
Revenue	**1,146**	483	663
Cash flow from operating activities	**188**	94	94
Net earnings applicable to common shares	**91**	42	49
Basic earnings per common share *($)*	**0.58**	0.38	0.20
Diluted earnings per common share *($)*	**0.55**	0.35	0.20
Weighted average number of common shares outstanding *(millions)*	**156.6**	109.4	47.2
	Segmented Net Earnings		
Regulated Gas Utilities - Canadian			
Terasen Gas Companies [(1)]	**58**	-	58
Regulated Electric Utilities - Canadian			
FortisAlberta	***11***	*12*	*(1)*
FortisBC [(2)]	***12***	*12*	-
Newfoundland Power	***6***	*11*	*(5)*
Other Canadian [(3)]	***4***	*4*	-
	33	39	*(6)*
Regulated Electric Utilities - Caribbean [(4)]	**7**	4	3
Non-Regulated - Fortis Generation [(5)]	**6**	7	(1)
Non-Regulated - Fortis Properties [(6)]	**3**	2	1
Corporate and Other [(7)]	**(16)**	(10)	(6)
Net Earnings Applicable to Common Shares	**91**	42	49

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

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

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

(4) Includes Belize Electricity, in which Fortis holds a 70.1 per cent controlling interest; Caribbean Utilities on Grand Cayman, Cayman Islands, in which Fortis holds an approximate 54 per cent controlling interest; and wholly owned Fortis Turks and Caicos. Caribbean Utilities has an April 30 fiscal year end; therefore, Caribbean Utilities' financial statements are consolidated in the financial statements of Fortis on a two-month lag basis.

(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 195 MW, mainly hydroelectric.

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

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

SEGMENTED RESULTS OF OPERATIONS

REGULATED GAS UTILITIES - CANADIAN

Terasen Gas Companies

Terasen Gas Companies Financial Highlights (Unaudited) Quarter Ended March 31	
	2008
Gas Volumes (TJ)	**78,184**
($ millions)	
Revenue	**635**
Energy Supply Costs	**437**
Operating Expenses	**61**
Amortization	**24**
Finance Charges	**33**
Corporate Taxes	**22**
Earnings	**58**

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

Gas volumes: Gas volumes at the Terasen Gas companies were 78,184 TJ during the first quarter of 2008, up 2.9 per cent from 75,949 TJ during the same quarter last year. The increase was driven by higher consumption due to cooler weather compared to the same quarter last year. During the first quarter of 2008, net customer additions at TGI and TGVI totalled 2,494 compared to 3,157 during the same quarter last year. Favourable economic conditions and housing activity in British Columbia continue to positively impact customer growth in the region.

Revenue: Revenue was $635 million for the first quarter of 2008. Factors favourably impacting revenue included increased consumption and higher customer rates effective January 1, 2008, reflecting an increase in the 2008 allowed rates of return on common shareholders' equity ("ROE") for TGI and TGVI to 8.62 per cent and 9.32 per cent, respectively, from 8.37 per cent and 9.07 per cent, respectively.

Earnings: The Terasen Gas companies contributed $58 million in earnings for the first quarter of 2008. Seasonality materially impacts the earnings of the Terasen Gas companies as a major portion of the gas distributed is used for space heating. Virtually all of the earnings of the Terasen Gas companies are generated in the first and fourth quarters. Performance was consistent with that expected to be achieved by the Terasen Gas companies during the first quarter.

As a result of the operation of British Columbia Utilities Commission ("BCUC")-approved regulatory deferral mechanisms, changes in consumption levels and the commodity cost of natural gas do not materially impact earnings of the Terasen Gas companies.

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

REGULATED ELECTRIC UTILITIES - CANADIAN

FortisAlberta

FortisAlberta Financial Highlights (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
Energy Deliveries (GWh)	**4,138**	3,945	193
($ millions)			
Revenue	**73**	64	9
Operating Expenses	**33**	29	4
Amortization	**20**	18	2
Finance Charges	**9**	9	-
Corporate Tax Recovery	**-**	(4)	4
Earnings	**11**	12	(1)

Energy Deliveries: Energy deliveries at FortisAlberta increased 193 gigawatt hours ("GWh"), or 4.9 per cent, quarter over quarter due to increased energy demand related to customer growth. The number of customers at FortisAlberta increased by approximately 3,200 to approximately 451,300 during the first quarter of 2008.

Revenue: Revenue was $9 million higher quarter over quarter reflecting customer growth; a 6.8 per cent increase in distribution rates billed to customers, effective January 1, 2008; the accrual of the impact, effective January 1, 2008 for collection in future customer rates, of the increase in the 2008 allowed ROE to 8.75 per cent from 8.51 per cent; and higher net transmission revenue associated with increased rates.

Earnings: FortisAlberta's earnings were $1 million lower quarter over quarter. The impact of customer growth and the distribution rate increase was more than offset by: (i) lower corporate tax recoveries driven by a decrease in deductions taken for tax purposes compared to accounting purposes; (ii) higher labour and employee-benefit costs associated with increased salaries and number of employees, combined with increased general operating expenses; and (iii) increased amortization costs associated with continued investment in capital assets and higher amortization rates provided for in the 2008/2009 Negotiated Settlement Agreement ("NSA").

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

FortisBC

FortisBC Financial Highlights (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
Electricity Sales (GWh)	**875**	879	(4)
($ millions)			
Revenue	**66**	64	2
Energy Supply Costs	**21**	20	1
Operating Expenses	**16**	16	-
Amortization	**9**	8	1
Finance Charges	**7**	6	1
Corporate Taxes	**1**	2	(1)
Earnings	**12**	12	-

Electricity Sales: Electricity sales at FortisBC decreased 4 GWh, or 0.5 per cent, quarter over quarter. Reduced industrial and wholesale customer loads, impacted by a general slowdown in the forestry sector, were partially offset by residential and general service customer growth, primarily in the Okanagan region.

Revenue: Revenue was $2 million higher quarter over quarter. The increase was driven by a 2.9 per cent increase in customer rates, effective January 1, 2008, which included, among other things, the impact of an increase in the 2008 allowed ROE to 9.02 per cent from 8.77 per cent.

Earnings: FortisBC's earnings of $12 million during the quarter were comparable to earnings for the same quarter last year. Factors increasing earnings included a customer rate increase and lower effective corporate taxes associated with increased deductions taken for tax purposes compared to accounting purposes and a reduction in the federal corporate income tax rate. Offsetting the above factors were increased energy supply costs, driven by higher average power purchase prices, and higher amortization costs and finance charges reflective of the Company's significant capital expenditure program.

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

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
Electricity Sales (GWh)	**1,716**	1,663	53
($ millions)			
Revenue	**164**	154	10
Energy Supply Costs	**122**	106	16
Operating Expenses	**14**	14	-
Amortization	**10**	10	-
Finance Charges	**8**	8	-
Corporate Taxes	**4**	5	(1)
Earnings	**6**	11	(5)

Electricity Sales: Electricity sales at Newfoundland Power increased 53 GWh, or 3.2 per cent, quarter over quarter, principally due to customer growth and increased average consumption.

Revenue: Revenue was $10 million higher quarter over quarter, driven by electricity sales growth and an average increase in customer rates of 2.8 per cent, effective January 1, 2008, which included, among other things, the impact of an increase in the 2008 allowed ROE to 8.95 per cent from 8.60 per cent.

Earnings: Newfoundland Power's earnings were $5 million lower quarter over quarter, reflecting a quarterly shift in the distribution of annual purchased power expense, which reduced earnings by approximately $6 million during the first quarter of 2008. Excluding this $6 million shift in earnings, earnings increased $1 million due to higher electricity sales and the increase in customer rates. Under the regulated rate structure, annual purchased power expense per kilowatt hour ("kWh") is higher in the winter months and lower in the summer months. During 2007, Newfoundland Power estimated and recognized monthly purchased power expense based on forecast annual average cost per kWh. Differences between the estimated monthly purchased power expense and that based on the actual cost per kWh were adjusted to a regulatory reserve. The Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") ordered that the regulatory reserve be discontinued, effective January 1, 2008. Monthly purchased power expense is now being recorded at actual cost per kWh. As a result of this change in 2008, earnings will be lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods in 2007. Annual earnings will not be impacted by the shift in quarterly earnings.

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

Other Canadian Electric Utilities

Other Canadian Electric Utilities (Unaudited) [1] Financial Highlights Quarter Ended March 31			
	2008	2007	Variance
Electricity Sales (GWh)	**599**	602	(3)
($ millions)			
Revenue	**70**	70	-
Energy Supply Costs	**49**	48	1
Operating Expenses	**7**	7	-
Amortization	**4**	4	-
Finance Charges	**4**	4	-
Corporate Taxes	**2**	3	(1)
Earnings	**4**	4	-

[1] Includes Maritime Electric and FortisOntario

Electricity Sales: Electricity sales at Other Canadian Electric Utilities decreased slightly by 3 GWh, or 0.5 per cent, quarter over quarter, driven by lower average consumption due to warmer-than-normal weather conditions experienced in Ontario and the impact of the loss of a major industrial customer and a temporary shutdown of operations of another industrial customer in Ontario.

Revenue and Earnings: Revenue and earnings were comparable quarter over quarter, reflecting stable operating conditions. Corporate taxes were slightly lower quarter over quarter reflecting lower federal corporate income tax rates.

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

REGULATED ELECTRIC UTILITIES - CARIBBEAN

Regulated Electric Utilities - Caribbean [1] Financial Highlights (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
Average US:CDN Exchange Rate [2]	**1.01**	1.17	(0.16)
Electricity Sales (GWh)	**258**	241	17
($ millions)			
Revenue	**75**	77	(2)
Energy Supply Costs	**40**	44	(4)
Operating Expenses	**11**	17 [3]	(6)
Amortization	**7**	7	-
Finance Charges	**5**	4	1
Corporate Taxes	**1**	-	1
Non-Controlling Interest	**4**	1	3
Earnings	**7**	4	3

[1] Includes Belize Electricity, Caribbean Utilities and Fortis Turks and Caicos.
[2] The reporting currency of Belize Electricity is the Belizean dollar which is pegged to the US dollar at BZ$2.00 = US$1.00. The reporting currency of Caribbean Utilities and Fortis Turks and Caicos is the US dollar.
[3] Operating expenses during the first quarter of 2007 included a $4.4 million (US$3.7 million) charge on the disposal of steam-turbine assets at Caribbean Utilities.

Electricity Sales: Regulated Electric Utilities - Caribbean electricity sales increased 17 GWh, or 7.1 per cent, quarter over quarter. The increase was primarily due to higher demand driven by customer growth. Electricity sales growth experienced in the first quarter is expected to continue throughout 2008.

Revenue: Revenue decreased $2 million quarter over quarter. Excluding the $12 million unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue, due to the strengthening of the Canadian dollar against the US dollar, revenue increased $10 million quarter over quarter.

Excluding foreign exchange impacts, factors increasing revenue were strong electricity sales growth and the full flow through of fuel and oil costs to customers at Caribbean Utilities under the terms of the Company's new transmission and distribution ("T&D") licence. Partially offsetting the above factors was a 3.25 per cent reduction in basic customer rates and the elimination of the hurricane cost recovery surcharge ("CRS") at Caribbean Utilities, effective January 1, 2008, under the terms of the Company's new T&D licence.

Earnings: Earnings' contribution from Regulated Electric Utilities - Caribbean was $3 million higher quarter over quarter; however, earnings during the first quarter last year were reduced by approximately $2 million as a result of a charge on the disposal of steam-turbine assets at Caribbean Utilities. Excluding this item, earnings' contribution increased $1 million quarter over quarter.

Higher earnings were due to revenue growth (excluding the impact of foreign exchange) and the favourable impact on energy supply costs (excluding the impact of foreign exchange) associated with the movement in deferred fuel costs at Caribbean Utilities, due to a change in the basis for calculating such costs under the Company's new T&D licence.

The above factors were partially offset by: (i) increased finance charges (excluding the impact of foreign exchange) associated with increased borrowings in support of capital spending, and the high cost of power and fuel at Belize Electricity; (ii) increased amortization costs (excluding the impact of foreign exchange) associated with continued investment in capital assets; and (iii) the $1 million unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated earnings, due to the strengthening of the Canadian dollar against the US dollar.

In April 2008, Caribbean Utilities and the Government of the Cayman Islands entered into a new exclusive 20-year T&D licence and a new non-exclusive 21.5-year generation licence. Under the new T&D licence, customer rates will be set using an initial targeted rate of return on rate base assets ("ROA") of 10 per cent, down from 15 per cent as allowed under the previous licence.

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

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

NON-REGULATED - FORTIS GENERATION

Non-Regulated - Fortis Generation [1] Financial Highlights (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
Energy Sales (GWh)	**288**	291	(3)
($ millions)			
Revenue	**19**	21	(2)
Energy Supply Costs	**2**	2	-
Operating Expenses	**4**	4	-
Amortization	**2**	3	(1)
Finance Charges	**2**	3	(1)
Corporate Taxes	**3**	2	1
Earnings	**6**	7	(1)

[1] Includes the operations of non-regulated generating assets in Belize, Ontario, central Newfoundland, British Columbia and Upper New York State.

Energy Sales: Energy sales from Non-Regulated - Fortis Generation decreased 3 GWh, or 1.0 per cent, quarter over quarter, reflecting lower production in Belize due to decreased rainfall.

Revenue: Revenue was $2 million lower quarter over quarter. Factors decreasing revenue were: (i) lower production; (ii) reduced average wholesale energy prices per megawatt hour ("MWh") in Ontario of $49.93 during the first quarter of 2008 compared to $52.61 for the same quarter last year; and (iii) the approximate $1 million unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated revenue, due to the strengthening of the Canadian dollar against the US dollar compared to the same quarter last year. Partially offsetting the above factors were higher average wholesale energy prices per MWh in Upper New York State of US$72.91 for the first quarter of 2008 compared to US$56.87 for the same quarter last year.

Earnings: Earnings from Non-Regulated - Fortis Generation were $1 million lower quarter over quarter, driven by decreased production and the approximate $0.5 million unfavourable impact of foreign exchange associated with the translation of foreign currency-denominated earnings.

NON-REGULATED - FORTIS PROPERTIES

Non-Regulated - Fortis Properties Financial Highlights (Unaudited) Quarter Ended March 31			
($ millions)	**2008**	2007	Variance
Real Estate Revenue	**16**	14	2
Hospitality Revenue	**29**	26	3
Total Revenue	**45**	40	5
Operating Expenses	**31**	28	3
Amortization	**4**	3	1
Finance Charges	**6**	6	-
Corporate Taxes	**1**	1	-
Earnings	**3**	2	1

Revenue: Fortis Properties' Real Estate revenue was $2 million higher quarter over quarter. Revenue grew throughout the real estate portfolio and was significantly impacted by the real estate operations acquired on August 1, 2007 as part of the Delta Regina acquisition. The occupancy rate of the Real Estate Division was 96.6 per cent as at March 31, 2008, up from 94.9 per cent as at March 31, 2007.

Hospitality Revenue was $3 million higher quarter over quarter, reflecting revenue contribution from the Delta Regina.

On August 1, 2007, Fortis Properties purchased the Delta Regina in Saskatchewan for approximately $50 million, including acquisition costs. Delta Regina is comprised of 274 hotel rooms, the Saskatchewan Trade and Convention Centre, 52,000 square feet of Class A commercial office space and a parking garage.

Revenue per available room for the first quarter of 2008 was $67.82 compared to $65.46 for the same quarter last year, due primarily to higher average room rates at the Delta Regina.

Earnings: Fortis Properties' earnings were $1 million higher quarter over quarter, primarily due to the impact of the Delta Regina acquisition.

CORPORATE AND OTHER

Corporate and Other [1]
Financial Highlights (Unaudited)
Quarter Ended March 31

($ millions)	**2008**	2007	Variance
Total Revenue	**7**	3	4
Operating Expenses	**3**	2	1
Amortization	**3**	1	2
Finance Charges [2]	**21**	11	10
Corporate Tax Recovery	**(5)**	(2)	(3)
Preference share dividends	**1**	1	-
Net Corporate and Other Expenses	**(16)**	(10)	(6)

[1] Includes non-regulated Terasen corporate-related activities and financial results of CWLP from May 17, 2007, the date of acquisition
[2] Includes dividends on preference shares classified as long-term liabilities

The Corporate and Other segment captures expense and revenue items not specifically related to any other reportable segment. Included in this segment are finance charges including interest on debt incurred directly by Fortis and Terasen Inc. and dividends on preference shares classified as long-term liabilities; dividends on preference shares classified as equity; other corporate expenses, including Fortis and Terasen corporate operating costs, net of recoveries from subsidiaries; interest and miscellaneous revenues; and corporate income taxes. Also included in the Corporate and Other segment are the financial results of CWLP. CWLP is a non-regulated shared-service business in which Terasen holds a 30 per cent interest. CWLP operates in partnership with Enbridge Inc. and provides customer service, meter reading, billing, credit, support and collection services to the Terasen Gas companies and several smaller third parties. CWLP's financial results are recorded using the proportionate consolidation method of accounting.

Revenue: Revenue was $4 million higher quarter over quarter, primarily due to the inclusion of revenue from CWLP of $2.5 million for the first quarter of 2008 and higher inter-company interest revenue due to increased inter-corporate lending.

Net Corporate and Other expenses: Net corporate and other expenses were $6 million higher quarter over quarter, reflecting approximately $9.5 million ($6.5 million after-tax) of Terasen acquisition-related finance charges, approximately $1.5 million ($1.0 million after-tax) of Terasen corporate and CWLP amortization costs and operating expenses, and higher Fortis corporate operating expenses, partially offset by increased revenue for the reasons described above.

REGULATORY HIGHLIGHTS

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

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

Material Regulatory Decisions and Applications	
Regulated Utility	**Summary Description**
TGI TGVI	• In December 2007, the BCUC approved various rates at TGI, including those for mid-stream and delivery for residential customers in several service areas, effective January 1, 2008. Increased mid-stream costs are flowed through to customers without mark-up. The approved rates also reflect the impact of an increase in the allowed ROE for 2008 to 8.62 per cent. • Effective April 1, 2008, the BCUC approved an increase in the commodity rates charged to customers for natural gas and propane. The commodity cost of natural gas and propane are flowed through to customers without markup. Every three months TGI and TGVI review natural gas and propane commodity prices with the BCUC in order to ensure the flow through rates charged to customers are sufficient to cover the cost of purchasing gas and propane. • On April 1, 2008, final regulatory approval for the construction of the 1.5 billion-cubic foot liquefied natural gas ("LNG") facility on Vancouver Island was received for a total estimated cost of approximately $200 million.
FortisBC	• In December 2007, regulatory approval was received of the NSA associated with 2008 revenue requirements resulting in a customer rate increase of 2.9 per cent, effective January 1, 2008. The rate increase is primarily the result of the Company's capital investment program. Rates for 2008 reflect an allowed ROE of 9.02 per cent. • In April 2008, the BCUC approved an interim increase of 0.8 per cent to FortisBC's customer rates, effective May 1, 2008, as a result of BC Hydro's recent interim rate increase, which has increased FortisBC's cost to purchase power from BC Hydro by 5.06 per cent. • FortisBC intends on filing a 2009 and 2010 Capital Plan and a 2009 Revenue Requirements Application with the BCUC in the second half of 2008.
FortisAlberta	• Effective January 1, 2008, FortisAlberta is regulated by the AUC due to the separation of the Alberta Energy and Utilities Board into two separate regulatory bodies. • In February 2008, regulatory approval was received of the NSA associated with 2008/2009 revenue requirements resulting in distribution rate increases of 6.8 per cent, effective January 1, 2008, and 7.3 per cent, effective January 1, 2009. The approved NSA includes forecast gross capital expenditures of approximately $264 million for 2008 and $296 million for 2009, primarily to meet customer growth and improve system reliability. The 2008 revenue requirements included in the 2008/2009 NSA were determined using the 2007 ROE of 8.51 per cent. The impact of the increase in the ROE to 8.75 per cent for 2008 is subject to deferral-account treatment and, as such, is being recognized as earned in 2008 and is expected to be collected in future customer rates. • In February 2008, the AUC initiated a Generic Cost of Capital Preliminary Questions Proceeding to address whether the cost of capital adjustment formula continues to yield a fair ROE and whether capital structures for all applicable utilities in Alberta should be addressed on a generic basis. FortisAlberta has submitted a response to these questions and anticipates that a more formal regulatory review process will follow.
Newfoundland Power	• In December 2007, the PUB approved the Company's NSA associated with the 2008 general rate application resulting in an average 2.8 per cent increase in customer rates, effective January 1, 2008. The rate increase is largely driven by higher amortization costs. The rate increase also reflects the impact of an increase in the allowed ROE to 8.95 per cent for 2008. • The PUB-approved NSA will also result in, among other things: (i) the amortization of $7.2 million in 2008 and $4.6 million in each of 2009 and 2010 of the remaining $16.4 million balance of the original December 2005 unbilled revenue liability; (ii) amortization of approximately $3.9 million in each of 2008, 2009 and 2010 of previously deferred amortization expense; (iii) amortization over a period of three to five years of certain deferred regulatory balances; (iv) for 2008 through 2010, the deferral of variations in purchase power expense caused by differences in the actual unit cost of energy and the unit cost reflected in customer rates to be recovered from, or refunded to, customers through operation of the Company's rate stabilization account.
Maritime Electric	• In January 2008, IRAC approved, as filed, an increase in basic electricity rates of 1.8 per cent, effective April 1, 2008, and approved a maximum allowed ROE of 10.0 per cent for 2008.
FortisOntario	• In March 2008, the OEB issued its decision relating to the 2008 Incentive Rate Mechanism ("IRM"). The result is an average 1.1 per cent increase in electricity distribution rates for operations in each of Fort Erie, Port Colborne and Gananoque, effective May 1, 2008. The increase is comprised of a 2.1 per cent increase for inflation, partially offset by a 1 per cent decrease for a productivity adjustment. Under the 2008 IRM, Canadian Niagara Power's capital structure will be deemed at 53.3 per cent debt and 46.7 per cent equity, as part of the OEB's plan to move to a 60 per cent debt and 40 per cent equity capital structure over a three-year period. • Effective May 1, 2008, as ordered by the OEB, retail transmission rates charged to Canadian Niagara Power customers will decrease to reflect a reduction of the provincial transmission tariff and removal of the recovery of certain regulatory assets. • Canadian Niagara Power expects to file a full cost-of-service rate application before the end of the third quarter of 2008, for rates effective May 1, 2009, which will result in the rebasing of distribution rates based on a future test year.
Belize Electricity	• In 2007, Belize Electricity objected to and appealed the PUC's June 2007 Final Decision on tariffs for the period July 1, 2007 to June 30, 2008, associated with adjustments for cost of power, commercial loss targets and penalties associated with reliability targets. • In December 2007, amendments to the *Electricity (Tariffs, Charges and Quality of Services Standards) Bylaws* ("Bylaws") were enacted affecting the tariff-setting process at Belize Electricity. The result was a simplified tariff-setting methodology allowing for improved rate stabilization. The amendments settled outstanding matters related to the PUC's June 2007 Final Decision on tariffs.

Material Regulatory Decisions and Applications (cont'd)	
Regulated Utility	**Summary Description (cont'd)**
Belize Electricity (cont'd)	• In March 2008, the newly elected Government of Belize repealed the December 2007 amendments to the Bylaws and has expressed its intent to further simplify the tariff-setting methodology. Belize Electricity continues to report its financial results pertaining to regulatory matters in accordance with the December 2007 amended Bylaws. Belize Electricity is working to resolve this matter. In March 2008, Belize Electricity filed an application requesting an increase in the cost of power component of the average electricity rate by 15 per cent, or BZ6.5 cents per kWh, as a result of the rapid increase in the cost of power due to increasing world oil prices. The application was disallowed by the PUC who cited that, in the interim, a decrease in the Company's operating expenses and capital expenditures levels would help offset the impact on cash flow of the increasing cost of power. Additionally, the PUC indicated it would defer its detailed analysis of the high deferrals of cost of power into Belize Electricity's rate stabilization account until the next Annual Tariff Review Proceeding for the annual tariff period for July 1, 2008 to June 30, 2009. • In April 2008, Belize Electricity filed its Annual Tariff Review Application for the annual tariff period from July 1, 2008 to June 30, 2009 requesting a 13.4 per cent increase in the average electricity rate, as a result of an increase in the cost of power component of the rate and an increase in the recovery of the rate stabilization account. A final decision on this application from the PUC is expected during the second quarter of 2008.
Caribbean Utilities	• In December 2007, an Agreement in Principle ("AIP") was reached with the Government of the Cayman Islands on the terms of a new exclusive T&D licence and a new non-exclusive generation licence. • In April 2008, the new licences were granted. The T&D licence is for an initial period of 20 years with a provision for automatic renewal. The generation licence is for a period of 21.5 years. The terms of the new licences remain substantially the same as the terms outlined in the AIP. • Effective January 1, 2008, as a result of the AIP and subsequent granting of the new licences, basic customer rates were reduced by 3.25 per cent, the CRS was removed and a fuel-duty rebate funded by the Government of the Cayman Islands was implemented for residential customers consuming less than 1,500 kWh monthly, resulting in average monthly savings to residential customers of approximately 15 per cent. The 3.25 per cent reduction in basic rates will reduce annual revenue by approximately US$2.1 million. Additionally, Caribbean Utilities has forgone US$2.6 million of revenue in 2008 as a result of the early elimination of the CRS. • Following the initial basic rate reduction, customer rates will be frozen until May 31, 2009 and will be subject to annual review and adjustment each June thereafter. Under the new T&D licence, a RCAM will be used to adjust basic rates in accordance with a formula that is based on published consumer price indices. The RCAM is designed to maintain Caribbean Utilities ROA in a targeted range of 9 per cent to 11 per cent, down from an allowed ROA of 15 per cent that was permitted under the previous licence. The recently amended *Electricity Regularity Authority Law* (2005 Revision), provides for the conduct of a competitive bid process to be managed by the ERA for new generating capacity and the replacement of retired generating capacity. The first competitive process under the new generation licence is expected to begin in 2008 with a filing of a Certificate of Need by Caribbean Utilities for 2011 and 2012.
Fortis Turks and Caicos	• In March 2008, Fortis Turks and Caicos submitted its 2007 annual regulatory filing outlining the Company's performance in 2007 and its capital expansion plans for 2008. Fortis Turks and Caicos' achieved ROA in 2007 was less than that permitted under its licences; however, the Company will not seek any basic rate increases in 2008.

CONSOLIDATED FINANCIAL POSITION

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

Fortis Inc. Significant Changes in the Consolidated Balance Sheets (Unaudited) between March 31, 2008 and December 31, 2007		
($ millions)	**Other Increase/ (Decrease)**	**Explanation**
Accounts receivable	157	The increase was primarily due to a seasonal increase in sales driven by the Terasen Gas companies and Newfoundland Power. In addition, the increase was due to an increase in the fair market value of the gas commodity swap and option contracts, which were in the money at March 31, 2008, and recorded in accounts receivable, versus out of the money at December 31, 2007 and recorded in accounts payable.
Regulatory assets – current and long-term	(52)	The decrease was driven by the regulatory deferral associated with the change in the fair market value of the gas commodity swap and option contracts.
Inventories of gas, materials and supplies	(116)	The decrease was driven by a normal seasonal reduction of gas in storage.
Utility capital assets	94	The increase primarily related to $162 million invested in electricity and gas systems, partially offset by amortization for the three months ended March 31, 2008.
Short-term borrowings	(33)	The decrease was primarily due to seasonality of operations, including the impact of decreased purchases of gas inventories.
Accounts payable and accrued charges	(96)	The decrease primarily related to the change in the fair market value of the gas commodity swap and option contracts, and the timing of FortisAlberta's payments to the Alberta Electric System Operator ("AESO") for transmission costs.
Regulatory liabilities – current and long-term	90	The increase was driven by the regulatory deferral associated with the change in the fair market value of the gas commodity swap and option contracts.
Long-term debt and capital lease obligations (including current portion)	46	The increase was primarily due to a net $54 million increase in committed credit-facility borrowings driven by net borrowings by FortisAlberta and Newfoundland Power, partially offset by net repayments by the Corporation. Also, TGVI issued $250 million in 30-year debentures in February 2008 the net proceeds of which were substantially used to repay amounts previously borrowed under its long-term committed credit facility.
Shareholders' equity	71	The increase was due to net earnings reported for the three months ended March 31, 2008, less common share dividends.

LIQUIDITY AND CAPITAL RESOURCES

The following table outlines the summary of cash flows.

Fortis Inc. Summary of Cash Flows (Unaudited) Quarter Ended March 31			
($ millions)	**2008**	2007	Variance
Cash, beginning of period	**58**	41	17
Cash provided by (used in)			
Operating activities	**188**	94	94
Investing activities	**(143)**	(118)	(25)
Financing activities	**(36)**	26	(62)
Foreign currency impact on cash balances	**-**	-	-
Cash, end of period	**67**	43	24

Operating Activities: Cash flow from operating activities, after working capital adjustments, was $94 million higher quarter over quarter. The change was driven primarily by the Terasen Gas companies and FortisAlberta. The Terasen Gas companies were acquired in May 2007 and, therefore, did not contribute to cash flow of the Corporation during the first quarter of 2007. The increase in cash from operating activities related to the Terasen Gas companies was partially offset by the impact of the timing of the payment of AESO transmission cost accruals at FortisAlberta.

Investing Activities: Cash used in investing activities was $25 million higher quarter over quarter, driven by increased utility capital expenditures and lower contributions in aid of construction, partially offset by approximately $14 million in proceeds received in January 2008 associated with the December 2007 sale of surplus land by TGI.

Gross utility capital expenditures were $162 million for the first quarter of 2008, $28 million higher than for the same quarter last year. The increase was primarily due to capital expenditures incurred at the Terasen Gas companies.

Contributions received in aid of construction were $9 million lower quarter over quarter, driven by reduced contributions received at FortisAlberta.

Financing Activities: Cash used in financing activities was $36 million during the quarter compared to cash provided by financing activities of $26 million during the same quarter last year.

Net repayments of short-term borrowings were $33 million during the quarter, $11 million lower than net repayments of $44 million during the same quarter last year.

Proceeds from long-term debt, net of issue costs and net (repayments) borrowings under committed credit facilities for the first quarter of 2008 compared to the same quarter last year are summarized as follows:

Proceeds from Long-Term Debt, Net of Issue Costs (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
($ millions)			
Terasen Gas Companies	**248** [(1)]	-	248
FortisAlberta	**-**	110 [(2)]	(110)
Other	**2**	-	2
Total	**250**	110	140

[(1)] Issued February 2008, $250 million 6.05% Medium-Term Note Debentures by TGVI, due February 2038
[(2)] Issued January 2007, $110 million 4.99% Senior Unsecured Debentures, due January 2047

Net (Repayments) Borrowings Under Committed Credit Facilities (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
($ millions)			
Terasen Gas Companies	**(265)**	-	(265)
FortisAlberta	**72**	(96)	168
FortisBC	**-**	(9)	9
Newfoundland Power	**20**	17	3
Corporate	**(38)**	(30)	(8)
Total	**(211)**	(118)	(93)

Borrowings under committed credit facilities by FortisAlberta and Newfoundland Power were primarily in support of their respective capital expenditure programs. During the first quarter of 2008, TGVI made a repayment under its committed credit facility with net proceeds from the issuance of $250 million of debentures in February 2008. During the first quarter of 2007, FortisAlberta made net repayments under committed credit facilities with a substantial portion of net proceeds from the issuance of $110 million of debentures, while the Corporation made net repayments under its committed credit facility with partial proceeds from the public issuance of 5.17 million Common Shares in January 2007.

Repayments of long-term debt and capital lease obligations for the first quarter of 2008 compared to the same quarter last year are summarized as follows:

Repayments of Long-Term Debt and Capital Lease Obligations (Unaudited) Quarter Ended March 31			
	2008	2007	Variance
($ millions)			
Fortis Properties	**(3)**	(11)	8
Other	**(2)**	(6)	4
Total	**(5)**	(17)	12

In January 2007, 5.17 million Common Shares were publicly issued for gross proceeds of approximately $150 million ($143 million net of costs). Partial net proceeds from the Common Share issue in January 2007 were used to repay indebtedness incurred under the Corporation's committed credit facilities. The remainder of the net proceeds was utilized to fund equity requirements of the Corporation's regulated electric utilities in western Canada, in support of their respective capital expenditure programs, and for general corporate purposes.

Common Share dividends were $39 million during the first quarter of 2008, up $15 million from the same quarter last year. The increase was primarily due to an increase in the number of Common Shares outstanding, as a result of the issuance of Common Shares pursuant to the Terasen acquisition in May 2007, and a higher dividend per Common Share compared to the same quarter in 2007.

Contractual obligations: Consolidated contractual obligations of Fortis over the next five years and for periods thereafter, as at March 31, 2008, are outlined in the following table. The nature and amount of the consolidated contractual obligations is consistent with that disclosed in the MD&A for the year ended December 31, 2007, except for that described below for Maritime Electric and Caribbean Utilities.

Fortis Inc.
Contractual Obligations (Unaudited)
as at March 31, 2008

($ millions)	**Total**	≤ 1 year	>1-3years	4-5 years	> 5 years
Long-term debt	**5,104**	491	352	373	3,888
Brilliant Terminal Station	**66**	3	5	5	53
Gas purchase contract obligations (based on index prices as at March 31, 2008)	**567**	550	17	-	-
Power purchase obligations					
FortisBC	**2,845**	38	75	75	2,657
FortisOntario	**281**	21	43	46	171
Maritime Electric [(1)]	**125**	72	34	2	17
Belize Electricity	**14**	1	2	2	9
Capital cost	**399**	14	36	38	311
Joint-use asset and shared service agreements	**66**	3	8	6	49
Office lease – FortisBC	**20**	-	3	3	14
Operating lease obligations	**173**	19	34	30	90
Other	**24**	5	8	7	4
Total	**9,684**	1,217	617	587	7,263

[(1)] Maritime Electric has two new take-or-pay contracts for the purchase of either energy or capacity. The contracts total approximately $125 million through November 30, 2032. The take-or-pay contract with New Brunswick Power includes, among other things, replacement energy and capacity for the Point Lepreau Nuclear Generating Station during its 18-month refurbishment outage. The other take-or-pay contract is for transmission capacity allowing Maritime Electric to reserve 30 MW of capacity on the new International Power Line into the United States.

Other Contractual Obligations: Caribbean Utilities has a primary fuel supply contract with a major supplier and is committed to purchase 80 per cent of the Company's fuel requirements from this supplier for the running of Caribbean Utilities' diesel-fired generating plant. The contract is for three years terminating in April 2010. The approximate quantities, in millions of imperial gallons, required to be purchased annually during each of Caribbean Utilities' three fiscal years ended April 30 are: 2008 – 25; 2009 – 26 and 2010 – 28.

Capital Structure: The Corporation's principal businesses of regulated gas and electric distribution require ongoing access to capital to allow them to fund maintenance and expansion of infrastructure. Wherever possible, Fortis raises debt at the subsidiary level to ensure regulatory transparency, tax efficiency and financing flexibility. To help ensure access to capital, the Corporation targets a consolidated long-term capital structure containing approximately 40 per cent equity, including preference shares, and 60 per cent debt and investment-grade credit ratings. Each of the Corporation's regulated utilities maintains its own capital structure in line with the deemed capital structure reflected in the utility's customer rates. As well, the Corporation and its larger regulated utilities have secured multi-year committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements. Committed credit facilitates at Fortis are available for interim financing of acquisitions and for general corporate purposes. Fortis generally finances a significant portion of acquisitions with proceeds from common and preference share issuances.

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

Fortis Inc. Capital Structure (Unaudited) As at				
	March 31, 2008		December 31, 2007	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [(1)]	**5,480**	**63.8**	5,476	64.3
Preference shares [(2)]	**442**	**5.1**	442	5.2
Common shareholders' equity	**2,672**	**31.1**	2,601	30.5
Total	**8,594**	**100.0**	8,519	100.0

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

The change in the capital structure was driven by net earnings applicable to common shares less common share dividends of $52 million during the first quarter of 2008.

The Corporation's credit ratings are as follows:

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

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

Capital Program: The Corporation's principal businesses of regulated gas and electric 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.

During the first quarter of 2008, actual gross consolidated utility capital expenditures of Fortis were $162 million. A breakdown of gross utility capital expenditures for the first quarter of 2008 by segment is provided in the following table.

Gross Utility Capital Expenditures (Unaudited)
Quarter Ended March 31, 2008

($ millions)	Terasen Gas Companies[(1)]	Fortis Alberta[(1)(2)]	FortisBC[(1)]	NF Power[(1)]	Other Regulated Utilities - Canadian[(1)]	**Total Regulated Utilities - Canadian**	**Regulated Utilities - Caribbean**	**Non-Regulated**	**Total[(3)]**
Total	**40**	**63**	**24**	**13**	**7**	**147**	**11**	**4**	**162**

(1) Includes removal and site restoration expenditures which are permissible in rate base
(2) Excludes payments of $4 million made to the AESO for investment in transmission facilities
(3) Includes expenditures associated with assets under construction

Gross consolidated utility capital expenditures for 2008 are expected to be approximately $900 million. There have been no significant changes in the expected level, nature and timing of capital expenditures for 2008 from those disclosed in the MD&A for the year ended December 31, 2007, except as described below. Planned capital expenditures are based on detailed forecasts of demand, weather, cost of labour and materials, as well as other factors which could change and cause actual expenditures to differ from forecasts.

On April 1, 2008, TGVI received approval from the BCUC to proceed with the engineering, procurement and construction ("EPC") of the liquefied natural gas facility on Vancouver Island for a total cost of approximately $200 million. As a result, the Company entered into an EPC contract with a third party for the construction of the facility. The contract is for approximately $150 million, including payment of approximately US$55 million. As a result, TGVI has entered into a three-year US dollar forward-purchase contract which will mitigate currency fluctuations on the US dollar portion of the EPC contract.

TGVI's construction of the 50-kilometre pipeline lateral from Squamish to Whistler continues and, as at the end of March 2008, approximately 34 kilometres of the pipeline had been constructed. Originally scheduled to be completed by summer 2008, the pipeline lateral is now expected to be completed in early 2009, slightly later than originally planned, due to changes in the way the Company can sequence the pipeline construction as a result of the Province's Sea-to-Sky Highway Improvement Project ("Highway Project") plan. The pipeline is being built in conjunction with the Highway Project and the pipeline route mainly falls within the highway right of way. Conversion of the Resort Municipality of Whistler from propane to natural gas will occur in spring 2009 and take approximately three months to complete. TGVI does not expect any material changes in the cost to complete this capital project as a result of this delay.

As disclosed in the MD&A for the year ended December 31, 2007, FortisAlberta plans to expend approximately $24 million in 2008 on the second phase of replacement of conventional meters with new Automated Meter Infrastructure ("AMI") technology as part of an overall $111 million project to convert approximately 435,000 customers to such technology over a four-year period that began in 2007. The second phase of the deployment of the AMI technology has commenced with expenditures expected to be concentrated during the second half of 2008.

In April 2008, Caribbean Utilities announced that it has entered into a project agreement to purchase a 16-MW diesel generating unit and related equipment from a supplier in Germany. The total project is expected to cost approximately US$24 million with the unit expected to be commissioned in summer 2009.

Fortis expects gross electric utility capital expenditures of more than $3 billion over the next five years will be driven by FortisAlberta, FortisBC and the Corporation's regulated and non-regulated electric utility operations in the Caribbean. Fortis expects gross gas utility capital expenditures over the next five years to exceed $1 billion.

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

The Corporation's ability to service its debt obligations and pay dividends on its common shares and preference shares is dependent on the financial results of the operating subsidiaries and the related cash payments from these subsidiaries. Certain regulated subsidiaries may be subject to restrictions which may limit their ability to distribute cash to Fortis. Cash required of Fortis to support subsidiary capital expenditure programs and to finance acquisitions is expected to be derived from a combination of borrowings under credit facilities and the issuance of common shares, preference shares and long-term debt. Depending on the timing of cash payments from the subsidiaries, borrowings under the Corporation's credit facilities may be required from time to time to support the servicing of debt and payment of dividends. Fortis and its subsidiaries do not anticipate any difficulties accessing required capital at reasonable market terms.

As at March 31, 2008, the Corporation and its subsidiaries had consolidated authorized lines of credit of $2.2 billion, of which $1.3 billion was unused. 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 March 31, 2008**	**Total as at December 31, 2007**
Total credit facilities	715	1,513	13	**2,241**	2,234
Credit facilities utilized:					
Short-term borrowings	(1)	(441)	-	**(442)**	(475)
Long-term debt	(170)	(145)	-	**(315)**	(530)
Letters of credit outstanding	(50)	(102)	(1)	**(153)**	(159)
Credit facilities available	494	825	12	**1,331**	1,070

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

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

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

FINANCIAL INSTRUMENTS

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

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

Financial Instruments (Unaudited) As at				
	March 31, 2008		December 31, 2007	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt	**5,071**	**5,613**	5,023	5,635
Preference shares, classified as debt [(1)]	**320**	**336**	320	346

[(1)] Preference shares classified as equity do not meet the definition of a financial instrument; however, the estimated fair value of the Corporation's $122 million of preference shares classified as equity was $107 million at March 31, 2008 (December 31, 2007 - $107 million).

Risk Management: The Corporation's earnings from and net investment in self-sustaining foreign subsidiaries are exposed to changes in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings. As at March 31, 2008, all of the Corporation's US$391 million of long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's US dollar borrowings designated as hedges are recorded in other comprehensive income. As at March 31, 2008, the Corporation had approximately US$64 million in foreign net investments available to be hedged. From time to time, the Corporation may also enter into derivative financial instruments to hedge exposures to fluctuations in foreign exchange.

The Corporation also hedges exposures to fluctuations in interest rates and natural gas commodity prices through the use of derivative financial instruments. The following table illustrates the valuation of the Corporation's derivative financial instruments.

Derivative Financial Instruments (Unaudited)
As at

	March 31, 2008				December 31, 2007	
(Liability) Asset	**Term to maturity** *(years)*	**Number of Contracts**	**Carrying Value** *($ millions)*	**Estimated Fair Value** *($ millions)*	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swaps	**1 to 2**	**4**	**(1)**	**(1)**	-	-
Natural gas derivatives:						
Swaps and options	**Up to 3**	**182**	**65**	**65**	(79)	(79)
Gas purchase contract premiums	**<1**	**35**	**2**	**2**	5	5

Two of the four interest rate swaps are held by Fortis Properties and are designated as hedges of the cash flow risk related to floating-rate long-term debt. The effective portion of changes in the value of the interest rate swaps at Fortis Properties is recorded in other comprehensive income. The remaining interest rate swaps and all of the natural gas derivatives are held by the Terasen Gas companies. The interest rate swaps are designated as hedges of cash flow risk related to floating-rate debt instruments. The natural gas derivatives are used to fix the effective purchase price of natural gas, as the majority of the natural gas supply contracts have floating, rather than fixed, prices. At the Terasen Gas companies, changes in the fair value of the interest rate swaps and the natural gas derivatives are deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates. The fair values of the natural gas derivatives were recorded in accounts receivable as at March 31, 2008 (December 31, 2007 – accounts payable and accounts receivable).

The interest rate swaps are valued at the present value of future cash flows based on published forward future interest rate curves. The fair values of the natural gas derivatives reflect the estimated amount that the Corporation would have to pay if forced to settle all outstanding contracts at the balance sheet date, based on published forward curves.

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

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2008, the Corporation had no off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities, that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources.

BUSINESS RISK MANAGEMENT

There were no material changes in the Corporation's business risks during the three months ended March 31, 2008 from those disclosed in the Corporation's MD&A for the year ended December 31, 2007.

CHANGES IN ACCOUNTING STANDARDS

Inventories: Effective January 1, 2008, the Corporation adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - *Inventories*. The new standard requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory-costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost or net realizable value no longer exist, the amount of the write down is to be reversed. This new standard did not have a material impact on the Corporation's earnings, cash flow or financial position.

Capital Disclosures: Effective January 1, 2008, the Corporation adopted the new CICA Handbook Section 1535 - *Capital Disclosures.* The new standard requires additional information to be disclosed in the Notes to the financial statements about the Corporation's capital and the manner in which it is managed. The additional disclosures include quantitative and qualitative information regarding objectives, policies and processes for managing capital. This new standard did not have a material impact on the Corporation's earnings, cash flow or financial position. The additional required disclosures are provided in Note 15 to the Corporation's unaudited interim consolidated financial statements for the three months ended March 31, 2008.

Disclosure and Presentation of Financial Instruments: Effective January 1, 2008, the Corporation adopted new accounting recommendations for disclosure and presentation of financial instruments provided in Sections 3862 and 3863 of the CICA Handbook. The new recommendations require disclosures of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed. The new standards did not have a material impact on the Corporation's earnings, cash flow or financial position. The additional required disclosures are provided in Notes 16 and 17 to the Corporation's unaudited interim consolidated financial statements for the three months ended March 31, 2008.

FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS"): In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. In April 2008, the CICA issued an IFRS Omnibus Exposure Draft, requesting comments by July 31, 2008. The Exposure Draft proposes that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The CICA proposes that CICA Handbook Section - *Accounting Changes*, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft. Fortis is continuing to assess the financial reporting impacts of the adoption of IFRS.

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

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

Effective January 1, 2009, the impact on Fortis of the amendment to Section 3465, *Income Taxes*, will be the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future gas and electricity rates. Currently, the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power use the taxes-payable method of accounting for income taxes. The effect on the Corporation's interim unaudited consolidated financial statements, if it had adopted amended Section 3465, *Income Taxes*, as at March 31, 2008, would have been an increase in future tax assets and future tax liabilities of $43 million and $463 million, respectively, and a corresponding increase in regulatory liabilities and regulatory assets of $43 million and $463 million, respectively. Included in the amounts are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through customer rates, and the separate disclosure of future income tax assets and liabilities that are currently not recognized. Fortis is continuing to assess and monitor any additional implications on its financial reporting related to accounting for rate-regulated operations.

Goodwill and Intangible Assets: Effective January 1, 2009, the Corporation will be adopting the new CICA Handbook Section 3064 - *Goodwill and Intangible Assets* which converges Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The Corporation is still assessing the financial reporting impact of adopting this standard.

CRITICAL ACCOUNTING ESTIMATES

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

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

Contingencies: Fortis is subject to various legal proceedings and claims that arise in the ordinary course of business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial position or results of operations.

There were no material changes in the Corporation's contingent liabilities from those disclosed in the MD&A for the year ended December 31, 2007.

QUARTERLY RESULTS

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

Fortis Inc.
Summary of Quarterly Results (Unaudited)

Quarter Ended	Revenue and Equity Income *($ millions)*	Net Earnings Applicable to Common Shares *($ millions)*	Earnings per Common Share	
			Basic *($)*	Diluted *($)*
March 31, 2008	1,146	91	0.58	0.55
December 31, 2007	1,018	79	0.51	0.49
September 30, 2007	651	31	0.20	0.20
June 30, 2007	566	41	0.31	0.27
March 31, 2007	483	42	0.38	0.35
December 31, 2006	393	34	0.33	0.32
September 30, 2006	342	39	0.37	0.36
June 30, 2006	346	38	0.37	0.35

A summary of the past eight quarters reflects the Corporation's continued organic growth, growth from acquisitions, as well as the seasonality associated with its businesses. Interim results will fluctuate due to the seasonal nature of gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Given the diversified group of companies, seasonality may vary. Financial results from May 17, 2007 were impacted by the acquisition of Terasen. Virtually all of the earnings of the Terasen Gas companies are generated in the first and fourth quarters. Due to a shift in the quarterly distribution of annual purchased power expense at Newfoundland Power, Newfoundland Power's earnings in 2008 will be lower in the first and fourth quarters and higher in the second and third quarters compared to the same periods in 2007. Newfoundland Power's annual earnings will not be impacted by the shift in quarterly earnings. Financial results from August 1, 2007 were impacted by the acquisition of the Delta Regina in Saskatchewan and from November 1, 2006 were impacted by the acquisition of four hotels in western Canada. Financial results from August 28, 2006 were impacted by the acquisition of Fortis Turks and Caicos, while earnings from January 1, 2007 were impacted by the consolidation of an approximate 54 per cent controlling interest in Caribbean Utilities. The Corporation's previous approximate 37 per cent interest in Caribbean Utilities was accounted for on an equity basis.

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

December 2007/December 2006 - Net earnings applicable to common shares were $79 million, or $0.51 per common share, for the fourth quarter of 2007 compared to earnings of $34 million, or

$0.33 per common share, for the fourth quarter of 2006. The increase in earnings was driven by the contribution from the Terasen Gas companies, including a $7 million after-tax gain on the sale of surplus land, partially offset by increased corporate costs driven by Terasen acquisition-related finance charges.

September 2007/September 2006 - Net earnings applicable to common shares were $31 million, or $0.20 per common share, for the third quarter of 2007 compared to earnings of $39 million, or $0.37 per common share, for the third quarter of 2006. A $1.15 billion Common Share issue in May 2007, to fund a significant portion of the net cash purchase price of Terasen, combined with the seasonality of earnings of the Terasen Gas companies, diluted earnings per common share for the third quarter of 2007. Increased earnings' contribution from FortisAlberta, driven by customer growth and higher corporate income tax recoveries; increased earnings' contribution from Fortis Turks and Caicos, acquired in August 2006; and growth at Fortis Properties from expanded hospitality operations in western Canada were more than offset by higher finance charges associated with acquisitions, losses at the Terasen Gas companies due to seasonality of operations and lower non-regulated hydroelectric production due to lower rainfall.

June 2007/June 2006 - Net earnings applicable to common shares were $41 million, or $0.31 per common share, for the second quarter of 2007 compared to earnings of $38 million, or $0.37 per common share, for the second quarter of 2006. The $1.15 billion Common Share issue, combined with the seasonality of earnings of the Terasen Gas companies, diluted earnings per common share for the second quarter of 2007. The increase in overall earnings was driven by customer growth and increased energy deliveries at FortisAlberta; rate increases and electricity sales growth at FortisBC; and earnings' contribution from Fortis Turks and Caicos, acquired in August 2006, and the Terasen Gas companies, acquired in May 2007. The increase was partially offset by higher acquisition-related finance charges, the impact of decreased non-regulated hydroelectric production and lower earnings at Fortis Properties. However, earnings at Fortis Properties during the second quarter of 2006 were favourably impacted by $3 million associated with the sale of Days Inn Sydney and reduction of future income tax liabilities.

SUBSEQUENT EVENTS

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

In April 2008, FortisAlberta issued $100 million 5.85% senior unsecured debentures, due April 2038. The proceeds will be used to repay existing credit facility borrowings and for general corporate purposes.

In April 2008, the US Federal Energy Regulatory Commission ("FERC") issued an order stating that the one-time refund of approximately $3 million ($2 million after-tax) received by FortisOntario in December 2007 from Niagara Mohawk Power Corporation ("NIMO"), associated with cross-border transmission interconnection agreements, should not have been originally ordered as FERC does not have jurisdiction over the interconnection agreements in question and, therefore, did not have jurisdiction to order the refund. FERC expects NIMO to be able to recover from FortisOntario the refunded amounts. FortisOntario has until May 17, 2008 to request a rehearing of this new FERC order.

OUTLOOK

The Corporation's principal businesses of regulated gas and electric distribution are capital intensive. Over the next five years, the Corporation's consolidated utility capital program is expected to exceed $4 billion. Most of its more than $3 billion gross electric utility capital expenditures will be driven by FortisAlberta, FortisBC and the Corporation's regulated and non-regulated electric utility operations in the Caribbean. Gross gas utility capital expenditures are expected to exceed $1 billion. The Corporation's capital program should drive growth in earnings.

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

OUTSTANDING SHARE DATA

At April 30, 2008, the Corporation had issued and outstanding 156,920,008 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. As at April 30, 2008, the number of Common Shares that would be issued upon conversion of share options, convertible debt, First Preference Shares, Series C and First Preference Shares, Series E is described in Notes 8 and 9 to the interim unaudited consolidated financial statements for the three months ended March 31, 2008 and Notes 10, 13 and 15 to the 2007 annual audited consolidated financial statements.

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

FORTIS INC.

Interim Consolidated Financial Statements
For the three months ended March 31, 2008 and 2007
(Unaudited)

Fortis Inc.
Consolidated Balance Sheets (Unaudited)
As at
(in millions)

	March 31 2008	December 31 2007
ASSETS		
Current assets		
Cash and cash equivalents	**$ 67**	$ 58
Accounts receivable	**792**	635
Prepaid expenses	**20**	19
Regulatory assets (Note 6)	**72**	119
Inventories of gas, materials and supplies	**100**	216
	1,051	1,047
Deferred charges and other assets	**185**	179
Regulatory assets (Note 6)	**188**	193
Future income taxes	**39**	37
Utility capital assets	**6,833**	6,739
Income producing properties	**518**	519
Intangibles, net of amortization	**13**	15
Goodwill	**1,549**	1,544
	$ 10,376	$ 10,273
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 17)	**$ 442**	$ 475
Accounts payable and accrued charges	**697**	793
Dividends payable	**41**	43
Income taxes payable	**45**	30
Regulatory liabilities (Note 6)	**99**	20
Current installments of long-term debt and capital lease obligations (Note 7)	**494**	436
Future income taxes	**9**	7
	1,827	1,804
Deferred credits	**265**	261
Regulatory liabilities (Note 6)	**383**	372
Future income taxes	**56**	55
Long-term debt and capital lease obligations (Note 7)	**4,611**	4,623
Non-controlling interest	**120**	115
Preference shares	**320**	320
	7,582	7,550
Shareholders' equity		
Common shares (Note 8)	**2,142**	2,126
Preference shares	**122**	122
Contributed surplus	**6**	6
Equity portion of convertible debentures	**5**	6
Accumulated other comprehensive loss (Note 10)	**(84)**	(88)
Retained earnings	**603**	551
	2,794	2,723
	$ 10,376	$ 10,273

Contingent liabilities and commitments (Note 18)

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Earnings (Unaudited)
For the three months ended March 31
(in millions, except per share amounts)

	Quarter Ended	
	2008	2007
Operating revenues	**$ 1,146**	$ 483
Expenses		
Energy supply costs	**668**	215
Operating	**179**	115
Amortization	**83**	54
	930	384
Operating income	**216**	99
Finance charges (Note 12)	**91**	48
Earnings before corporate taxes and non-controlling interest	**125**	51
Corporate taxes (Note 13)	**29**	7
Net earnings before non-controlling interest	**96**	44
Non-controlling interest	**4**	1
Net earnings	**92**	43
Preference share dividends	**1**	1
Net earnings applicable to common shares	**$ 91**	$ 42
Earnings per common share (Note 8)		
Basic	**$ 0.58**	$ 0.38
Diluted	**$ 0.55**	$ 0.35

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Retained Earnings (Unaudited)
For the three months ended March 31
(in millions)

	Quarter Ended	
	2008	2007
Balance at beginning of period	**$ 551**	$ 486
Net earnings applicable to common shares	**91**	42
	642	528
Dividends on common shares	**(39)**	(24)
Balance at end of period	**$ 603**	$ 504

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Comprehensive Income (Unaudited)
For the three months ended March 31
(in millions)

	Quarter Ended	
	2008	2007
Net earnings	**$ 92**	$ 43
Unrealized foreign currency translation gains (losses)	**16**	(5)
(Losses) gains on hedges of net investments in self-sustaining foreign operations	**(14)**	2
Corporate tax recovery	**2**	-
Change in unrealized foreign currency translation gains (losses), net of hedging activities and tax (Note 10)	**4**	(3)
Comprehensive income	**$ 96**	$ 40

See accompanying Notes to interim consolidated financial statements.

Fortis Inc.
Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31
(in millions)

	Quarter Ended	
	2008	2007
Operating Activities		
Net earnings	$ **92**	43
Items not affecting cash		
Amortization - utility capital assets and income producing properties	**80**	52
Amortization - intangibles and other	**3**	2
Future income taxes	**3**	(1)
Non-controlling interest	**4**	1
Other	**(5)**	4
Change in long-term regulatory assets and liabilities	**9**	(11)
	186	90
Change in non-cash operating working capital	**2**	4
	188	94
Investing Activities		
Change in deferred charges, other assets and deferred credits	**(5)**	(1)
Utility capital expenditures	**(162)**	(134)
Contributions in aid of construction	**12**	21
Income producing property capital expenditures	**(3)**	(3)
Proceeds on sale of capital assets	**15**	1
Interim business acquisition costs	**-**	(2)
	(143)	(118)
Financing Activities		
Change in short-term borrowings	**(33)**	(44)
Proceeds from long-term debt, net of issue costs	**250**	110
Repayments of long-term debt and capital lease obligations	**(5)**	(17)
Net repayments under committed credit facilities	**(211)**	(118)
Interim subscription receipt issue costs	**-**	(25)
Issue of common shares	**6**	148
Issue of subscription receipts	**-**	1,151
Restricted cash - issue of subscription receipts	**-**	(1,151)
Dividends		
Common shares	**(39)**	(24)
Preference shares	**(1)**	(1)
Subsidiary dividends paid to non-controlling interest	**(3)**	(3)
	(36)	26
Change in cash and cash equivalents	**9**	2
Cash and cash equivalents, beginning of period	**58**	41
Cash and cash equivalents, end of period	$ **67**	43

See accompanying Notes to interim consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

Nature of Operations

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

REGULATED UTILITIES

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

Regulated Gas Utilities - Canadian

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

TGI is the largest distributor of natural gas in British Columbia, serving approximately 826,700 residential, commercial and industrial customers in a service area that extends from Vancouver to the Fraser Valley and the interior of British Columbia.

TGVI owns and operates the natural gas transmission pipeline from the Greater Vancouver area across the Georgia Strait to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia, serving approximately 92,000 residential, commercial and industrial customers.

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

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

Regulated Electric Utilities - Canadian

a. *FortisAlberta:* FortisAlberta owns and operates the electricity distribution system in a substantial portion of southern and central Alberta, serving approximately 451,300 customers.

b. *FortisBC*: Includes FortisBC Inc., an integrated electric utility operating in the southern interior of British Columbia, serving approximately 154,000 customers. FortisBC Inc. owns four hydroelectric generating plants with a combined capacity of 223 megawatts ("MW"). Included with the FortisBC component of the Regulated Electric Utilities - Canadian segment are the operating, maintenance and management services relating to the 450-MW Waneta hydroelectric generating facility owned by Teck Cominco Metals Ltd., the 149-MW Brilliant Hydroelectric Plant owned by Columbia Power Corporation and the Columbia Basin Trust ("CPC/CBT"), the 185-MW Arrow Lakes Hydroelectric Plant owned by CPC/CBT and the distribution system owned by the City of Kelowna. FortisBC's assets also include the regulated electric utility formerly operated as Princeton Light and Power Company, Limited.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Regulated Electric Utilities - Canadian (cont'd)

c. *Newfoundland Power:* Newfoundland Power is the principal distributor of electricity in Newfoundland, serving more than 233,000 customers. Newfoundland Power has an installed generating capacity of approximately 139 MW, of which 96 MW is hydroelectric generation.

d. *Maritime Electric:* Maritime Electric is the principal distributor of electricity on Prince Edward Island, serving approximately 72,000 customers. Maritime Electric also maintains on-Island generating facilities with a combined capacity of 150 MW.

e. *FortisOntario:* FortisOntario provides an integrated electric utility service to approximately 52,000 customers in Fort Erie, Cornwall, Gananoque and Port Colborne in Ontario. FortisOntario operations include Canadian Niagara Power Inc. ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company, Limited ("Cornwall Electric"). Included in Canadian Niagara Power's accounts is the operation of the electricity distribution business of Port Colborne Hydro Inc., which has been leased from the City of Port Colborne under a 10-year lease agreement that expires in April 2012. FortisOntario also owns a 10 per cent interest in each of Westario Power Inc. and Rideau St. Lawrence Holdings Inc., two regional electric distribution companies formed in 2000, serving more than 27,000 customers.

Regulated Electric Utilities - Caribbean

a. *Belize Electricity:* Belize Electricity is the principal distributor of electricity in Belize, Central America, serving approximately 73,000 customers. The Company has an installed generating capacity of 36 MW. Fortis holds a 70.1 per cent controlling interest in Belize Electricity.

b. *Caribbean Utilities:* Caribbean Utilities is the sole provider of electricity on Grand Cayman, Cayman Islands, serving more than 23,700 customers. The Company has an installed generating capacity of approximately 137 MW. Fortis has an approximate 54 per cent controlling ownership interest in Caribbean Utilities. Caribbean Utilities is a public company traded on the Toronto Stock Exchange (TSX:CUP.U) and has an April 30 fiscal year end. Fortis consolidates Caribbean Utilities' financial statements on a two-month lag basis.

c. *P.P.C. Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd. (collectively referred to as Fortis Turks and Caicos):* Fortis Turks and Caicos is the principal distributor of electricity on the Turks and Caicos Islands, serving more than 8,700 customers. The Company has a combined diesel-fired generating capacity of 48 MW.

Non-Regulated - Fortis Generation

a. *Belize:* Operations consist of the 25-MW Mollejon and 7-MW Chalillo hydroelectric generating facilities in Belize. All of the electricity output is sold to Belize Electricity under a 50-year power purchase agreement expiring in 2055. Hydroelectric generation operations in Belize are conducted through the Corporation's wholly owned indirect subsidiary, Belize Electric Company Limited ("BECOL"), under a Franchise Agreement with the Government of Belize.

b. *Ontario:* Includes 75 MW of water-right entitlement associated with the Niagara Exchange Agreement, a 5-MW gas-fired cogeneration plant in Cornwall and six small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW. Non-regulated generation operations in Ontario are conducted through FortisOntario Inc. and Fortis Properties.

1. DESCRIPTION OF THE BUSINESS (cont'd)

Non-Regulated - Fortis Generation (cont'd)

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

d. *British Columbia:* Includes the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. This plant sells its entire output to BC Hydro under a long-term contract expiring in 2013. Hydroelectric generation operations in British Columbia are conducted through the Walden Power Partnership, a wholly owned partnership of FortisBC Inc.

e. *Upper New York State:* Includes the operations of four hydroelectric generating stations in Upper New York State, with a combined capacity of approximately 23 MW, operating under licences from the US Federal Energy Regulatory Commission ("FERC"). Hydroelectric generation operations in Upper New York State are conducted through the Corporation's indirect wholly owned subsidiary, FortisUS Energy Corporation.

Non-Regulated - Fortis Properties

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

Corporate and Other

The Corporate and Other segment captures expense and revenue items not specifically related to any reportable segment. Included in this segment are finance charges including interest on debt incurred directly by Fortis and Terasen Inc. and dividends on preference shares classified as long-term liabilities; dividends on preference shares classified as equity; other corporate expenses, including Fortis and Terasen corporate operating costs, net of recoveries from subsidiaries; interest and miscellaneous revenues; and corporate income taxes. Also included in the Corporate and Other segment are the financial results of CustomerWorks Limited Partnership ("CWLP"). CWLP is a non-regulated shared-services business in which Terasen holds a 30 per cent interest. CWLP operates in partnership with Enbridge Inc. and provides customer service contact, meter reading, billing, credit, support and collection services to the Terasen Gas companies and several smaller third parties. CWLP's financial results are recorded using the proportionate consolidation method of accounting. Terasen was acquired by Fortis on May 17, 2007.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Inventories
Section 3031, *Inventories*, requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory-costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost or net realizable value no longer exist, the amount of the write-down is to be reversed. As at December 31, 2007, inventories of $17 million were reclassified to property, plant and equipment from inventory on the balance sheet as they are held for the development, construction, maintenance and repair of other property, plant and equipment. During the quarter ended March 31, 2008, inventories of $437 million (nil for the quarter ended March 31, 2007) were expensed and reported in energy supply costs on the consolidated statement of earnings. Inventories expensed to operating expenses were immaterial for the quarters ended March 31, 2008 and March 31, 2007.

Capital Disclosures
Section 1535, *Capital Disclosures*, requires the Corporation to disclose additional information about its capital and the manner in which it is managed. The additional disclosure includes quantitative and qualitative information regarding the Corporation's objectives, policies and processes for managing capital. The new disclosures are provided in Note 15.

Disclosure and Presentation of Financial Instruments
Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, require disclosures of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed. The new disclosures are provided in Notes 16 and 17.

4. FUTURE ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. In April 2008, the CICA issued an IFRS Omnibus Exposure Draft, requesting comments by July 31, 2008. The Exposure Draft proposes that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The CICA proposes that the CICA Handbook Section - *Accounting Changes*, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft. Fortis is continuing to assess the financial reporting impacts of the adoption of IFRS.

4. FUTURE ACCOUNTING POLICIES (cont'd)

Rate-Regulated Operations

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

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

Effective January 1, 2009, the impact on Fortis of the amendment to Section 3465, *Income Taxes*, will be the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future gas and electricity rates. Currently, the Terasen Gas companies, FortisAlberta, FortisBC and Newfoundland Power use the taxes-payable method of accounting for income taxes. The effect on the Corporation's interim consolidated financial statements, if it had adopted amended Section 3465, *Income Taxes*, as at March 31, 2008, would have been an increase in future tax assets and future tax liabilities of $43 million and $463 million, respectively, and a corresponding increase in regulatory liabilities and regulatory assets of $43 million and $463 million, respectively. Included in the amounts are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through customer rates, and the separate disclosure of future income tax assets and liabilities that are currently not recognized. Fortis is continuing to assess and monitor any additional implications on its financial reporting related to accounting for rate-regulated operations.

Goodwill and Intangible Assets

Effective January 1, 2009, the Corporation will be adopting the new CICA Handbook Section 3064 - *Goodwill and Intangible Assets* which converges Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The Corporation is still assessing the financial reporting impact of adopting this standard.

5. USE OF ESTIMATES

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

5. USE OF ESTIMATES (cont'd)

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

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

6. REGULATORY ASSETS AND LIABILITIES

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

($ millions)	**As at March 31, 2008**	As at December 31, 2007
Regulatory Assets		
Rate stabilization accounts - Terasen Gas companies [(1)]	**34**	99
Rate stabilization accounts - electric utilities	**68**	55
Regulatory other post-employment benefit ("OPEB") asset	**46**	44
Income taxes recoverable on OPEB plans	**16**	16
Alberta Electric System Operator charges deferral	**12**	8
Deferred capital asset amortization	**11**	12
Weather normalization account	**9**	11
Residential unbundling	**8**	9
Deferred pension costs	**8**	8
Southern Crossing Pipeline tax reassessment	**7**	7
Energy management costs	**6**	6
Lease costs	**5**	5
Other regulatory assets	**30**	32
Total regulatory assets	**260**	312
Less: current portion	**(72)**	(119)
Long-term regulatory assets	**188**	193
Regulatory Liabilities		
Rate stabilization accounts - Terasen Gas companies [(1)]	**81**	-
Future removal and site restoration provision	**326**	319
Unbilled revenue liability	**21**	22
Pension deferral	**5**	6
Performance-based rate-setting incentive liabilities	**16**	14
Other regulatory liabilities	**33**	31
Total regulatory liabilities	**482**	392
Less: current portion	**(99)**	(20)
Long-term regulatory liabilities	**383**	372

[(1)] Rate stabilization asset accounts include the revenue deficiency deferral account, revenue stabilization adjustment mechanism account and midstream cost reconciliation account and the rate stabilization liability accounts include the commodity cost reconciliation account and gas cost variance account.

7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

($ millions)	**As at March 31, 2008**	As at December 31, 2007
Long-term debt and capital lease obligations	**4,876**	4,562
Long-term classification of committed credit facilities (Note 17)	**262**	530
Deferred debt financing costs	**(33)**	(33)
Total long-term debt and capital lease obligations	**5,105**	5,059
Less: Current installments of long-term debt and capital lease obligations	**(494)**	(436)
	4,611	4,623

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

8. COMMON SHARES

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

Issued and Outstanding	**As at March 31, 2008**		As at December 31, 2007	
	Number of Shares *(in thousands)*	**Amount** *($ millions)*	Number of Shares *(in thousands)*	Amount *($ millions)*
Common Shares	**156,754**	**2,142**	155,521	2,126

Common Shares issued during the period were as follows:

	Quarter Ended March 31, 2008	
	Number of Shares *(in thousands)*	**Amount** *($ millions)*
Opening balance	**155,521**	**2,126**
Conversion of debentures	**958**	**10**
Consumer Share Purchase Plan	**20**	**1**
Dividend Reinvestment Plan	**53**	**1**
Employee Share Purchase Plan	**107**	**3**
Stock Option Plans	**95**	**1**
Ending balance	**156,754**	**2,142**

During the three months ended March 31, 2008, holders of the Corporation's 6.75% and 5.50% unsecured subordinated convertible debentures converted approximately US$10 million of the debentures into 958,294 Common Shares of the Corporation.

Earnings per Common Share
The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding was 156.6 million and 109.4 million for the quarters ended March 31, 2008 and March 31, 2007, respectively.

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

8. COMMON SHARES (cont'd)

Earnings per common share are as follows:

	Quarter Ended March 31					
	2008			2007		
	Earnings *($ millions)*	**Weighted Average Shares** *(in millions)*	**Earnings per Common Share**	Earnings *($ millions)*	Weighted Average Shares *(in millions)*	Earnings per Common Share
Net earnings applicable to common shares	**91**			42		
Weighted average shares outstanding		**156.6**			109.4	
Basic Earnings per Common Share			**$0.58**			$0.38
Effect of dilutive securities:						
Subscription receipts [(1)]	**-**	**-**		-	8.4	
Stock options	**-**	**1.2**		-	1.4	
Preference shares	**4**	**12.8**		4	11.5	
Convertible debentures	**-**	**1.7**		1	3.2	
Diluted Earnings per Common Share	**95**	**172.3**	**$0.55**	47	133.9	$0.35

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

9. STOCK-BASED COMPENSATION PLANS

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

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

Also in March 2008, 32,940 PSUs were granted to the President and CEO of the Corporation, and 24,494 Deferred Share Units were granted to the Corporation's directors representing the equity component of their annual compensation and their annual retainers in lieu of cash.

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

			2008
($ millions)	Opening balance January 1	Net change	**Ending balance March 31**
Unrealized foreign currency translation (losses) gains, net of after-tax hedging activities	(82)	4	**(78)**
Losses on derivative financial instruments designated as cash flow hedges, net of tax	(1)	-	**(1)**
Net losses on derivative financial instruments previously discontinued as cash flow hedges, net of tax	(5)	-	**(5)**
Accumulated Other Comprehensive Loss	**(88)**	**4**	**(84)**

				2007
($ millions)	Opening balance January 1	Transition amount January 1	Net change	Ending balance March 31
Unrealized foreign currency translation losses, net of after-tax hedging activities	(51)	-	(3)	(54)
Losses on derivative financial instruments designated as cash flow hedges, net of tax	-	(1)	-	(1)
Net losses on derivative financial instruments previously discontinued as cash flow hedges, net of tax	-	(5)	-	(5)
Accumulated Other Comprehensive Loss	(51)	(6)	(3)	(60)

11. EMPLOYEE FUTURE BENEFITS

The Corporation and its subsidiaries each maintain one or a combination of defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans ("RRSPs") for its employees. The cost of providing the defined benefit arrangements was $7 million for the quarter ended March 31, 2008 ($4 million for the quarter ended March 31, 2007). The cost of providing the defined contribution arrangements and group RRSPs for the quarter ended March 31, 2008 was $3 million ($3 million for the quarter ended March 31, 2007).

12. FINANCE CHARGES

	Quarter Ended March 31	
($ millions)	**2008**	2007
Interest - Long-term debt and capital lease obligations	**81**	44
- Short-term borrowings	**9**	2
Interest charged to construction	**(2)**	(1)
Interest earned	**(1)**	(1)
Dividends on preference shares classified as debt	**4**	4
	91	48

13. CORPORATE TAXES

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

	Quarter Ended March 31	
(%)	**2008**	2007
Statutory tax rate	**32.0**	35.0
Preference share dividends	**1.5**	2.9
Differences between Canadian statutory rates and those applicable to foreign subsidiaries	**(3.0)**	(5.4)
Items capitalized for accounting but expensed for income tax purposes	**(8.0)**	(12.4)
Capital cost allowance and other deductions claimed for income tax purposes over amounts recorded for accounting purposes	**0.3**	(7.6)
Regulatory deferrals at Newfoundland Power	**0.2**	-
Change in revenue recognition policy at Newfoundland Power	**-**	1.2
Pension costs	**(0.7)**	(0.9)
Other	**0.9**	0.9
Effective tax rate	**23.2**	13.7

FORTIS INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2008 and 2007 (unless otherwise stated)
(Unaudited)

14. SEGMENTED INFORMATION

Information by reportable segment is as follows:

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Quarter ended March 31, 2008 *($ millions)*	**Terasen Gas Companies - Canadian** [(1)]	Fortis Alberta	Fortis BC	NF Power	Other Canadian [(2)]	**Total Electric Canadian**	**Electric Caribbean** [(3)]	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Operating revenues	**635**	73	66	164	70	**373**	**75**	**19**	**45**	**7**	**(8)**	**1,146**
Energy supply costs	**437**	-	21	122	49	**192**	**40**	**2**	**-**	**-**	**(3)**	**668**
Operating expenses	**61**	33	16	14	7	**70**	**11**	**4**	**31**	**3**	**(1)**	**179**
Amortization	**24**	20	9	10	4	**43**	**7**	**2**	**4**	**3**	**-**	**83**
Operating income	**113**	20	20	18	10	**68**	**17**	**11**	**10**	**1**	**(4)**	**216**
Finance charges	**33**	9	7	8	4	**28**	**5**	**2**	**6**	**21**	**(4)**	**91**
Corporate taxes (recovery)	**22**	-	1	4	2	**7**	**1**	**3**	**1**	**(5)**	**-**	**29**
Non-controlling interest	**-**	-	-	-	-	**-**	**4**	**-**	**-**	**-**	**-**	**4**
Net earnings (loss)	**58**	11	12	6	4	**33**	**7**	**6**	**3**	**(15)**	**-**	**92**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Net earnings (loss) applicable to common shares	**58**	11	12	6	4	**33**	**7**	**6**	**3**	**(16)**	**-**	**91**
Goodwill	**907**	227	221	-	63	**511**	**131**	**-**	**-**	**-**	**-**	**1,549**
Identifiable assets	**3,509**	1,340	929	1,006	494	**3,769**	**681**	**244**	**537**	**110**	**(23)**	**8,827**
Total assets	**4,416**	1,567	1,150	1,006	557	**4,280**	**812**	**244**	**537**	**110**	**(23)**	**10,376**
Gross capital expenditures	**40**	63	24	13	7	**107**	**11**	**3**	**3**	**1**	**-**	**165**
Quarter ended March 31, 2007												
Operating revenues	**-**	64	64	154	70	**352**	**77**	**21**	**40**	**3**	**(10)**	**483**
Energy supply costs	**-**	-	20	106	48	**174**	**44**	**2**	**-**	**-**	**(5)**	**215**
Operating expenses	**-**	29	16	14	7	**66**	**17**	**4**	**28**	**2**	**(2)**	**115**
Amortization	**-**	18	8	10	4	**40**	**7**	**3**	**3**	**1**	**-**	**54**
Operating income	**-**	17	20	24	11	**72**	**9**	**12**	**9**	**-**	**(3)**	**99**
Finance charges	**-**	9	6	8	4	**27**	**4**	**3**	**6**	**11**	**(3)**	**48**
Corporate taxes (recovery)	**-**	(4)	2	5	3	**6**	**-**	**2**	**1**	**(2)**	**-**	**7**
Non-controlling interest	**-**	-	-	-	-	**-**	**1**	**-**	**-**	**-**	**-**	**1**
Net earnings (loss)	**-**	12	12	11	4	**39**	**4**	**7**	**2**	**(9)**	**-**	**43**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Net earnings (loss) applicable to common shares	**-**	12	12	11	4	**39**	**4**	**7**	**2**	**(10)**	**-**	**42**
Goodwill	**-**	227	220	-	63	**510**	**148**	**-**	**-**	**-**	**-**	**658**
Identifiable assets	**-**	1,176	824	951	450	**3,401**	**680**	**238**	**488**	**52**	**(18)**	**4,841**
Total assets	**-**	1,403	1,044	951	513	**3,911**	**828**	**238**	**488**	**52**	**(18)**	**5,499**
Gross capital expenditures	**-**	65	31	12	7	**115**	**18**	**-**	**3**	**1**	**-**	**137**

[(1)] Terasen was acquired on May 17, 2007. [(2)] Includes Maritime Electric and FortisOntario [(3)] Includes Belize Electricity, Fortis Turks and Caicos, and Caribbean Utilities on Grand Cayman, Cayman Islands

14. SEGMENTED INFORMATION (cont'd)

Inter-segment transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The significant inter-segment transactions primarily related to the sale of energy from Fortis Generation to Belize Electricity, electricity sales from Newfoundland Power to Fortis Properties and finance charges on inter-segment borrowings. The significant inter-segment transactions for the three months ended March 31, 2008 and 2007 were as follows.

Inter-Segment Transactions

($ millions)	**Quarter Ended March 31** **2008**	2007
Sales from Fortis Generation to Belize Electricity	**3**	5
Sales from Newfoundland Power to Fortis Properties	**1**	1
Inter-segment finance charges on borrowings from:		
Corporate to Regulated Electric Utilities - Canadian	**-**	1
Corporate to Fortis Generation	**1**	-
Corporate to Fortis Properties	**2**	2

15. CAPITAL MANAGEMENT

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

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

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

	As at March 31, 2008		As at December 31, 2007	
	($ millions)	*(%)*	*($ millions)*	*(%)*
Total debt and capital lease obligations (net of cash) [1]	**5,480**	**63.8**	5,476	64.3
Preference shares [2]	**442**	**5.1**	442	5.2
Common shareholders' equity	**2,672**	**31.1**	2,601	30.5
Total	**8,594**	**100.0**	8,519	100.0

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

Certain of the Corporation's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 70 per cent of the Corporation's capital structure, as defined by the long-term debt agreements. As at March 31, 2008, the Corporation and its subsidiaries were in compliance with its debt covenants.

The Corporation's credit ratings and consolidated credit facilities are discussed further under "Liquidity Risk" in Note 17.

16. FINANCIAL INSTRUMENTS

Fair Values

The Corporation has designated its financial instruments as follows:

($ millions)	**As at March 31, 2008**		As at December 31, 2007	
	Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Held for trading				
Cash and cash equivalents [(1)]	**67**	**67**	58	58
Loans and receivables				
Trade and other accounts receivable [(1) (2) (3)]	**725**	**725**	630	630
Derivative financial instrument assets [(3) (4)]	**67**	**67**	5	5
Other receivables due from customers [(1) (2) (5)]	**7**	**7**	7	7
Other financial liabilities				
Short-term borrowings [(1) (2)]	**442**	**442**	475	475
Trade and other accounts payable [(1) (2) (6)]	**697**	**697**	714	714
Derivative financial instrument liabilities [(4) (6)]	**-**	**-**	79	79
Dividends payable [(1) (2)]	**41**	**41**	43	43
Customer deposits [(1) (2) (7)]	**6**	**6**	5	5
Long-term debt, including current portion [(8) (9)]	**5,071**	**5,613**	5,023	5,635
Preference shares, classified as debt [(8) (10)]	**320**	**336**	320	346

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

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

16. FINANCIAL INSTRUMENTS (cont'd)

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

			As at March 31, 2008		As at December, 31, 2007	
(Liability) Asset	**Term to maturity** *(years)*	**Number of Contracts**	**Carrying Value** *($ millions)*	**Estimated Fair Value** *($ millions)*	Carrying Value *($ millions)*	Estimated Fair Value *($ millions)*
Interest rate swaps	**1 to 2**	**4**	**(1)**	**(1)**	-	-
Natural gas derivatives:						
Swaps and options	**Up to 3**	**182**	**65**	**65**	(79)	(79)
Gas purchase contract premiums	**< 1**	**35**	**2**	**2**	5	5

Two of the four interest rate swaps are held by Fortis Properties and are designated as hedges of the cash flow risk related to floating-rate long-term debt. The effective portion of changes in the value of the interest rate swaps at Fortis Properties is recorded in other comprehensive income. The remaining interest rate swaps are held by the Terasen Gas companies. The interest rate swaps are designated as hedges of cash flow risk related to floating-rate debt instruments. The natural gas derivatives are used to fix the effective purchase price of natural gas, as the majority of the natural gas supply contracts have floating, rather than fixed, prices. At the Terasen Gas companies, changes in the fair value of the interest rate swaps and the natural gas derivatives are deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates. The fair values of the natural gas derivatives were recorded in accounts receivable as at March 31, 2008 (December 31, 2007 – in accounts payable and accounts receivable).

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

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

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

17. FINANCIAL RISK MANAGMENT

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

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

Credit Risk

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

FortisAlberta has a concentration of credit risk as a result of its distribution-service billings being to a relatively small group of retailers and, at March 31, 2008, its gross exposure was approximately $83 million, representing the projected value of retailer billing over a 60-day period. The Company has reduced its exposure to less than $2 million by obtaining from the retailers either a cash deposit, bond, letter of credit, an investment-grade credit rating from a major rating agency or by having the retailer obtain a financial guarantee from an entity with an investment-grade credit rating.

The Terasen Gas companies are exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments, including natural gas derivatives. The Terasen Gas companies are also exposed to significant credit risk on physical off-system sales. To mitigate credit risk, the Terasen Gas companies deal with high credit-quality institutions, in accordance with established credit-approval practices. The counterparties with which the Terasen Gas companies have significant transactions are A-rated entities or better. The Company uses netting arrangements to reduce credit risk and net settles payments with counterparties where net settlement provisions exist.

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

($ millions)	**As at March 31, 2008**
Not past due	**676**
Past due 0-30 days	**95**
Past due 31-60 days	**22**
Past due 61 days and over	**20**
	813
Less: allowance for doubtful accounts	**(14)**
	799

17. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk

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

To mitigate this risk, the Corporation and its larger regulated utilities have secured multi-year committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements. Committed credit facilities at Fortis are available for interim financing of acquisitions and for general corporate purposes.

As at March 31, 2008, the Corporation and its subsidiaries had consolidated authorized lines of credit of $2.2 billion, of which $1.3 billion was unused.

The following summary outlines the credit facilities of the Corporation and its subsidiaries.

($ millions)	Corporate and Other	Regulated Utilities	Fortis Properties	**Total as at March 31, 2008**	Total as at December 31, 2007
Total credit facilities	715	1,513	13	**2,241**	2,234
Credit facilities utilized:					
Short-term borrowings	(1)	(441)	-	**(442)**	(475)
Long-term debt (Note 7) [1]	(170)	(145)	-	**(315)**	(530)
Letters of credit outstanding [2]	(50)	(102)	(1)	**(153)**	(159)
Credit facilities available	494	825	12	**1,331**	1,070

[1] As at March 31, 2008, credit facility borrowings classified as long-term debt included $53 million that is included in current installments of long-term debt and capital lease obligations on the balance sheet.
[2] Letters of credit outstanding of $50 million at Terasen Inc., related to its previously owned petroleum transportation business, are secured by a letter of credit from the former parent company.

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

Furthermore, the Corporation and its subsidiaries target investment-grade credit ratings to maintain capital market access at reasonable interest rates. As at March 31, 2008, the Corporation's credit ratings were as follows:

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

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

17. FINANCIAL RISK MANAGEMENT (cont'd)

The following is an analysis of the contractual maturities of the Corporation's financial liabilities and derivative financial assets as at March 31, 2008.

Financial Liabilities

($ millions)	≤ 1 year	>1-3 years	4-5 years	>5 years	**Total**
Short-term borrowings	442	-	-	-	**442**
Accounts payable and accrued charges	697	-	-	-	**697**
Dividends payable	41	-	-	-	**41**
Customer deposits	2	2	1	1	**6**
Long-term debt, including current portion [(1)]	491	352	373	3,888	**5,104**
Preference shares, classified as debt	-	-	-	320	**320**
	1,673	354	374	4,209	**6,610**

[(1)] Excluding deferred financing costs of $33 million included in the carrying value as per Note 16

Derivative Financial Assets

($ millions)	≤ 1 year	>1-3 years	4-5 years	>5 years	**Total**
Natural gas derivatives [(1)]	44	23	-	-	**67**

[(1)] Recorded in accounts receivable on the balance sheet with an equal and offsetting amount recorded in current regulatory liabilities.

Market Risk

Foreign Exchange Risk
The Corporation's earnings from and net investment in self-sustaining foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above exposure through the use of US dollar borrowings. The foreign exchange gain or loss on the translation of US dollar denominated interest expense partially offsets the foreign exchange gain or loss on the translation of US dollar denominated earnings derived from foreign investments. As at March 31, 2008, all of the Corporation's US$391 million of long-term debt had been designated as a hedge of a portion of the Corporation's foreign net investments. Also as at March 31, 2008, the Corporation had approximately US$64 million in foreign net investments available to be hedged.

As of January 1, 2008, an appreciation of 5 per cent of the US dollar-to-Canadian dollar exchange rate would have had an immaterial impact on earnings and a $20 million decrease in other comprehensive income for the three months ended March 31, 2008. This sensitivity analysis is limited to the impact of the translation of US dollar interest expense on earnings and the impact of the translation of the US dollar borrowings on other comprehensive income. The sensitivity analysis excludes the risk arising from the translation of self-sustaining foreign operations to the Canadian dollar because this exposure is limited to the net investment in these operations which is not a financial instrument.

Interest Rate Risk
The Corporation and its operating subsidiaries are exposed to interest rate risk associated with short-term borrowings and floating-rate debt. The Corporation and its operating subsidiaries may enter into interest rate swap agreements to help reduce this risk and, during the first quarter of 2008, the Terasen Gas companies and Fortis Properties were parties to interest rate swap agreements to effectively fix their variable-rate borrowings. As of January 1, 2008, a 50 basis point increase in interest rates associated with variable-rate debt, with all other variables remaining constant, would not have had a material impact on earnings for the three months ended March 31, 2008. Furthermore, certain regulated subsidiaries have regulatory approval to defer any increase or decrease in interest rate expense resulting from fluctuations in their variable interest rates, for recovery from, or refund to, customers in future rates.

17. FINANCIAL RISK MANAGEMENT (cont'd)

Market Risk (cont'd)

Interest Rate Risk (cont'd)
As at March 31, 2008, a 50 basis point increase in interest rates as it impacts the measurement of fair value of the interest rate swap agreements, in the absence of rate regulation and with all other variables remaining constant, would not have had a material impact on other comprehensive income. Furthermore, the Terasen Gas companies have regulatory approval to defer any increase or decrease in the fair value of the interest rate swap agreements for recovery from, or refund to, customers in future rates. Therefore, any change in fair value would have impacted regulatory assets or liabilities rather than other comprehensive income.

In addition, certain of the committed credit facilities have fees that are linked to the Corporation's or subsidiaries' credit ratings. As of January 1, 2008, a downward change in the credit ratings of the Corporation and its currently rated subsidiaries by one level, with all other variables remaining constant, would not have had a material impact on earnings for the three months ended March 31, 2008.

Commodity Price Risk
The Terasen Gas companies are exposed to commodity price risk associated with changes in the market price of natural gas. This risk is minimized by entering into natural gas derivatives that effectively fix the price of natural gas purchases. The natural gas derivatives are recorded on the balance sheet at fair value and any change in the fair value is deferred as a regulatory asset or liability, subject to regulatory approval, for recovery from, or refund to, customers in future rates.

As of January 1, 2008, had the price of natural gas, with all other variables remaining constant, increased by $1 per gigajoule, the fair value of the natural gas derivatives would have increased and, in the absence of rate regulation, other comprehensive income would have increased by $66 million. However, the Terasen Gas companies defer any changes in fair value of the natural gas derivatives, subject to regulatory approval, for future recovery from, or refund to, customers in future rates. Therefore, instead of increasing other comprehensive income, the impact would have increased current regulatory liabilities.

18. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

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

18. CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

Commitments

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

In April 2008, TGVI, after receiving regulatory approval, entered into a contract with a third party for the engineering procurement and construction of a liquefied natural gas storage facility on Vancouver Island. The contract is for approximately $150 million and includes payment of approximately US$55 million. To mitigate the currency fluctuations on the US dollar portion of the contract, the Company entered into a three-year US dollar forward-purchase contact.

Maritime Electric has two new take-or-pay contracts for the purchase of either capacity or energy. The contracts total approximately $125 million through November 30, 2032. The take-or-pay contract with New Brunswick Power includes, among other things, replacement energy and capacity for the Point Lepreau Nuclear Generating Station during its 18-month refurbishment outage. The other take-or-pay contract is for transmission capacity allowing Maritime Electric to reserve 30 MW of capacity on the new International Power Line into the United States.

Caribbean Utilities has a primary fuel supply contract with a major supplier and is committed to purchase 80 per cent of the Company's fuel requirements from this supplier for the running of Caribbean Utilities' diesel-fired generating plant. The contract is for three years terminating in April 2010. The approximate quantities, in millions of imperial gallons, required to be purchased annually during each of Caribbean Utilities' three fiscal years ended April 30 are: 2008 – 25; 2009 – 26 and 2010 – 28.

19. SUBSEQUENT EVENTS

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

In April 2008, FortisAlberta issued $100 million 5.85% senior unsecured debentures, due April 2038. The proceeds will be used to repay existing credit facility borrowings and for general corporate purposes.

In April 2008, FERC issued an order stating that the one-time refund of approximately $3 million ($2 million after-tax) received by FortisOntario in December 2007 from Niagara Mohawk Power Corporation ("NIMO"), associated with cross-border transmission interconnection agreements, should not have been originally ordered as FERC does not have jurisdiction over the interconnection agreements in question and, therefore, did not have jurisdiction to order the refund. FERC expects NIMO to be able to recover from FortisOntario the refunded amounts. FortisOntario has until May 17, 2008 to request a rehearing of this new FERC order.

20. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

Fortis Inc. is the largest investor-owned distribution utility in Canada. With total assets exceeding $10 billion and annual revenues of more than $2.7 billion, the Corporation serves almost 2,000,000 gas and electricity customers. Its regulated holding include a natural gas utility in British Columbia and electric distribution utilities in five Canadian provinces and three Caribbean countries. 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

For the quarter ended March 31, 2008, Fortis Inc. will be filing the Certification of Interim Filings (Form 52-109F2) on SEDAR. Additional information, including the Fortis 2007 Annual Information Form, Management Information Circular and Annual Report, are 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: 709.737.2800