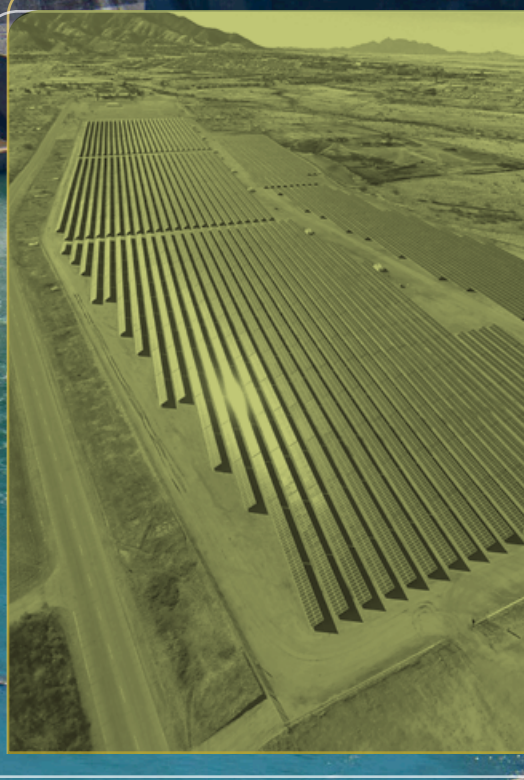
FORTIS INC.

ENVIRONMENTAL REPORT | MARCH 31, 2016



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CORPORATE ENVIRONMENTAL STATEMENT

Fortis is committed to conducting business in an environmentally responsible manner. The Corporation will use sound environmental judgment in its decision making, planning and operations to meet the existing and future energy needs of its customers.

To fulfill this commitment, Fortis subsidiaries will:

- meet and comply with all applicable laws, legislation, policies, regulations and accepted standards of environmental protection;
- manage activities consistent with industry practice and in support of the environmental policies of all levels of government;
- identify and manage risks to prevent or reduce adverse consequences from operations, including preventing pollution and conserving natural resources;
- regularly conduct environmental monitoring and audits of environmental management systems and protocols, and strive for continual improvement in performance;
- regularly set and review environmental objectives, targets and programs;
- communicate openly on environmental issues with stakeholders, including customers, employees, contractors and the general public;
- support and participate in community-based projects that focus on the environment;
- provide training for employees and those working on behalf of the utilities to enable them to fulfill their duties in an environmentally responsible manner;
- work with industry associations, government and other stakeholders to establish standards for the environment appropriate to the utilities' business; and
- seek feasible, cost-effective opportunities to decrease greenhouse gas (GHG) emissions and increase renewable energy sources.

MESSAGE FROM THE PRESIDENT AND CEO

At Fortis, values and corporate priorities define who we are as an organization. Our commitment to safety, respectful workplace, employee development, customer service, community involvement and the environment are woven into the fabric of our corporate culture.

The key goals of the Corporation's regulated utilities are to operate sound electricity and gas distribution systems; deliver safe, reliable, cost-efficient energy to customers; and conduct business in an environmentally responsible manner.

Our corporate Environmental Report highlights many of the programs that our subsidiaries have implemented to help our customers increase their energy efficiency, as well as the projects and initiatives that the Corporation has implemented to deliver on our commitment to use cost-effective, clean energy sources.

A significant milestone for Fortis was achieved on July 10, 2015, which marked the grand opening of the 335-megawatt (MW) Waneta hydroelectric generation expansion in British Columbia. It supplies clean, renewable hydroelectric power for the region.

Tucson Electric Power (TEP) ended the use of coal at its Sundt power plant more than two years ahead of the December 2017 deadline in its agreement with the Environmental Protection Agency (EPA). Its coal-fired generating capacity and GHG emissions will be reduced further by the planned 2017 closure of San Juan Unit 2 in New Mexico. TEP plans to offset reductions in its coal-fired capacity with highly efficient gas-fired combined-cycle generation, renewables and energy efficiency (EE) measures.

Fortis is very committed to conducting business in an environmentally responsible manner. In all our operations, we will continue to exercise sound environmental judgment in executing on our capital program and growth plans to meet the energy needs of customers.

Sincerely,

Barry Perry
President and Chief Executive Officer, Fortis Inc.

The Environmental Report provides information and indicators on how Fortis is managing its impact on the environment, particularly as it relates to GHG emissions. It also provides a baseline for the Corporation's carbon footprint, which will be used as a reference to ensure that the GHG issue is fully considered when developing business strategies and plans.

The Corporation's 2015 utility capital assets of approximately $19.6 billion are mostly comprised of transmission and distribution assets, which typically have lower environmental impact. Thermal generating assets, which typically have the most environmental impact, represent approximately 13% of the Corporation's utility capital assets, as at December 31, 2015.

Clean energy plays an important role as Fortis continues to build new infrastructure and source additional energy supply.

In British Columbia, the 335-MW Waneta Expansion, which came online April 2015, will power about 60,000 homes per year with clean, renewable hydroelectric power. Energy from the Waneta Expansion is consistent with the objective under the provincial Clean Energy Act to reduce GHG emissions.

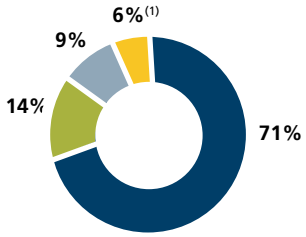
In Arizona, opportunities include rooftop solar and utility-scale solar farms. TEP owns and operates the 17-MW solar array at Fort Huachuca in Sierra Vista, Arizona, which is among the largest solar arrays on any US Department of Defense base in the world. The unit generates enough power to satisfy about one-quarter of the base's energy needs, equivalent to the annual electricity needs of approximately 3,100 homes. It is estimated to offset approximately 23,000 metric tonnes (t) of carbon dioxide (CO_2) emissions per year, while reducing other emissions associated with generating an equivalent amount of power with fossil fuels.

UNS Energy has a long-term energy resource diversification strategy to mitigate environmental impacts of its operations. TEP is pursuing plans to reduce its overall coal generation capacity by increasing its use of natural gas generation, EE programs and renewable power. The utility ended the use of coal at its Sundt power plant more than two years ahead of the December 2017 deadline in its agreement with the EPA. The joint acquisition of the 550-MW natural gas-fired Gila River Power Station in Gila Bend, Arizona by TEP (413 MW) and UNS Electric (137 MW) represents a significant step toward TEP achieving its resource diversification plans to provide reliable, affordable and sustainable energy for customers, while reducing pollutant emissions.

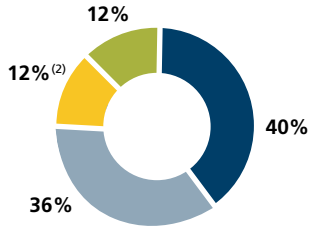
In 2014, of the gross energy produced by Fortis, fossil fuel accounted for approximately 86% and hydroelectricity comprised the majority of the remaining production. The Corporation's own generating assets accounted for approximately 68% of GHG emissions; the remaining 32% was associated with energy purchases.

FORTIS 2014 GENERATION

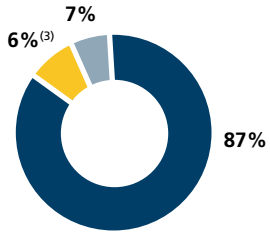
Gross Energy



Capacity



GHG Emissions



Coal Hydroelectric Natural Gas Other

(1) Diesel 5.87%, Solar 0.23%, Biofuel 0.16% & Oil 0.03% (2) Diesel 8.9%, Oil 2.12% & Solar 1.38%; (3) Diesel 5.56% & Oil 0.08%

The table below provides a summary of the Corporation's 2014 gross energy generation, associated GHG emissions and capacity.

Fortis 2014 Generation - Fossil and Non-Fossil						
	Gross Energy		GHG		Capacity	
	GWh[1]	%	t	%	MW	%
Fossil						
Coal	10,296	70.6	8,905,012	87.45	1,515	39.55
Oil	5	0.03	7,906	0.08	81	2.12
Diesel	855	5.87	566,421	5.56	341	8.90
Natural Gas	1,374	9.42	703,598	6.91	1,399	36.52
Biofuel	23	0.16	[2]	[2]	[3]	[3]
Total Fossil	**12,553**	**86.08**	**10,182,937**	**100**	**3,336**	**87.09**
Non-Fossil						
Hydroelectric	1,997	13.69	-	-	442	11.53
Solar	33	0.23	-	-	53	1.38
Total Non-Fossil	**2,030**	**13.92**	**-**	**-**	**495**	**12.91**
Total	**14,583**	**100**	**10,182,937**	**100**	**3,831**	**100**

(1) Gigawatt hours
(2) Biofuel emissions of 12,916 t were not included since these emissions are from a landfill and are considered carbon neutral. The landfill would have emitted GHG through a natural process if the gas was not captured to be used as a fuel for generation.
(3) Biofuel from the City of Tucson's Los Reales Landfill is transported about three miles to help run the H. Wilson Sundt Generating Station's Unit 4, which was also powered by coal and natural gas in 2014. This results in the generation of between 3-4 MW of electricity per hour.

The table below summarizes the 2014 intensity factor (t of GHG emissions per GWh) for the Corporation's gross generation (fossil and total) and energy purchases.

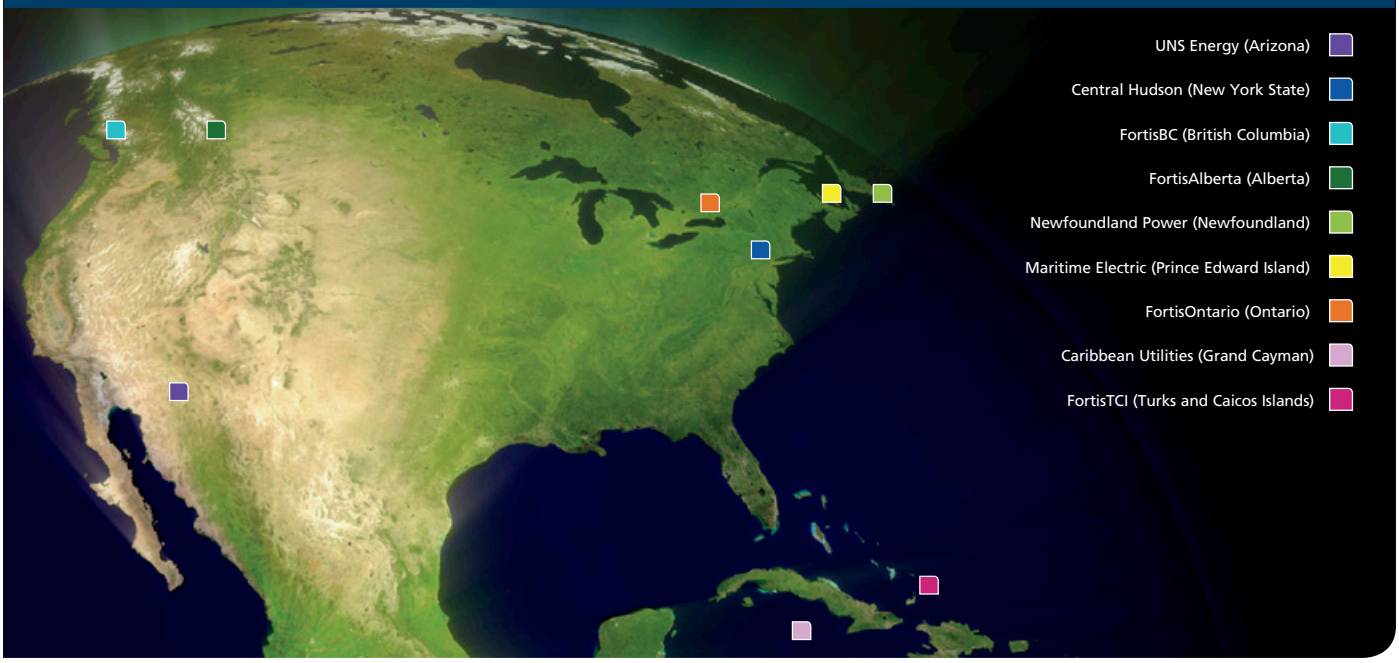
Fortis 2014 Intensity Factor			
	Gross Fossil Generation	Total Gross Generation	Energy Purchases
t of GHG per GWh	**811**	**698**	**291**

Natural gas has a lower carbon footprint compared to other fossil fuels. Whether in the form of compressed natural gas (CNG) or liquefied natural gas (LNG), natural gas is a proven alternative transportation fuel that improves local air quality and reduces GHG emissions when compared to diesel or gasoline. The use of natural gas can reduce GHG emissions by 15% to 25% on a lifecycle basis. The $400 million Tilbury LNG expansion in British Columbia, which commenced construction in 2014, will help meet the growing market demand, most notably from the province's transportation sector. Cleaner-burning natural gas will displace diesel. To meet immediate demands for LNG throughout British Columbia, FortisBC has built a truck load–out component for its Mount Hayes facility, adding capacity of 3,200 gigajoules (GJ) daily. FortisBC is also focused on renewable natural gas, which is a carbon-neutral energy source generated from renewables resources such as agricultural and landfill waste.

At Fortis, natural gas infrastructure is managed in an environmentally responsible manner to minimize any leaks. For example, Central Hudson has a proposed plan to modernize its natural gas delivery systems by replacing aging infrastructure, including select cast iron and bare-steel gas mains on an accelerated basis, and replacing or relocating gas mains in targeted flood areas.

Fortis subsidiaries also have a wide range of EE programs that enable customers to better understand and manage their energy usage. Additionally, these programs have a positive impact on the environment, i.e., lower energy requirements minimizes the resources used and, in cases where the energy is generated from fossil fuel, less GHG is emitted.

Regulated Utility Operations (1) (2)



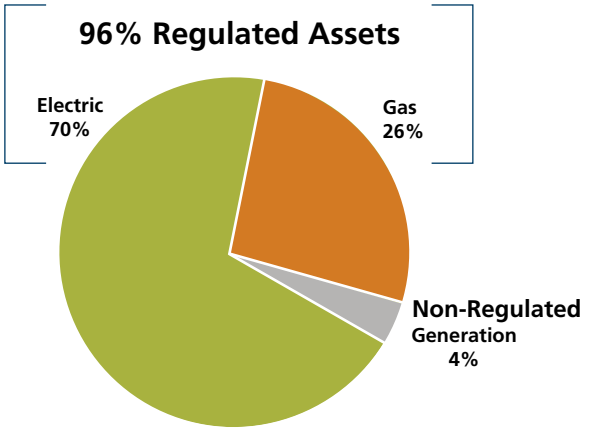
(1) Fortis also holds a 33% equity investment in Belize Electricity Limited in Belize, Central America.
(2) Fortis has non-regulated hydroelectric generation assets in British Columbia and Belize.

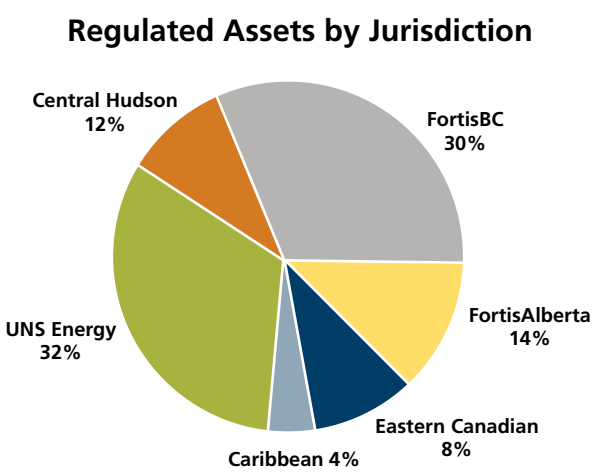
OVERVIEW

Fortis is a leader in the North American electric and gas utility business, with total assets of approximately $29 billion, as at December 31, 2015, and fiscal 2015 revenue of $6.7 billion. The Corporation owns nine regulated utilities – five in Canada, two in the United States and two in the Caribbean – serving more than 3 million customers.

Regulated utilities account for approximately 96% of total assets, as at December 31, 2015. Transmission and distribution assets comprise approximately 65% of total utility capital assets; generation assets comprise approximately 22% (13% thermal, 9% non-thermal), as at December 31, 2015.

TOTAL ASSETS (as at December 31, 2015)





In 2015, the Corporation's electricity distribution systems met a combined peak demand of 9,705 MW; its gas distribution systems met a peak day demand of 1,323 terajoules (TJ).

Fortis also owns long-term contracted hydroelectric generation assets in British Columbia and Belize.

On February 9, 2016, Fortis announced that the Corporation has entered into a transaction to acquire ITC Holdings Corp. (ITC), the largest independent electric transmission company in the United States, for US$11.3 billion. ITC owns and operates high-voltage transmission facilities in Michigan, Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma, serving a combined peak load exceeding 26,000 MW along 15,600 miles of transmission line. In addition, ITC is a public utility and independent transmission owner in Wisconsin. The transaction, which is subject to ITC and Fortis shareholder approvals and the satisfaction of other customary closing conditions and certain regulatory and federal approvals, is expected to close in late 2016.

OBJECTIVES AND SCOPE

The objectives of the Environmental Report are to:

- increase the level of disclosure on the GHG issue to stakeholders;
- highlight the many programs that Fortis subsidiaries have implemented to increase EE and to deliver on the Corporation's commitment to use cost-effective, clean energy sources; and
- provide a baseline on the Corporation's carbon footprint, which will be used as a reference during the decision-making processes on future business strategies.

The scope of the Environmental Report covers the utility operations of Fortis for 2014.[1]

The main focus of the Environmental Report is the direct GHG emissions from the Corporation's generating facilities and indirect GHG emissions related to the energy that it purchases. These two sources of GHG emissions represent the vast majority of GHG emissions that Fortis either directly emits from its facilities or indirectly causes to be emitted through purchases.

There are three main types of GHG emissions which the Environmental Report addresses: CO_2, methane and nitrous oxide. The use of the term GHG refers to the combined total of these gases, which provides a total CO_2 equivalent quantity.

The majority of the data referenced in the Environmental Report was collected in 2014.

Fortis shares its operational expertise throughout its subsidiaries; however, each subsidiary retains autonomy given differences in operations, regulatory environment, size, jurisdiction, and the unique drivers for customers in each area. Each operating subsidiary has its own board of directors that considers the circumstances specific to the subsidiary's own jurisdiction and strives to balance prudent utility operation with the management of environmental issues important to stakeholders. This approach ensures that these environmental issues are incorporated into the subsidiary's long-term planning and decision making.

Environmental issues other than the management of GHG emissions that a particular subsidiary may have to address include some or all of the following:

- air emissions, particularly those resulting from fossil fuel generating facilities;
- storage, handling and transportation of petroleum products and potential for spills and fires;
- environmental reclamation of contaminated sites where Fortis has an ownership interest;
- risk of natural gas leaks;
- fires related to assets and the resulting impact;
- management of hazardous substances; and
- hydroelectric operations and the impact they may have on natural habitats.

Each subsidiary has processes in place to identify and properly manage environmental issues. Each of the Corporation's Canadian regulated utilities and Caribbean Utilities has an ISO 14001 Environmental Management System (EMS) in place, and the ISO 14001 EMS at BECOL and FortisTCI are currently being updated and developed, respectively. The Corporation's U.S. utilities both have comprehensive environmental protocols in place.

SUBSIDIARY INITIATIVES

The following discussion highlights some of the Fortis subsidiary initiatives focused on clean energy to reduce GHG emissions and meet the climate change challenge.

HYDROELECTRIC

The 335-MW Waneta Expansion came online in April 2015. Fortis owns a 51% interest in the Waneta Partnership and FortisBC operates and maintains the investment. The output is being sold to BC Hydro and FortisBC Electric under 40-year agreements. The Waneta Expansion will power some 60,000 homes per year through clean, renewable hydroelectric power. The energy to be produced is consistent with the objective under the British Columbia Clean Energy Act to reduce GHG emissions.

When New York State deregulated energy generation and required utilities to sell their power plants around the start of this century, Central Hudson successfully petitioned to continue operation of three hydroelectric facilities in Ulster County. These facilities have a combined generating capacity of 22 MW of renewable energy.

BECOL provides primary and backup power for Belize's national grid, thus increasing the stability and reliability of the country's power system. Its three hydroelectric generating facilities (Mollejon, Chalillo and Vaca) have a total of 51 MW. The Chalillo dam helps manage water flow to the Macal River and has greatly reduced the occurrence of flash floods to the downstream communities.

SOLAR POWER

In 2014, the Solar Electric Power Association (SEPA) ranked TEP, UNS Energy's largest subsidiary, in 8th place for new solar capacity and in 10th place for per capita additions to its solar energy portfolio, with 178 watts per customer. The rankings reflect community-scale systems owned by TEP and its partners, as well as smaller systems installed at local homes and businesses.

TEP's Residential Solar Program provides customers the opportunity to go solar with no upfront installation or maintenance costs. It was first made available to between 500 and 600 customers in summer 2015 in areas where the utility's rooftop solar arrays would strengthen reliability for the local electric grid that serves all customers. The program complements TEP's Bright Tucson Community Solar Program, which allows customers to receive some or all of their electricity by purchasing locally generated solar power.

TEP's 17-MW community-scale solar array at the US Army base Fort Huachuca in Sierra Vista, Arizona is among the largest existing solar arrays on any US Department of Defense base in the world. The system, which went into operation in December 2014, generates enough power to satisfy about one-quarter of the base's energy needs and is equivalent to the annual electric needs of approximately 3,100 homes. It is estimated to offset approximately 23,000 t of CO_2 emissions per year, while reducing other emissions associated with generating an equivalent amount of power with fossil fuels.

TEP's renewable portfolio in 2014 also included: the 35-MW Avalon solar array, which utilizes a single-axis tracker system to maximize power generation; the 10-MW White Mountain solar system, which comprises of 2.8 MW of traditional rooftop panels and an innovative 7.3 MW low-concentrated photovoltaic (PV) single-axis tracking system; and the 5-MW solar thermal system installed at the H. Wilson Sundt Generating Station in Tucson, which provides a solar steam "boost" to the plant's Unit 4.

TEP's solar resources also help to satisfy the requirements of Arizona's Renewable Energy Standard (RES), which calls on utilities to increase their use of renewable power each year until it accounts for 15% of their energy in 2025. Renewable resources output is equivalent to 7.1% of TEP's total 2014 retail sales and surpassed the incremental RES requirement of 4.5% for the year. At year-end 2014, TEP and UniSource Energy Services had approximately 330 MW and 28 MW, respectively, of renewable generating capacity available.

Since 2007 Central Hudson has been named among the top utilities nationally by SEPA. In 2014 SEPA ranked Central Hudson in the top 5% or higher in customer-sited solar installations within the utility's service area. The utility's relationship with the local solar energy industry and its commitment to customers wanting to install solar systems has resulted in the Mid-Hudson Valley becoming one of the top regions in the United States for solar energy.

Central Hudson is partnering with an educational institution to install a 1.3-MW solar array, currently the largest in the Mid-Hudson Valley. At the end of 2014, more than 2,750 of the utility's customers had installed solar systems, representing nearly 40 MW of installed capacity.

FortisTCI initiated a pilot program and installed a 35-kilowatt solar system on Providenciales, Turks and Caicos Islands in early 2014. The system produced a total of 40,963 kilowatt hours in 2014. The utility has developed solar energy programs that were publicly launched in November 2015. By way of the company's new rooftop solar initiatives, Customer-Owned Renewable Energy and Utility-Owned Renewable Energy, FortisTCI aims to add 7 MW of solar PV capacity by 2020.

WIND ENERGY

Maritime Electric has worked with the Government of Prince Edward Island (PEI), which owns and operates wind farms that currently supply energy to Maritime Electric's system. The utility has entered into long-term renewable power purchase agreements to buy all of the energy supplied from the provincially owned wind farms. Available capacity increased over the years, most notably in 2007 and 2014 when wind farms each with capacities of 30 MW came online.

The Renewable Energy Act enacted by the Government of PEI in 2005 mandates that a minimum of 15% of energy sold by Maritime Electric be obtained from renewable sources starting in 2010. The 2010 requirements were met and have been exceeded annually. Energy supplied from wind exceeded 24% of the total energy sold in 2014.

NATURAL GAS

In October 2014, FortisBC broke ground on its $400 million Tilbury LNG facility expansion in Delta, British Columbia to meet growing market demand, most notably from the province's transportation sector. (British Columbia currently has more than 500 natural gas vehicles using either LNG or CNG on the road – the most heavy-duty natural gas vehicles of any province in Canada.) The Tilbury LNG expansion includes a second LNG tank and a new liquefier, both expected to be in service in 2016.

To meet immediate needs for the increased demand for LNG throughout British Columbia, at the end of 2014 FortisBC built a truck load-out component for its Mount Hayes facility, adding capacity of 3,200 GJ daily. In fall 2014, Seaspan Ferries and BC Ferries announced the construction of LNG ferries, some of the first marine vessels of their kind in Canada. Seaspan has signed a supply agreement with FortisBC for up to 200,000 GJ of LNG per year.

In 2014 FortisBC's leak detection program survey at transmission compressor stations throughout the utility's mainland and Vancouver Island systems has resulted in a year-over-year approximate 10% reduction in fugitive emissions reported to the British Columbia Ministry of Environment for compressor stations. In 2014 FortisBC removed the last remaining three-way valve pneumatic controllers while reducing operating hours through low-bleed pneumatic devices by more than 50%. These two measures combined resulted in a reduction of 86 t of vented GHG emissions.

Central Hudson has proposed a plan to modernize and strengthen the electric and natural gas delivery systems throughout its service territory. In the utility's current rate agreement, the New York State Public Service Commission and Central Hudson agreed upon an aggressive gas infrastructure program that calls for the replacement of leak-prone pipe.

RENEWABLE NATURAL GAS

As part of its gas supply, FortisBC's gas business harvests biomethane, also known as renewable natural gas (RNG), a carbon-neutral energy source generated from renewable resources such as agricultural and landfill waste.

In 2011 FortisBC became the first utility in North America to offer RNG as a direct response to customer requests for this type of product.

In 2014 FortisBC purchased more than 100,000 GJ of RNG from suppliers, displacing the equivalent in conventional natural gas on its system and avoiding the release of 5,254 t of GHG emissions; FortisBC's customers received enough RNG to reduce carbon emissions by approximately 6,201 t of GHG emissions.

In 2014 FortisBC requested expressions of interest from potential biomethane suppliers for its RNG program. The utility is seeking interest from suppliers for an additional supply of up to 1.5 petajoules (PJ), or enough RNG to provide heat and hot water for approximately 16,000 homes annually.

For more than 15 years, TEP has used methane gas from a nearby landfill to help produce power for customers. Methane from the City of Tucson's Los Reales Landfill is transported approximately three miles to help run the H. Wilson Sundt Generating Station's Unit 4, which was also powered by coal and natural gas in 2014. Methane fuels the generation of between 3 to 4 MW of electricity, enough energy to supply 4,000 homes.

OPTION TO PURCHASE GREEN ENERGY

Some Fortis subsidiaries, subject to availably of supply, provide customers with the option to purchase green energy. For example, FortisBC customers who wish to purchase green energy are able to sign up for a 5%, 10%, 25%, 50% or 100% blend of RNG to conventional gas. Also, TEP's Bright Tucson Community Solar Program provides customers with the choice to obtain some or all of their electricity needs by purchasing locally generated solar power.

FLEET EMISSION REDUCTIONS

Biodiesel fuel is used by Central Hudson's heavy fleet of vehicles from spring through fall. The fuel, a blend of soybean oil and petroleum diesel, reduces unburned hydrocarbons by 20%, carbon monoxide by 12% and particulate matter by 12%. Central Hudson deploys eight hybrid line trucks, which lower emissions and fuel use over diesel-only vehicles, saving a combined 12,000 gallons of fuel and approximately 122 t in CO_2 emissions annually.

FLEET MONITORING TECHNOLOGY

Through the use of Telematics, a fleet-monitoring technology that FortisAlberta introduced in 2013, the utility is able to monitor key performance indicators, such as fuel consumption levels and vehicle utilization rates. The use of telematics has improved fuel efficiency by prompting drivers to improve their driving habits. After one year of having the technology in place, FortisAlberta vehicles had 300,000 fewer kilometres and used 11% less fuel. In total, the company reduced fuel consumption by more than 550,000 litres.

WATER MANAGEMENT

TEP's Springerville Generating Station is a zero-liquid discharge (ZLD) facility – essentially managing all its wastewater recovery on the plant site, with none of the liquid discharged into the environment. The utility is also co-owner of Navajo Generating Station, Gila River Power Station and Luna Energy, which are also ZLD facilities. Other TEP co-owned facilities, San Juan Power Plant and Four Corners Power Plant, also manage water use in an environmentally responsible manner. For example, in some of the plant processes at San Juan Power Plant, water is reused as many as 50 to 100 times before it is ultimately evaporated.

TEP's Sundt Generating Station in Tucson, DeMoss Petrie and NorthLoop are part of the Tucson Active Management Area for water usage and, as such, account for water usage to the Arizona Department of Water Resources.

TREE PLANTING

Over the years, TEP and its customers have contributed more than US$2 million to support Tucson Clean and Beautiful in its tree planting efforts. Over more than two decades, TEP has helped fund the planting of more than 110,000 trees. In 2014, more than 8,000 trees were added to Tucson and surrounding communities through TEP's Trees for Tucson Program. The environmental achievements of these efforts in 2014 included 29,000 t of CO_2 production avoided and nearly 670 acres of canopy added to Tucson's urban forest.

SULPHUR HEXAFLUORIDE MANAGEMENT

Newfoundland Power, in its effort to limit the amount of Sulphur Hexafluoride (SF_6), a GHG released from circuit breakers, has implemented a number of initiatives, including using SF_6 gas reclaimers to capture SF_6 gas during maintenance, which significantly reduces the quantity of SF_6 being released; and maintaining SF_6 circuit breakers to include bushing gasket replacement and checks on the integrity of the SF_6 gas containment system. Through its ongoing breaker inspection and maintenance program, Newfoundland Power ensures the SF_6 gas is managed in an environmentally responsible manner. Since 2008 a total of 26 breakers have been replaced.

ENERGY-USAGE REDUCTION PRACTICES

Fortis is committed to promoting and delivering broad cost-effective EE and conservation programs to customers. These programs help customers save money, and they have a positive impact on the environment by resulting in reduced air emissions and water usage.

There is a diverse array of EE initiatives, incentives and programs that have been implemented by Fortis utilities. Some of the main objectives of the various activities are to:

- incent customers to install insulation and programmable thermostats;
- incent customers to invest in high-efficiency technologies, such as EE lighting and lighting controls, LED and compact fluorescent lighting, pumps, motors, and heat ventilation and air conditioning equipment;
- incent builders to design and construct residential and commercial buildings based on EE construction standards;
- promote EE by influencing consumer behavior through the provision of information about household energy usage and action tips to reduce energy usage;
- provide rebates to non-residential customers for purchasing and installing high-efficiency space or water heating equipment;
- encourage residential electric and gas customers to replace their space, heating and cooling equipment with a wide range of EE options eligible for rebates, e.g., central air conditioners and heat pumps, natural gas furnaces, steam and water boilers and indirect water heating;
- incent residential customers to recycle their secondary, inefficient refrigerators and freezers, as well as room air conditioners;
- ensure EE is considered when designing power lines and purchasing electrical equipment, e.g., transformers and street lights; and
- participate in community events to promote EE retailers, contractors and home builders.

TEP RESOURCE DIVERSIFICATION STRATEGY

TEP is pursuing plans to reduce its overall coal generation capacity by more than 30% by increasing its use of natural gas generation, EE and renewable power.

In December 2014, TEP and UNS Electric jointly acquired the 550-MW natural gas-fired Gila River Power Station in Gila Bend, Arizona. TEP owns a 413-MW share of the new resource and UNS Electric owns the remaining 137 MW interest. The resource features combined-cycle technology that improves fuel efficiency by capturing waste heat and using it to help generate additional electricity. The investment represents a significant step toward TEP achieving its resource diversification plans to provide reliable, affordable and sustainable energy for customers while reducing pollutant emissions, including GHGs.

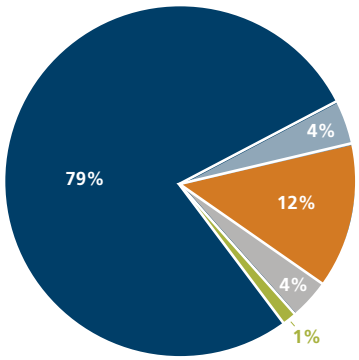
Over the next decade, TEP is expecting 50,000 new customers, as well as annual increases in peak energy demand.

The utility plans to satisfy this projected demand, while following a long-term diversification strategy that calls for closing some coal-fired generating units and eliminating coal as a fuel source at others. This approach balances minimizing costs for customers, enhancing sustainability and satisfying regulatory requirements, while effectively using existing infrastructure. TEP's resource plan will reduce CO_2 emissions without compromising the affordability, safety or reliability of service to customers.

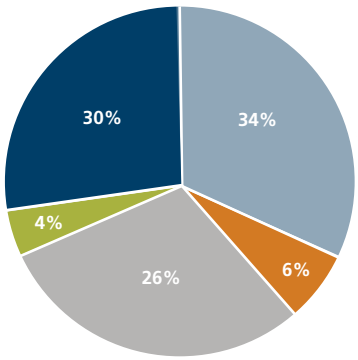
TEP has already taken significant steps to reduce reliance on coal-fired generation and increase investments in cost-effective renewable energy resources. The utility also continues to carefully study the EPA's Clean Power Plan (CPP), and how it might affect the utility's resource diversification plans, notwithstanding the U.S. Supreme Court's recent stay of the CPP.

INTEGRATED RESOURCE PLAN

2014 Portfolio Energy Mix (1)



2032 Portfolio Energy Mix (2) (3)



Coal | Natural Gas | Purchase Power | Community Scale Renewables | Distributed Generation

(1) Based on 2014 Integrated Resource Plan adjusted to reflect energy for retail sales. The value for retail sales incorporates reductions from energy efficiency.
(2) Based on 2016 Preliminary Integrated Resource Plan to meet retail sales. The value for retail sales incorporates reductions from energy efficiency.
(3) Results assume the exit from San Juan Generating Station in 2022, Navajo Generating Station in 2030 and the Four Corners Power Plant in 2031.

ELECTRICITY INDICATORS

The Corporation's major sources of direct and indirect GHG emissions are associated with its fossil fuel generating facilities and energy purchases, respectively.

The table below provides a summary of the Corporation's gross generation and energy purchases by fuel type and the associated GHG emissions in 2014.

Fortis - Fossil Fuel Energy Production and GHG Emissions by Fuel Type (2014)

	Gross Generation		GHG	
Fuel Type	**GWh**	**%**	**t**	**%**
Coal	10,296	82.02	8,905,012	87.45
Oil	5	0.04	7,906	0.08
Diesel	855	6.81	566,421	5.56
Natural Gas	1,374	10.95	703,598	6.91
Biofuel	23	0.18	(1)	(1)
Total Fossil	**12,553**	**100**	**10,182,937**	**100**

(1) Biofuel emissions of 12,916 t were not included since these emissions are from a landfill and are considered carbon neutral. The landfill would have emitted GHG through a natural process if the gas was not captured to be used as a fuel for generation.

The table below provides a summary of fossil and non-fossil gross generation and energy purchases and the associated GHG emissions and intensity factors in 2014.

Fortis - Generation and Purchases (2014)

	Gross Generation				Energy Purchases		
	GWh		Direct GHG		Indirect GHG		
Type	**GWh**	**%**	**t**	**t per GWh**	**GWh**	**t**	**t per GWh**
Fossil	12,553	86.08	10,182,937	811	(1)	(1)	(1)
Non-Fossil	2,030	13.92	-	-	(1)	(1)	(1)
Total	**14,583**	**100**	**10,182,937**	**698**	**16,444**	**4,778,911**	**291**

(1) A breakdown of energy source by type is not available because a significant portion of the energy purchased is from the grid. Where a determination of the purchased energy source cannot be made, GHG emissions are estimated using emission factors to take into account the energy generation mix from where the grid is located.

Certain subsidiaries are able to estimate portions of their energy purchases: Newfoundland Power - hydroelectricity 78%; Maritime Electric - wind 23% & nuclear 17%; and UNS Energy - solar 4% & wind 3%. At FortisOntario, a large portion of purchases is comprised of hydroelectric energy from Quebec.

The table below summarizes the quantity and types of fossil fuel used for generation by fuel type in 2014.

Fortis - Fuel Used in Generation (2014)

Fuel Type	Coal	Oil	Diesel	Natural Gas	Biofuel
	t	L(1)	L(1)	PJ	PJ
	4,598,597	2,921,818	209,156,218	13.13	0.56

(1) Litres

The table below shows the water consumption indicators for UNS Energy, i.e., water consumed in energy production from fossil fuel generation.

UNS Energy - Water Consumed in Energy Production from Fossil Fuel Generation (2014)		
Gross Fossil Fuel Generation	Water Consumed	
GWh	L millions	L millions per GWh
11,607 [1]	22,180	1.91

[1] Represents 99.5% & 99.2% of all of UNS Energy's fossil fuel generation and total generation, respectively. Represents 92.5% & 79.6% of the Corporation's fossil fuel generation and total generation, respectively.

NATURAL GAS INDICATORS

The table below summarizes information pertaining to natural gas indicators for the three subsidiaries with natural gas operations, i.e., FortisBC, Central Hudson and UNS Energy.

Fortis Natural Gas Indicators (2014)			
Sold	Loss	Loss as a percentage sold	Loss
PJ	PJ	%	t of GHG
231	0.386	0.17	155,553

REVENUE AND FULL-TIME EMPLOYEE INDICATORS

The table below summarizes revenue and Full-Time Employee (FTE) indicators for 2014.

Fortis 2014 Revenue and FTE Indicators[1]			
	GHG		
	t	t per $M of Revenue	t per FTE
Fossil Fuel Generation (Direct Source of Emissions)	10,182,937	1,645	1,322
Combined Total of GHG Emissions from Fossil Fuel Generation and Natural Gas Losses (Direct Source of Emissions)	10,338,490	1,670	1,343
Energy Purchases (Indirect Source of Emissions)	4,778,911	772	621
Total	**15,117,401**	**2,442**	**1,964**

[1] Fortis 2014 revenue was adjusted to account for the full-year effect of UNS Energy and for the removal of non-utility assets, resulting in a 2014 revenue estimate of $6,190M.

FOOTNOTE

1. *Fortis sold its non-regulated hydroelectric generating facilities in Upstate New York and Ontario in June 2015 and July 2015, respectively. Data pertaining to these assets is included in the Environmental Report.*

   The scope does not include the non-utility hotel and commercial real estate assets held by Fortis Properties, which were sold in 2015.

   Fortis has an approximate 60% ownership interest in Caribbean Utilities; however, the energy and associated GHG emission data contained in the Environmental Report pertains to 100% of the utility's generation.

   UNS Energy was acquired on August 15, 2014; however, the energy and associated GHG emission data contained in the Environmental Report pertains to the utility's operations for the full year 2014. This will provide a more complete view of the Corporation's energy and GHG emissions on an annual basis.

   FortisAlberta acts as a conduit to deliver energy to customers. The utility has no generation or energy purchases and, as such, it has no GHG emissions related to these particular areas. Its electric energy sales were 17,372 GWh in 2014.

   Central Hudson's electric energy sales were 5,075 GWh in 2014. Approximately 50% of these sales were from the delivery of electricity to customers who purchase power from third parties. For these sales, Central Hudson only provides delivery service and, as such, it had no GHG emissions associated with this delivered energy.

SECTION 5 | SUMMARY STATEMENT

Fortis is managing resources prudently and delivering quality service to maximize value to customers and shareholders. The Corporation understands the importance of minimizing GHG emissions and is addressing this issue by:

- promoting EE programs designed to help customers reduce their energy usage;
- focusing on clean energy which plays an important role in building new infrastructure and sourcing additional energy supply; and
- reducing reliance on coal over the next few years by replacing portions of existing coal generation with efficient combined-cycle gas turbines and renewables, particularly by adding solar generating capacity.

Transparency on GHG emissions is important and Fortis is committed to continual improvement, as it relates to both environmental performance and reporting. The Corporation plans to publish annual environmental reports on GHG emissions and potentially expand the level of reporting to capture other direct GHG sources as it becomes feasible to do so.

The Environmental Report provides a baseline of the Corporation's carbon footprint and will be used as a reference to ensure the GHG issue is fully considered when developing business strategies and plans.

FORTIS COMPANIES

FortisBC is an integrated energy solutions provider focused on providing natural gas, electricity, propane and alternative energy solutions to approximately 1,150,000 customers in more than 135 communities in British Columbia. In 2015, the Company met a peak day natural gas demand of 1,074 TJ and a peak electricity demand of 624 MW.

UNS Energy is a vertically integrated utility services holding company, headquartered in Tucson, Arizona, engaged through three subsidiaries in the regulated electric generation and energy delivery business, primarily in the State of Arizona, serving approximately 663,000 electricity and gas customers. In 2015, the Company met a peak day natural gas demand of 109 TJ and a peak electricity demand of 3,267 MW.

Central Hudson, a wholly owned subsidiary, is a transmission and distribution utility serving approximately 379,000 electric and natural gas customers in eight counties of New York State's Mid-Hudson River Valley. In 2015, the Company met a peak electricity demand of 1,059 MW and a peak day natural gas demand of 140 TJ.

FortisAlberta, a wholly owned subsidiary, is a distribution utility providing electricity in central and southern Alberta. The Company serves approximately 539,000 customers and met a peak demand of 2,733 MW in 2015.

Newfoundland Power is an integrated electric utility and the principal distributor of electricity on the island portion of Newfoundland and Labrador, serving approximately 262,000 customers in some 600 communities. Newfoundland Power met a peak demand of 1,359 MW in 2015.

Maritime Electric is an integrated electric utility that directly supplies approximately 78,000 customers, constituting approximately 90% of electricity consumers on Prince Edward Island. The Company purchases most of the energy it distributes to its customers from NB Power, a New Brunswick Crown corporation, through various energy purchase agreements. Maritime Electric met a peak demand of 264 MW in 2015.

FortisOntario provides integrated electric utility service to some 65,000 customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. Its operations are comprised of Canadian Niagara Power, Cornwall Electric and Algoma Power. The Company also owns a 10% interest in certain regional electric distribution companies serving approximately 40,000 customers. FortisOntario met a combined peak demand of 260 MW in 2015.

Caribbean Utilities, an approximate 60% owned subsidiary, generates, distributes, transmits and supplies electricity on Grand Cayman, Cayman Islands. The Company serves approximately 28,000 customers and met a peak demand of 101 MW in 2015.

FortisTCI generates and transmits electricity to approximately 14,000 customers on the islands of Providenciales, North Caicos, Middle Caicos, South Caicos, Grand Turk and Salt Cay and met a combined record peak demand of 38 MW in 2015.

Fortis Generation includes the operations of non-regulated hydroelectric generating assets in Canada and Belize with a combined generating capacity of approximately 400 MW in 2015.

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