Q. On page 47, Mr. Coyne discusses the views of the credit agencies and quotes a January 2018 Moody's debt rating report. Please provide a copy of ALL debt rating reports for Newfoundland Power and Fortis Inc. that have been produced since 2014.

A. Please see Attachments A through I for all debt rating reports for Newfoundland Power that have been produced since 2014.

Please see Attachments J through Y for all debt rating reports for Fortis Inc. that have been produced since 2014.

Newfoundland Power
Moody's Credit Opinion
January 2014

MOODY'S
INVESTORS SERVICE

Credit Opinion: Newfoundland Power Inc.

Global Credit Research - 17 Jan 2014

St. John's, Newfoundland, Canada

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
First Mortgage Bonds -Dom Curr	A2

Contacts

Analyst	Phone
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William L. Hess/New York City	212.553.3837

Key Indicators

[1]**Newfoundland Power Inc.**

	9/30/2013(L)	12/31/2012	12/31/2011	12/31/2010	12/31/2009
CFO pre-WC + Interest / Interest	**3.9x**	**3.3x**	**3.4x**	**3.5x**	**3.1x**
CFO pre-WC / Debt	**19.7%**	**15.8%**	**17.9%**	**18.6%**	**15.0%**
CFO pre-WC - Dividends / Debt	**15.6%**	**13.8%**	**7.7%**	**15.4%**	**9.8%**
Debt / Capitalization	**51.0%**	**52.0%**	**54.2%**	**47.9%**	**49.2%**

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Low-risk regulated electric utility

Supportive regulatory and business environment

NPI is independent of Fortis Inc.

Corporate Profile

Headquartered in St. John's, Newfoundland, Newfoundland Power Inc. (NPI) is a vertically integrated electric utility which operates under cost of service regulation as administered by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) under the Public Utilities Act (the Act). NPI is a wholly-owned subsidiary of Fortis Inc. (FTS, not rated), which is primarily a diversified electric and gas utility holding company also based in St. John's.

SUMMARY RATING RATIONALE

NPI's Baa1 issuer rating reflects the company's low business risk as a vertically integrated cost-of-service regulated utility with no unregulated business activities. Approximately 93% of NPI's power requirements are purchased from provincially-owned Newfoundland & Labrador Hydro (Hydro), the cost of which is passed through to ratepayers. Despite NPI's allowed Return on Equity (ROE) of 8.80% for 2013-2015, we continue to view the PUB as one of the more supportive regulators in Canada. Regulatory decisions tend to be reasonably timely and balanced and NPI's 45% deemed equity is among the highest in Canada. In addition, NPI benefits from a number of deferral accounts that are intended to protect it from factors beyond management's control. The rating is consistent with NPI's financial metrics but reflects a cautionary note related to our concern that the utility's future ability to fully recover costs and earn returns may be compromised as the Province of Newfoundland and Labrador undertakes development of the Muskrat Falls hydroelectric project on the lower Churchill river and the related transmission infrastructure. This politically charged project is large relative to the provincial economy and is expected to place considerable upward pressure on future electricity rates.

DETAILED RATING CONSIDERATIONS

LOW-RISK BUSINESS MODEL

NPI's rating reflects the company's low business risk as a cost of service-regulated utility. NPI owns and operates a vertically integrated electric utility located on the island portion of the province of Newfoundland and Labrador and dominates that market, which is geographically isolated and effectively protected from potential competition. NPI serves roughly 87% of the province's electricity customers. The market is mature and has tended to grow at a relatively low and predictable rate of about 2% annually. Historically, growth has not taxed NPI either operationally or financially. Although NPI is vertically integrated, NPI's own generation assets are regulated and represent only 15% of NPI's property, plant and equipment. Accordingly, we consider NPI's business risk profile to be more like that of a T&D utility than a vertically integrated utility. Transmission and distribution is regarded as a relatively lower risk segment of the electric utility industry since it is typically not exposed to commodity price and volume risks or the operational, financial and environmental risks associated with electricity generation.

SUPPORTIVE REGULATORY AND BUSINESS ENVIRONMENT

All of NPI's operations are located in Canada whose regulatory and business environments we consider supportive relative to those in other jurisdictions. Furthermore, we consider the PUB to be one of the more supportive regulators in Canada with its decisions reasonably timely and balanced. PUB's review and approval of NPI's capital spending plans and long-term debt issuances significantly reduce the risk of cost disallowances or NPI's ability to fully recover costs on a timely basis. NPI submits a proposed capital plan for PUB approval annually. Furthermore, NPI is required to obtain PUB pre-approval for the issuance of any First Mortgage Bonds (FMB) or the incurrence of credit facilities with maturities exceeding one year. NPI's allowed ROE of 8.80% is expected to remain at that level for the period 2013-2015. While it remains relatively low, it is mitigated by one of the highest deemed equity levels in Canada at 45%.

Several cost recovery mechanisms reduce NPI's exposure to unexpected costs due to variations in purchased power costs, weather and pension and other post-employment benefit (OPEB) costs. While NPI foregoes some upside potential, the stability and predictability of its cash flows are increased. For example, the Rate Stabilization Account (RSA) facilitates timely recovery of purchased power costs in excess of those forecasted for rate-making purposes. We consider this particularly important since the marginal cost of power that NPI obtains from Hydro exceeds the average supply costs embedded in customer rates. The RSA provides for the amortization of the under or over collection over a 12 month period. Other mechanisms include the Weather Normalization Account and the Demand Management Incentive Account (which limits NPI's exposure to variation in the demand component of supply costs to approximately $0.6 million).

NPI IS INDEPENDENT OF FORTIS INC.

While NPI is one of a number of utility operating companies owned by Fortis, we consider NPI, like sister companies FortisAlberta Inc., FortisBC Inc., FortisBC Energy Inc. and FortisBC Energy (Vancouver Island) Inc., to be operationally and financially independent from Fortis. Fortis has consistently demonstrated good management and support of its subsidiaries and we view NPI's access to the executive and strategic support of Fortis to be a credit positive.

NPI's liquidity arrangements are considered adequate in the context of its relatively stable cash flow and funding requirements.

In 2014, NPI plans to spend about $98 million on capital expenditures and pay about $24 million in dividends.

Additionally, NPI requires $34.5 million for debt maturities and sinking fund installments in 2014. With annual FFO of about $70-80 million, we expect that any free cash flow shortfall is funded through NPI's bank credit facilities and adjustments to dividends paid.

The company's core liquidity facility is a $100 million syndicated committed revolving credit facility that matures in August 2017. While the credit agreement contains a covenant that NPI maintain its debt to capitalization ratio at or below 65%, it does not include a material adverse change (MAC) clause or representation and warranty declaration prior to drawdown. Unutilized capacity under this facility was $56 million at September 30, 2013.

Structural Considerations

The A2 rating of NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets. This is consistent with the two notch differential between most senior secured debt ratings and senior unsecured debt ratings of investment-grade regulated utilities operating in North America. The differential is based on our analysis of the history of regulated utility defaults, which indicates that regulated utilities have experienced lower loss given default rates (higher recovery rates) than non-financial, non-utility corporate issuers.

Rating Outlook

The rating outlook is stable based on our expectation that, with relatively stable cash flow generation and capital structure NPI will continue to generate CFO pre-WC to debt in the range of 14% to 17% and cash flow interest coverage in the low 3x range.

What Could Change the Rating - Up

NPI's rating would likely be upgraded if there was a sustainable improvement in financial metrics, such as cash flow interest coverage above 3.4x, CFO pre-WC to debt above 17% and RCF to debt above 12%.

What Could Change the Rating - Down

We consider a downward revision in NPI's rating to be unlikely in the near term. However, NPI's rating would likely be downgraded if we perceived a meaningful reduction in the level of regulatory support combined with a sustained deterioration in NPI's financial metrics such as cash flow interest coverage of less than 2.6x, CFO pre-WC to debt in the low teens and RCF to debt below 9%.

Rating Factors

Newfoundland Power Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 9/30/2013**		[3]**Moody's 12-18 Month Forward ViewAs of January 2014**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.4x	Baa	3.0x - 3.4x	Baa

b) CFO pre-WC / Debt (3 Year Avg)	17.5%	Baa	14% - 17%	Baa
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	12.3%	Baa	10% - 13%	Baa
d) Debt / Capitalization (3 Year Avg)	49.5%	Baa	48% - 52%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching	0	0	0	0
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 9/30/2013(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

MOODY'S
INVESTORS SERVICE

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Newfoundland Power
DBRS Credit Rating Report
August 2014

Rating Report

Report Date:
August 13, 2014

Previous Report:
November 14, 2013

Insight beyond the rating.

Newfoundland Power Inc.

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The Company

Newfoundland Power Inc. generates, transmits and distributes electricity. The Company has approximately 256,000 customers throughout the island portion of the province of Newfoundland and Labrador. It purchases approximately 93% of its electricity needs from government-owned Newfoundland and Labrador Hydro and generates the balance from its own generation facilities (140 megawatts). Newfoundland Power Inc. is a wholly owned subsidiary of Fortis Inc., a Canadian public holding company focused primarily on electric and gas utility operations in Canada, the Caribbean and the United States.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
First Mortgage Bonds	A	Confirmed	Stable
Preferred Shares - cumulative, redeemable	Pfd-2	Confirmed	Stable

Rating Update

DBRS has confirmed the ratings of Newfoundland Power Inc. (Newfoundland Power or the Company), as listed above, all with Stable trends. The rating confirmations reflect Newfoundland Power's regulated electric distribution business with low business risk, combined with the Company's stable financial profile and customer base.

Newfoundland Power's business risk profile continues to be supported by a reasonable regulatory environment in Newfoundland and Labrador (regulated by the Board of Commissioners of Public Utilities (PUB)). The Company operates under a cost of service (COS) framework, which allows the Company to recover all prudently incurred operating expenses and earn a reasonable return. Pursuant to the PUB's Order on Newfoundland Power's 2013/2014 General Rate Application (GRA) (the 2013/2014 Order), the Company has an allowed return on equity (ROE) and common equity at 8.80% and 45%, respectively, for the 2013-2015 rate years. DBRS views the capital structure and ROE as reasonable when compared with other Canadian jurisdictions. In addition, Newfoundland Power has relatively limited exposure to power price risk, as the Company benefits from (1) a weather normalization reserve (WNR) account that stabilizes earnings during extreme weather conditions and (2) a rate stabilization account (RSA) that absorbs fluctuations in purchased power costs.

The Company's financial risk profile has also remained reasonable for the current rating category, supported by the stable earnings and cash flow from its regulated distribution operations. During the last twelve months ended June 30, 2014 (LTM Q2 2014), Newfoundland Power's cash flow-to-total debt and EBIT interest coverage ratios increased to 19.2% and 3.10x, respectively, compared to 18.2% and 2.95x during the year ended December 31, 2013. In addition, the Company has been able to fund the majority of its capex and dividends through internally generated cash flow while modest cash flow deficits have been funded with debt. As a result, there has been no material impact on the Company's key credit metrics.

Rating Considerations

Strengths
(1) Stable and supportive regulatory environment
(2) Solid financial profile
(3) Stable customer base

Challenges
(1) Reliance on one major power supplier
(2) Managing forecast risk
(3) Limited population growth

Financial Information

Newfoundland Power Inc.	12 mos. Jun. 30	For the year ended December 31				
(CA$ millions where applicable)	2014	2013	2012	2011	2010	2009
EBIT gross interest coverage (times)	3.10	2.95	2.74	2.88	2.76	2.59
Total debt in capital structure	55.1%	54.6%	55.2%	54.7%	53.7%	55.1%
Cash flow/Total debt	19.2%	18.2%	16.9%	18.2%	18.6%	15.0%
(Cash flow-dividends)/Capex (times)	0.85	0.80	0.88	0.46	0.96	0.67
(CFO+interest)/(Interest+sinking fund payment)	3.32	3.16	2.90	2.97	3.01	2.67
Net income before non-recurring items	38	36	35	34	36	33
Cash flow from operations	104	95	84	87	88	72

Rating Considerations Details

Strengths

(1) **Stable and supportive regulatory environment.** Newfoundland Power operates in a stable and supportive regulatory environment that is based on COS regulation. The PUB allows for the pass-through of purchased power costs and an RSA is in place to absorb fluctuations in purchased power costs relating primarily to the cost of fuel oil used by Newfoundland and Labrador Hydro (NLH; rated "A") to generate electricity. Furthermore, the Company also has a WNR account to stabilize earnings during extreme weather conditions.

(2) **Solid financial profile.** Newfoundland Power has maintained a solid financial profile, underpinned by the Company's reasonable financial leverage and stable cash flows. During LTM Q2 2014, Newfoundland Power's total debt in capital structure remained low at 55.1%, while its cash flow-to-total debt and EBIT interest coverage ratios remained solid at 19.2% and 3.10x, respectively.

(3) **Stable customer base.** Newfoundland Power has a stable customer base, with power sales consisting solely of those to residential and commercial customers.

Challenges

(1) **Reliance on one major power supplier.** Newfoundland Power relies heavily on NLH for its power supply, sourcing approximately 93% of its power requirements from this provider. The cost of power purchased from NLH is largely influenced by the market price of bunker C fuel, which is passed through to Newfoundland Power's customers through the RSA. Although the Company's rate increases have been reasonable, higher rates, driven by the high cost of oil in recent years and NLH's high capex program over the next few years, could make it more difficult for the Company to receive approval for future rate increases. However, NLH is looking to reduce its exposure to highly expensive and volatile oil. The Muskrat Falls project could potentially replace the oil-fired power generated at the Holyrood Thermal Generating Station with cleaner hydro-generated power.

(2) **Managing forecast risk.** The Company's ability to accurately and consistently forecast electricity demand going forward, with respect to forecasting sales and managing the demand management incentive account (DMIA), is a challenge. However, through the DMIA, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs. In the deliberation of the final value to be placed in the DMIA, the PUB considers the merits of the Company's conservation and demand management activities.

(3) **Limited population growth.** Electricity consumption growth in Newfoundland is largely driven by growth in the customer base, which is dependent on population growth. Over the years, population growth in Newfoundland has been relatively flat, as it is limited by the province's geographic isolation.

Newfoundland Power Inc.

Report Date:
August 13, 2014

Earnings and Outlook

(CA$ millions where applicable)	12 mos. Jun. 30 2014	For the year ended December 31 2013	2012	2011	2010	2009
Net revenues	227	214	203	204	197	182
EBITDA	168	158	146	147	143	132
EBIT	116	107	98	104	100	90
Gross interest expense	37	36	36	36	36	35
Earning before taxes	50	46	45	50	51	49
Net income before non-recurring items	38	36	35	34	36	33
Reported net income	40	50	37	34	36	33
Return on equity	8.9%	8.6%	8.9%	8.5%	8.9%	8.6%

2013 Summary

- Net income before non-recurring items increased in 2013 primarily as a result of the implementation of the 2013/2014 Order, reflecting rate base growth and higher than anticipated margin from electricity sales.
- However, the increase in earnings was partially offset by restoration costs related to the loss of energy from NLH on January 11, 2013, and higher labor and other operating costs.
- Non-recurring items in the 2013 fiscal year was related to the impact of lower unregulated taxes ($12.8 million in 2013) and the gain on the sale of land ($1.2 million in 2013).

2014 Summary/Outlook

- Earnings before non-recurring items increased in LTM Q2 2014 largely due to higher electricity sales related to colder weather conditions in 2014 and the rebasing of customer electricity rates, which more accurately reflects the seasonality of electricity consumption.
- DBRS expects Newfoundland Power's earnings to be slightly higher in 2014, compared to 2013, reflecting the increase in the Company's rate base.

Newfoundland Power Inc.

Report Date:
August 13, 2014

Financial Profile

(CA$ millions where applicable)	12 mos. Jun. 30 2014	For the year ended December 31 2013	2012	2011	2010	2009
Net income before non-recurring items	38	36	35	34	36	33
Depreciation & amortization	53	52	48	43	44	42
Deferred income taxes and other	13	7	1	9	9	(3)
Cash flow from operations	104	95	84	87	88	72
Dividends paid	(23)	(23)	(11)	(51)	(16)	(26)
Capital expenditures	(94)	(89)	(82)	(78)	(75)	(70)
Free cash flow (bef. working cap. changes)	(14)	(18)	(9)	(42)	(3)	(23)
Changes in non-cash work. cap. items	(4)	(4)	(8)	(7)	6	(13)
Net Free Cash Flow	(18)	(22)	(17)	(48)	3	(36)
Acquisitions & long-term investments	0	0	0	0	0	0
Short-term investments	0	0	0	0	0	0
Proceeds on asset sales	0	0	(1)	45	0	0
Net equity change	(0)	(0)	0	(0)	0	(0)
Net debt change	18	22	17	(0)	(4)	41
Other	(0)	(0)	0	(0)	(0)	(0)
Change in cash	(0)	0	(0)	(4)	(1)	5
Total debt	540	518	496	475	475	479
Cash and equivalents	0	0	0	0	4	5
Total debt in capital structure	55.1%	54.6%	55.2%	54.7%	53.7%	55.1%
Cash flow/Total debt	19.2%	18.2%	16.9%	18.2%	18.6%	15.0%
EBIT gross interest coverage (times)	3.10	2.95	2.74	2.88	2.76	2.59
Dividend payout ratio	61.2%	64.8%	32.6%	148.1%	45.7%	77.6%

2013 Summary

- Overall, the Company maintained a good financial profile, supported by its reasonable capital structure and stable operating cash flows.
- Cash flow from operations increased to $95 million in 2013, from $84 million in 2012, reflecting the rebasing of customer rates due to the implementation of the 2013/2014 Order and higher electricity sales.
- Capex spending increased slightly in 2013 and was mainly used for the construction and maintenance of the distribution system to support the Company's current customer base and to meet customer growth.
- Newfoundland Power utilizes its annual dividend to maintain a long-term capital structure of 55% debt and 45% equity, as approved by the PUB for rate-setting purposes.
  - In 2013, Newfoundland Power paid approximately $23 million in dividends to maintain its capital structure in line with the approved capital structure.
- The Company incurred a free cash flow deficit of approximately $18 million in 2013, which was funded with debt.

2014 Summary/Outlook

- Newfoundland Power's key credit metrics remained reasonable during LTM Q2 2014.
- Cash flow from operations increased in LTM Q2 2014, primarily due to the rebasing of customer rates effective July 1, 2013. Cash flow from operations in 2014 is expected to increase from 2013 as a result of the implementation of the 2013/2014 Order.
- The Company's 2014 capital plan totalling $108.8 million has been approved by the PUB, which includes $14.5 million associated with replacing the submarine cable system that supplies electricity to Bell Island.
- DBRS expects the Company to continue to maintain its approved capital structure through dividend management and debt financing.

Long-Term Debt Maturities and Liquidity

- Newfoundland Power has a $100 million committed revolving unsecured credit facility expiring in August 2019 ($0.0 million outstanding as at June 30, 2014) and a $20 million uncommitted demand facility ($2.3 million outstanding as at June 30, 2014).
- The credit facilities contain a covenant that states that the Company shall not declare or pay any dividends or make any other restricted payments if the debt-to-capitalization ratio exceeds 65%.

As at June 30, 2014

(CA$ millions)	2014	2015-2016	2017-2018	Thereafter	Total
First Mortgage Sinking Fund Bonds	34.5	41.0	10.2	432.4	518.1
Related Party Loan	20.0	0.0	0.0	0.0	20.0
Credit Facilities (unsecured)	0.0	0.0	0.0	0.0	0.0
Demand Facility (uncommitted)	2.3	0.0	0.0	0.0	2.3
Total	**56.8**	**41.0**	**10.2**	**432.4**	**540.4**

*Gross debt; debt issue costs not subtracted from total debt

- The debt repayment schedule is very modest in the near term. The most notable maturity is in 2014, which includes the Series AD (approximately $29.0 million), which was repaid by the Company on August 1, 2014.

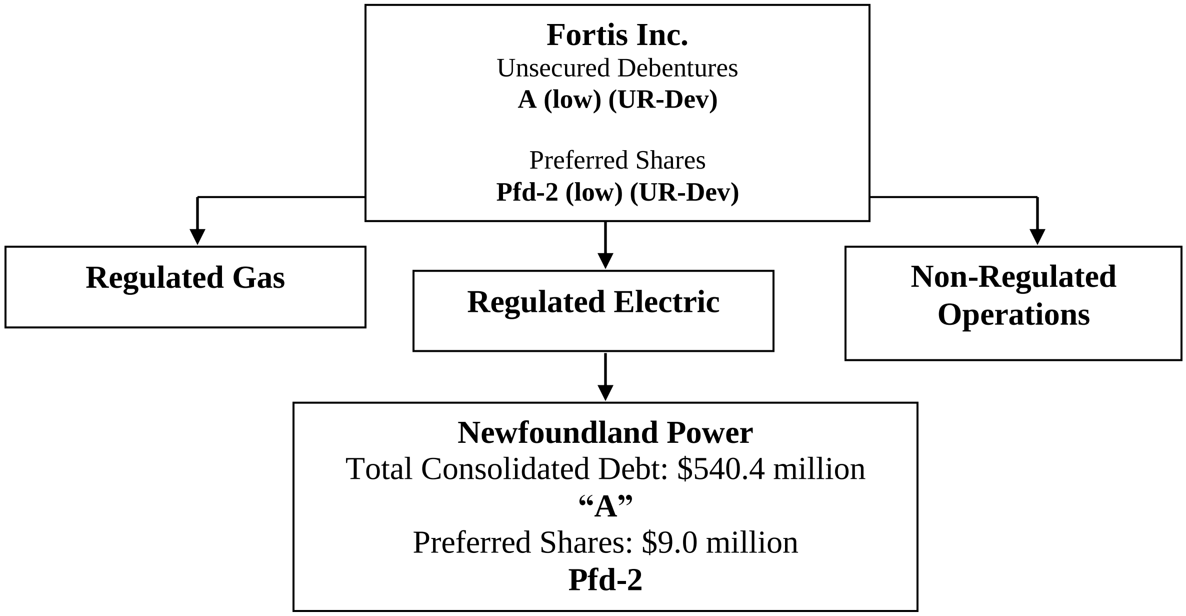
Securities Outstanding (CA$ millions)		**Jun. 30**
First mortgage sinking fund bonds:		**2014**
$40 million Series AD, due 2014	10.550%	29.0
$40 million Series AE, due 2016	10.900%	31.2
$40 million Series AF, due 2022	10.125%	31.6
$40 million Series AG, due 2020	9.000%	32.4
$40 million Series AH, due 2026	8.900%	33.2
$50 million Series AI, due 2028	6.800%	42.5
$75 million Series AJ, due 2032	7.520%	66.8
$60 million Series AK, due 2035	5.441%	54.6
$70 million Series AL, due 2037	5.901%	65.1
$65 million Series AM, due 2039	6.606%	61.8
$70 million Series AN, due 2043	4.805%	70.0
		518.1
	Related party loan	20.0
	Credit & demand facilities	2.3
		540.4
	Less: current portion	56.8
		483.6

- The First Mortgage Bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.
- The Company must meet an Earnings Test, whereby the net earnings are at least two times the annual interest charges on all bonds outstanding after any proposed additional bond issue. Net earnings are considered in a period of any 12 consecutive months terminating within 24 months preceding the delivery of such additional bonds.
- Second, the Company must meet the Additional Property Test, whereby the additional bonds must not exceed 60% of the fair value of the additional property.
- Given the availability of funds under the credit facilities and stable cash flow from operations, the Company's liquidity remains adequate to fund both working capital requirements and cash flow deficits.
- The Company's $20.0 million related party loan outstanding as of June 30, 2014, was repaid in July 2014.

Newfoundland Power Inc.

Report Date:
August 13, 2014

Organizational Chart



As at June 30, 2014.

DBRS

Newfoundland Power Inc.

Report Date:
August 13, 2014

Regulation

Regulatory Overview

- Newfoundland Power is regulated by the PUB, which is responsible for setting electricity rates, approving capex and deciding on the appropriate capital structure and ROE for rate-setting purposes.
- Rates are set based on a cost-of-service methodology.
- On April 17, 2013, the PUB issued the Order on Newfoundland Power's 2013/2014 General Rate Application (GRA) (the 2013/2014 Order), which established the Company's allowed ROE at 8.80% and common equity at 45% for the 2013 to 2015 rate years. This is consistent with the cost of capital allowed in 2012. DBRS views the capital structure as favourable and the ROE as reasonable when compared to other Canadian jurisdictions.
- In addition, the PUB approved the deferred recovery of $4.0 million of costs incurred in 2013 but not recovered from customers, due to the timing of implementation of customer rates.
- The operation of the Automatic Adjustment Formula has been suspended until the next GRA, which the Company is required to file for 2016 on or before June 1, 2015.
- On July 1, 2013, customer electricity rates decreased by approximately 3.1% on average, reflecting an increase of approximately 4.8% due to the implementation of the 2013/2014 Order and a decrease of approximately 7.9% due to the operation of the annual Rate Stabilization Plan.
- On July 1, 2014, customer electricity rates increased by approximately 2.0% on average, due to the operation of the annual Rate Stabilization Plan.
- The Company's 2014 capital plan totaling $108.8 million has been approved by the PUB, which includes $14.5 million associated with replacing the submarine cable system that supplies electricity to Bell Island.

Regulator-Approved Accounts

- **Deferral accounts** are used to smooth the impact of realized expenses and events differing from forecast.
- **Weather Normalization Reserve (WNR):** The WNR reduces earnings volatility by adjusting electricity purchases and sales to eliminate the variance between normal weather conditions, based on long-term averages, and actual realized weather conditions.
- **Rate Stabilization Account (RSA):** The RSA allows Newfoundland Power to pass through costs related to changes in the price and quantity of fuel charged by NLH to the end consumer. On July 1 of each year, customer rates are recalculated in order to amortize, over the subsequent 12 months, the balance in the RSA as of March 31 of the current year. In the absence of rate regulation, these transactions would be accounted for in a similar manner; however, the amount and timing of the recovery would not be subject to PUB approval. To the extent that actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. Effective January 1, 2008, the PUB ordered that variations in purchased power expense caused by differences between the actual unit cost of energy and the cost reflected in customer rates be recovered from (refunded to) customers through the rate stabilization account.
- **Demand Management Incentive Account (DMIA):** Through the DMIA, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. Balances in this account are recorded as a regulatory asset or regulatory liability on Newfoundland Power's balance sheet. The final balance of regulatory assets and liabilities is determined by the PUB, which takes into consideration the merits of the Company's conservation efforts and demand management activities.
- **Pension Expense Variance Deferral Account (PEVDA):** The PEVDA is utilized when differences exist between the defined benefit pension expense calculated in accordance with designated accounting standards and the pension expense approved by the PUB for rate-setting purposes.
- **Other Post-Employment Benefits:** The other post-employment benefits cost deferral account (OPEB) is utilized when differences exist between the OPEB expense calculated in accordance with designated accounting standards and the OPEB expense approved by the PUB for rate-setting purposes.

DBRS

Newfoundland Power Inc.

Report Date:
August 13, 2014

Newfoundland Power Inc.

Balance Sheet

(CA$ millions)	Jun. 30 2014	Dec. 31 2013	Dec. 31 2012	Liabilities & Equity	Jun. 30 2014	Dec. 31 2013	Dec. 31 2012
Assets							
Cash & equivalents	0	0	0	S.T. borrowings	2	0	1
Accounts receivable	81	90	76	Accounts payable	44	82	75
Inventories	1	1	1	Current portion L.T.D.	54	34	47
Regulatory assets	24	32	37	Deferred tax	4	5	6
Prepaid expenses & other	3	2	2	Other current liab.	15	14	24
Total Current Assets	110	126	117	**Total Current Liab.**	120	135	153
Net fixed assets	934	915	873	Long-term debt	484	484	448
Future income tax assets	169	167	161	Provisions	234	230	265
Intangibles	15	15	15	Deferred income taxes	118	116	112
Regulatory assets	161	173	219	Other regulatory liabilities	3	5	7
Investments & others	9	4	4	Other L.T. liab.	1	1	1
				Preferred shares	9	9	9
				Common equity	431	422	394
Total Assets	1,399	1,401	1,389	**Total Liab. & SE**	1,399	1,401	1,389

Balance Sheet & Liquidity & Capital Ratios	**12 mos. Jun. 30 2014**	**For the year ended December 31 2013**	**2012**	**2011**	**2010**	**2009**
Current ratio	0.91	0.94	0.77	1.06	1.04	1.08
Total debt in capital structure	55.1%	54.6%	55.2%	54.7%	53.7%	55.1%
Cash flow/Total debt	19.2%	18.2%	16.9%	18.2%	18.6%	15.0%
(Cash flow-dividends)/Capex (times)	0.85	0.80	0.88	0.46	0.96	0.67
Dividend payout ratio	61.2%	64.8%	32.6%	148.1%	45.7%	77.6%
Coverage Ratios (times)						
EBIT gross interest coverage	3.10	2.95	2.74	2.88	2.76	2.59
EBITDA gross interest coverage	4.50	4.36	4.05	4.07	3.95	3.78
Fixed-charges coverage	2.37	2.18	2.06	2.26	2.46	2.44
Profitability Ratios						
EBITDA margin	73.9%	73.9%	72.0%	72.2%	72.7%	72.8%
EBIT margin	50.8%	49.9%	48.6%	51.2%	50.6%	49.8%
Profit margin	16.9%	16.8%	17.1%	16.8%	18.1%	18.3%
Return on equity	8.9%	8.6%	8.9%	8.5%	8.9%	8.6%
Return on capital	6.7%	6.6%	6.8%	6.7%	6.8%	6.6%

Newfoundland Power Inc.

Report Date:
August 13, 2014

Operating Statistics	**For the year ended December 31**				
Electricity Sales - Breakdown (GWh)	**2013**	**2012**	**2011**	**2010**	**2009**
Residential	3,531	3,441	3,407	3,311	3,203
General service	2,232	2,211	2,146	2,108	2,096
Total sales	5,763	5,652	5,553	5,419	5,299
Growth in volume throughputs	2.0%	1.8%	2.5%	2.3%	1.7%
Customers					
Residential	221,995	218,290	214,515	211,091	207,335
Commercial	33,623	33,241	32,648	32,335	31,972
Total	255,618	251,531	247,163	243,426	239,307
Energy Generated and Purchased (GWh)					
Energy generated	429	432	422	425	426
Energy purchased	5,678	5,544	5,456	5,308	5,188
Energy generated + purchased	6,107	5,976	5,878	5,733	5,614
Less: transmission losses + internal use	344	324	325	314	315
Total Sales	5,763	5,652	5,553	5,419	5,299
System losses and internal use	6.0%	5.7%	5.9%	5.8%	5.9%
Installed Generation Capacity (MW)					
Hydroelectric	97	97	97	97	97
Gas turbine	37	37	37	37	36
Diesel	5	6	7	7	7
Total	139	140	140	140	140
Native peak demand (MW)	1,281	1,241	1,166	1,206	1,219
Rate base ($ millions)	916	883	876	875	848
Growth in rate base	4%	1%	0%	3%	3%

Newfoundland Power Inc.

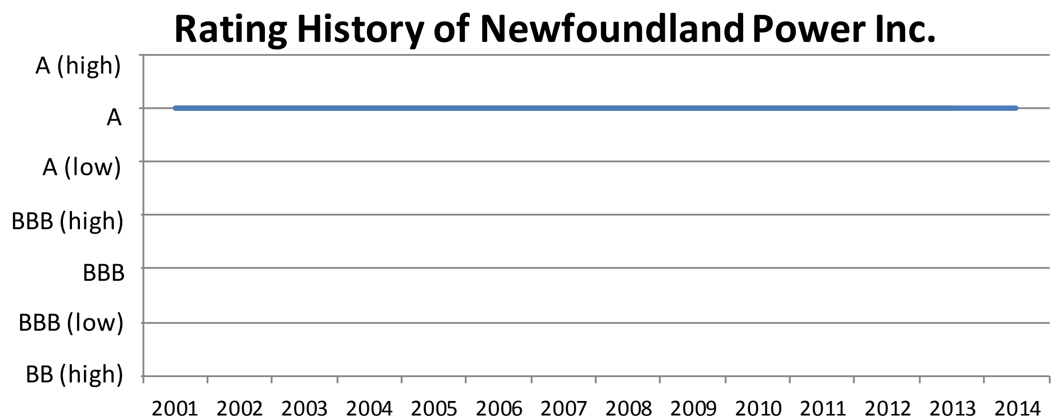
Report Date:
August 13, 2014

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
First Mortgage Bonds	A	Confirmed	Stable
Preferred Shares - cumulative, redeemable	Pfd-2	Confirmed	Stable

Rating History

	Current	2013	2012	2011	2010	2009
Issuer Rating	A	A	A	NR	NR	NR
First Mortgage Bonds	A	A	A	A	A	A
Preferred Shares - cumulative, redeemable	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2



Notes:
All figures are in Canadian dollars unless otherwise noted.

Newfoundland Power
Moody's Credit Opinion
January 2015

MOODY'S
INVESTORS SERVICE

Credit Opinion: Newfoundland Power Inc.

Global Credit Research - 19 Jan 2015

St. John's, Newfoundland, Canada

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
First Mortgage Bonds -Dom Curr	A2

Contacts

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Key Indicators

[1]**Newfoundland Power Inc.**

	9/30/2014(L)	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**
CFO pre-WC + Interest / Interest	**4.2x**	**3.9x**	**3.3x**	**3.2x**	**3.5x**
CFO pre-WC / Debt	**21.7%**	**20.1%**	**15.8%**	**16.3%**	**18.5%**
CFO pre-WC - Dividends / Debt	**17.5%**	**15.8%**	**13.8%**	**6.3%**	**15.3%**
Debt / Capitalization	**49.4%**	**49.7%**	**51.9%**	**51.5%**	**48.0%**

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Low-risk regulated electric utility

Supportive regulatory and business environment

NPI is independent of Fortis Inc.

Corporate Profile

Headquartered in St. John's, Newfoundland, Newfoundland Power Inc. (NPI) is a vertically integrated electric utility serving a customer base of over 259,000 accounts, which are 87% residential and 13% commercial. NPI operates under cost of service regulation and is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) under the Public Utilities Act (the Act). NPI purchases the majority of its power from Newfoundland and Labrador Hydro. NPI's installed generating capacity of 139 MW provides about 7% of its power supply. NPI is a wholly-owned subsidiary of Fortis Inc. (FTS, not rated), which is primarily a diversified electric and gas utility holding company also based in St. John's.

SUMMARY RATING RATIONALE

NPI's Baa1 issuer rating reflects the company's low business risk as a vertically integrated cost-of-service regulated utility with no unregulated business activities. Approximately 93% of NPI's power requirements are purchased from provincially-owned Newfoundland & Labrador Hydro (Hydro), the cost of which is passed through to ratepayers. Despite NPI's allowed Return on Equity (ROE) of 8.80% for 2013-2015, we continue to view the PUB as one of the more supportive regulators in Canada. Regulatory decisions tend to be reasonably timely and balanced and NPI's 45% deemed equity is among the highest in Canada. In addition, NPI benefits from a number of deferral accounts that are intended to protect it from factors beyond management's control. The rating is consistent with NPI's financial metrics but reflects a cautionary note related to our concern that the utility's future ability to fully recover costs and earn returns may be compromised as the Province of Newfoundland and Labrador undertakes development of the Muskrat Falls hydroelectric project on the lower Churchill river and the related transmission infrastructure. This politically charged project is large relative to the provincial economy and is expected to place considerable upward pressure on future electricity rates. The A2 rating of NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets.

DETAILED RATING CONSIDERATIONS

LOW-RISK BUSINESS MODEL

NPI's rating reflects the company's low business risk as a cost of service-regulated utility. NPI owns and operates a vertically integrated electric utility located on the island portion of the province of Newfoundland and Labrador and dominates that market, which is geographically isolated and effectively protected from potential competition. NPI serves roughly 87% of the province's electricity customers. The market is mature and NPI's electricity sales have tended to grow at a relatively low and predictable rate of 1-2% annually. Historically, growth has not taxed NPI either operationally or financially due to relatively timely recovery of capital and operating costs.

Although NPI is vertically integrated, NPI's own generation assets are regulated and represent only 14% of NPI's net property, plant and equipment. Accordingly, we consider the business risk of NPI to be lower than that of a typical vertically integrated utility, which is often exposed to commodity price and volume risks or the operational, financial and environmental risks associated with electricity generation. However, NPI faces uncertainties due to the timing and size of rate increases in association with the Muskrat Falls hydroelectric project.

SUPPORTIVE REGULATORY AND BUSINESS ENVIRONMENT

All of NPI's operations are located in Canada whose well developed regulatory framework and business environments we consider supportive relative to those in other jurisdictions. Furthermore, we consider the PUB's regulation of NPI to be supportive with a track record of reasonably timely and balanced decisions that enable NPI to generate stable cash flow and earn its allowed ROE and are not directly subject to political interference. NPI has access to courts for disputes with the PUB.

The PUB's review and approval of NPI's capital spending plans and long-term debt issuances significantly reduce the risk of cost disallowances and support NPI's ability to fully recover costs on a timely basis. NPI submits a proposed capital plan for PUB approval annually before the next fiscal year. Furthermore, NPI is required to obtain PUB pre-approval for the issuance of any First Mortgage Bonds (FMB) or the incurrence of credit facilities with maturities exceeding one year.

NPI is allowed to file a rate application based on a forward test year and forecast rate base, reducing revenue lag associated with capital projects. NPI's allowed ROE of 8.80% is expected to remain at that level for the period 2013-2015. While it remains relatively low, it is mitigated by one of the highest deemed equity levels in Canada at 45%. NPI's outperformance, as suggested by CFO pre-W/C to debt of over 20% both in 2013 and on an LTM basis, reflected changes in regulated assets and liabilities and pension liability reduction in 2013. However, with the current allowed ROE, deemed equity layer and depreciation rate, we expect NPI to achieve sustainable CFO pre-W/C to debt consistent with our expectations and the current rating. NPI is required to file its next rate case by 1 June 2015 to establish rates for 2016.

Several cost recovery mechanisms reduce NPI's exposure to unexpected costs due to variations in purchased power costs, weather and pension and other post-employment benefit (OPEB) costs. While NPI foregoes some upside potential, the stability and predictability of its cash flows are increased. For example, the Rate Stabilization Account (RSA) facilitates timely recovery of purchased power costs in excess of those forecasted for rate-making purposes. This is particularly important since the marginal cost of power that NPI obtains from Hydro exceeds the average supply costs embedded in customer rates. The RSA provides for the amortization of the under or over collection over a 12 month period. Other mechanisms include the Weather Normalization Account, Conservation and Demand Management Deferral and the Demand Management Incentive Account (which limits NPI's exposure to variation in purchased power costs due to demand to 1% of demand costs reflected in the test year for rate-making purposes).

NPI IS INDEPENDENT OF FORTIS INC.

While NPI is one of a number of utility operating companies owned by Fortis, we consider NPI, like sister companies FortisAlberta Inc., FortisBC Inc. (FBC: Baa1 stable) and FortisBC Energy Inc. (FEI: A3 stable), to be operationally and financially independent from Fortis. Fortis has consistently demonstrated good management and support of its subsidiaries and we view NPI's access to the executive and strategic support of Fortis to be a credit positive. If required, we expect that Fortis Inc. would provide extraordinary support to NPI, provided that the parent had the economic incentive to do so, and we believe that the parent will continue to have sufficient resources to do so.

Structural Considerations

The A2 rating of NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets. This is consistent with the two notch differential between most senior secured debt ratings and senior unsecured debt ratings of investment-grade regulated utilities operating in North America. The differential is based on our analysis of the history of regulated utility defaults, which indicates that regulated utilities have experienced lower loss given default rates (higher recovery rates) than non-financial, non-utility corporate issuers.

Liquidity Profile

NPI's liquidity arrangements are considered adequate in the context of its relatively stable cash flow and funding requirements.

In 2015, NPI plans to spend about $94 million on capital expenditures and pay dividends in amounts commensurate with maintaining the 45% deemed equity layer. Additionally, NPI requires $5.5 million for sinking fund installments in 2015 and it does not have any bond maturities until April 2016. With estimated cash flow from operations in the range of $110-120 million, we expect that any free cash flow shortfall is funded through NPI's bank credit facilities and adjustments to dividends paid.

The company's core liquidity facility is a $100 million syndicated committed revolving credit facility that matures in August 2019. While the credit agreement contains a covenant that NPI maintain its debt to capitalization ratio at or below 65%, it does not include a material adverse change (MAC) clause or representation and warranty declaration prior to drawdown. Unutilized capacity under this facility was $67 million at 30 September 2014.

Rating Outlook

The rating outlook is stable based on the PUB's regulation of NPI which we consider credit supportive and expect to remain so, as well as our expectation that, with relatively stable cash flow generation and capital structure NPI will continue to generate sustained CFO pre-WC to debt in the range of 14% to 17%.

What Could Change the Rating - Up

NPI's rating would likely be upgraded if there was a sustainable improvement in financial metrics, such as CFO pre-WC to debt above 17%. An upgrade of NPI's rating is unlikely without further clarity on the timing and size of increase in electricity rates in relation to the Muskrat Falls hydroelectric project.

What Could Change the Rating - Down

We consider a downward revision in NPI's rating to be unlikely in the near term. However, NPI's rating would likely be downgraded if we perceived a meaningful reduction in the level of regulatory support combined with a sustained deterioration in NPI's financial metrics such as CFO pre-WC to debt in the low teens.

Rating Factors

Newfoundland Power Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 9/30/2014**		[3]**Moody's 12-18 Month Forward ViewAs of 1/16/2015**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.5x	Baa	3.2x - 3.8x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	17.6%	Baa	15% - 18%	Baa
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	12.3%	Baa	10% - 13%	Baa
d) Debt / Capitalization (3 Year Avg)	49.9%	Baa	48% - 52%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching			0	0
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned				Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 9/30/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.

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Newfoundland Power
DBRS Credit Rating
August 2015

Rating Report

Newfoundland Power Inc.

DBRS
Insight beyond the rating.

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
First Mortgage Bonds	A	Confirmed	Stable
Preferred Shares - cumulative, redeemable	Pfd-2	Confirmed	Stable

Rating Update

On August 13, 2015, DBRS Limited (DBRS) confirmed the Issuer Rating and First Mortgage Bonds rating of Newfoundland Power Inc. (Newfoundland Power or the Company) at "A," and the Preferred Shares – cumulative, redeemable rating at Pfd-2, all with Stable trends. The confirmations reflect the stable nature of the Company's regulated electricity distribution business and its solid financial risk profile.

Newfoundland Power's business risk profile continues to be supported by the reasonable regulatory regime in Newfoundland and Labrador. The Company, which is regulated by the Board of Commissioners of Public Utilities (PUB), operates under a cost-of-service (COS) framework, which allows Newfoundland Power to recover all prudently spent operating expenses and earn a reasonable return. The Company currently has an allowed return on equity (ROE) of 8.80% and regulated capital structure of 45% common equity, which is comparable to its peers across Canada. Newfoundland Power also benefits from having a Rate Stabilization Account (RSA) and a Weather Normalization Account (WNA), which help reduce volatility in its earnings. These accounts limit the Company's exposure to power price risk as the RSA passes through to customers changes in the cost and quantity of fuel burned by the Company's main power supplier, Newfoundland and Labrador Hydro (NLH; rated "A" with a Stable trend by DBRS), while the WNA stabilizes earnings during extreme weather conditions.

Newfoundland Power filed an application with the PUB in April 2015 to approve a return on rate base for 2016 of 7.38%, a 2016 cost-recovery deferral of approximately $4.0 million and to defer the Company's next general rate application (GRA) filing to on or before June 1, 2016. The PUB denied the application and confirmed that the Company will be required to file its next GRA by October 16, 2015, to establish customer electricity rates for 2016. DBRS does not expect any material changes from the GRA but notes that a lower approved ROE is a possibility due to the current low interest rate environment. A modest decrease in the allowed ROE is not expected to have a material impact on the Company's operations.

The Company's financial risk profile remains solid with all key credit metrics in line with the current rating category. Newfoundland Power is currently experiencing elevated capital expenditures (capex; $117 million of gross capex in 2014) in order to maintain its distribution infrastructure and to connect new customers to the system. The Company, which has forecast average capex of $108 million for the next five years, has funded its capex and dividends through internally generated cash flow while modest free cash flow deficits have been funded with debt. DBRS expects the Company to continue to manage these deficits prudently through dividend management (quarterly common share dividends decreased to $0.23 per share for 2015, from $0.56 per share in 2014) and debt financing in order to maintain its leverage in line with the regulatory capital structure.

Financial Information

	12 mos. to June 30	For the year ended December 31				
(CA$ millions where applicable)	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Total debt in capital structure	55.4%	55.3%	54.6%	55.2%	55.9%	53.7%
Cash flow/Total debt	16.2%	17.7%	18.2%	16.9%	18.5%	18.6%
EBIT gross interest coverage (times)	3.20	3.06	2.95	2.74	2.88	2.76
(CFO+interest)/(Interest+sinking fund payment)	3.12	3.18	3.16	2.90	3.02	3.01

Issuer Description

Newfoundland Power is a regulated utility that primarily distributes, but also generates and transmits, electricity to approximately 260,000 customers throughout the island portion of the Province of Newfoundland and Labrador (the Province). Newfoundland Power is a wholly owned subsidiary of Fortis Inc. (rated A (low) with a Stable trend by DBRS).

Rating Considerations

Strengths

1. Stable and supportive regulatory environment
Newfoundland Power operates in a stable and supportive regulatory environment that is based on COS regulation. The PUB allows for the pass-through of purchased power costs and an RSA is in place to absorb fluctuations in purchased power costs relating primarily to the cost of fuel oil used by NLH to generate electricity. Furthermore, the Company also has a WNA to stabilize earnings during extreme weather conditions.

2. Solid financial profile
Newfoundland Power has maintained a solid financial profile, underpinned by the Company's reasonable financial leverage and stable cash flows. During the last 12 months ended June 30, 2015 (LTM 2015), Newfoundland Power's total debt in capital structure remained low at 55.4%, while its cash flow-to-debt and EBIT interest coverage ratios remained solid at 16.2% and 3.20x, respectively.

3. Stable customer base
Newfoundland Power has a stable customer base, with power sales consisting solely of those to residential and commercial customers.

Challenges

1. Reliance on one major power supplier
Newfoundland Power relies heavily on NLH for its power supply, sourcing approximately 93% of its power requirements from this provider. The cost of power purchased from NLH is largely influenced by the market price of bunker C fuel, which is passed through to Newfoundland Power's customers through the RSA. Although the Company's rate increases have been reasonable, higher rates, driven by the high cost of oil in recent years and NLH's high capex program over the next few years, could make it more difficult for the Company to receive approval for future rate increases. However, NLH is looking to reduce its exposure to highly expensive and volatile oil. The Muskrat Falls project could potentially replace the oil-fired power generated at the Holyrood Thermal Generating Station with cleaner hydro-generated power.

2. Managing forecast risk
The Company's ability to accurately and consistently forecast electricity demand going forward, with respect to forecasting sales and managing the demand management incentive account (DMIA), is a challenge. However, through the DMIA, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs. In the deliberation of the final value to be placed in the DMIA, the PUB considers the merits of the Company's conservation and demand management activities.

3. Limited population growth
Electricity consumption growth in Newfoundland and Labrador is largely driven by growth in the customer base, which is dependent on population growth. Over the years, population growth in the Province has been relatively flat, as it is limited by the Province's geographic isolation.

Earnings and Outlook

(CA$ millions where applicable)	12 mos. to June 30 2015	For the year ended December 31 2014	2013	2012	2011	2010
Net revenues	228	227	214	203	204	197
EBITDA	170	167	158	146	147	143
EBIT	115	113	107	98	104	100
Gross interest expense	36	37	36	36	36	36
Earning before taxes	50	49	46	45	50	51
Net income before non-recurring items	39	38	36	35	32	36
Reported net income	39	38	50	37	32	36
Actual return on equity	8.7%	8.6%	8.6%	8.9%	8.2%	8.9%

2014 Summary

- Earnings increased in 2014 largely due to higher electricity sales and the rebasing of customer rates effective July 1, 2013, reflecting growth in the rate base.
- This was partially offset by (1) higher operating costs related to the restoration and customer service efforts following the loss of generation supply from NLH and power interruptions in January 2014 and (2) higher depreciation due to the higher asset base.
- Reported net income in 2013 was positively impacted by $12.8 million of income tax recovery recorded in the year and a $1.2 million gain on the sale of land.

2015 Summary/Outlook

- Earnings in LTM 2015 increased modestly due to (1) lower operating costs compared to Q1 2014, which was impacted by the above-mentioned power interruptions and (2) lower interest expenses following the maturity of $29 million of first mortgage sinking fund bonds in August 2014.
- DBRS expects Newfoundland Power's earnings to be slightly higher in 2015, compared to 2014, reflecting the increase in the Company's rate base.

Financial Profile

(CA$ millions where applicable)	12 mos. to June 30 2015	For the year ended December 31 2014	2013	2012	2011	2010
Net income before non-recurring items	39	38	36	35	32	36
Depreciation & amortization	56	54	52	48	43	44
Deferred income taxes and other	(2)	6	7	1	13	9
Cash flow from operations	**93**	**98**	**95**	**84**	**89**	**88**
Dividends paid	(17)	(24)	(23)	(11)	(51)	(16)
Capital expenditures	(123)	(113)	(89)	(82)	(79)	(75)
Free cash flow (bef. working cap. changes)	**(47)**	**(39)**	**(18)**	**(9)**	**(41)**	**(3)**
Changes in non-cash work. cap. items	12	5	(4)	(8)	(7)	6
Net free cash flow	**(35)**	**(34)**	**(22)**	**(17)**	**(48)**	**3**
Acquisitions & investments	0	0	0	0	0	0
Proceeds on asset sales	0	0	0	(1)	45	0
Net equity change	(0)	(0)	(0)	0	(0)	0
Net debt change	35	34	22	17	(0)	(4)
Other	(0)	(0)	(0)	0	(0)	(0)
Change in cash	**0**	**(0)**	**0**	**(0)**	**(4)**	**(1)**
Total debt	575	552	518	496	478	475
Total debt in capital structure	55.4%	55.3%	54.6%	55.2%	55.9%	53.7%
Cash flow/Total debt	16.2%	17.7%	18.2%	16.9%	18.5%	18.6%
EBIT gross interest coverage (times)	3.20	3.06	2.95	2.74	2.88	2.76
Dividend payout ratio	43.1%	62.6%	64.8%	32.6%	156.2%	45.7%

Financial Profile (CONTINUED)

2014 Summary

- Newfoundland Power's financial profile remained solid with key credit metrics in line with the current rating category.
- The Company's cash flow from operations increased in 2014 largely due to the higher net income before non-recurring items for the year.
- Newfoundland Power had gross capex of approximately $117 million in 2014, with around $59 million spent on maintaining the distribution network and to connect new customers to the system. The higher capex for the year also reflected $14 million of supplemental capex for the replacement of the submarine cable system that supplies electricity to Bell Island.
- Newfoundland Power utilizes its annual dividend to maintain a long-term capital structure of 55% debt and 45% equity, as approved by the PUB for rate-setting purposes. In 2014, Newfoundland Power paid approximately $24 million in dividends to maintain its leverage in line with the approved capital structure.
- The Company incurred a free cash flow deficit of approximately $39 million in 2014, which was funded with debt.

2015 Summary/Outlook

- The Company's key credit metrics remained stable in LTM 2015. Although the cash flow-to-debt ratio decreased due to lower cash flow from operations and a higher debt load, it remained commensurate with the current rating category. The decrease in cash flow from operations was due to the timing of payments to NLH for power purchases.
- The PUB approved Newfoundland Power's 2015 capital plan of $94 million in October 2014. The Company has spent approximately $52 million as of June 30, 2015.
- The Company decreased its quarterly common share dividends to $0.23 per share, from $0.56 per share in 2014, in order to maintain its leverage in line with the regulatory capital structure.
- In April 2015, the PUB approved Newfoundland Power's application to issue up to $100 million of Series AO First Mortgage Bonds by December 31, 2015. The issuance is expected to be used to repay short-term borrowings ($91.5 million outstanding as of June 30, 2015).
- DBRS expects the Company to continue to maintain its approved capital structure through dividend management and debt financing.

Long-term Debt Maturities and Liquidity

- Newfoundland Power has a $100 million committed revolving unsecured credit facility expiring in August 2019 ($91.5 million outstanding as at June 30, 2015) and a $20 million uncommitted demand facility ($0 outstanding as at June 30, 2015).
- The credit facilities contain a covenant that states that the Company shall not declare or pay any dividends or make any other restricted payments if the debt-to-capitalization ratio exceeds 65%.

(CA$ millions — as at June 30, 2015)	2015-2016	2016-2017	2018-2019	Thereafter	Total
First mortgage sinking fund bonds	35.9	10.2	10.2	427.3	483.6
Related party loan	0.0	0.0	0.0	0.0	0.0
Credit facilities (unsecured)	91.5	0.0	0.0	0.0	91.5
Demand facility (uncommitted)	0.0	0.0	0.0	0.0	0.0
Total	**127.4**	**10.2**	**10.2**	**427.3**	**575.1**

Note: Gross debt; debt issue costs not subtracted from total debt.

- The debt repayment schedule is very modest in the near term. The most notable maturity was in 2014, which included the Series AD (approximately $29.0 million), which was repaid by the Company on August 1, 2014.

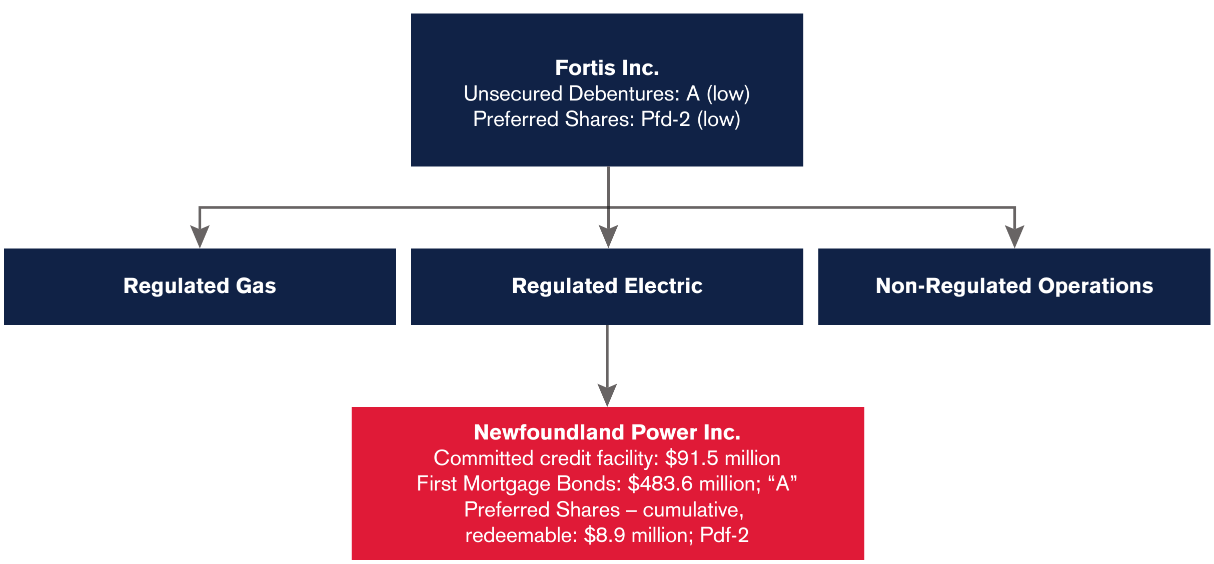
Long-term Debt Maturities and Liquidity (CONTINUED)

Securities Outstanding (CA$ millions)
First mortgage sinking fund bonds:

(CA$ millions)		June 30, 2015
$40 million Series AE, due 2016	10.900%	30.8
$40 million Series AF, due 2022	10.125%	31.2
$40 million Series AG, due 2020	9.000%	32.0
$40 million Series AH, due 2026	8.900%	32.8
$50 million Series AI, due 2028	6.800%	42.0
$75 million Series AJ, due 2032	7.520%	66.0
$60 million Series AK, due 2035	5.441%	54.0
$70 million Series AL, due 2037	5.901%	64.4
$65 million Series AM, due 2039	6.606%	61.1
$70 million Series AN, due 2043	4.805%	69.3
		483.6
	Related party loan	0.0
	Credit & demand facilities	91.5
		575.1
	Less: current portion	127.4
		447.7

- The First Mortgage Bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.
- The Company must meet an Earnings Test, whereby the net earnings are at least two times the annual interest charges on all bonds outstanding after any proposed additional bond issue. Net earnings are considered in a period of any 12 consecutive months terminating within 24 months preceding the delivery of such additional bonds.
- Second, the Company must meet the Additional Property Test, whereby the additional bonds must not exceed 60% of the fair value of the additional property.
- Given the availability of funds under the credit facilities and stable cash flow from operations, the Company's liquidity remains adequate to fund both working capital requirements and cash flow deficits.

Organizational Structure



As at June 30, 2015.

Regulation

Regulatory Overview

- Newfoundland Power is regulated by the PUB, which is responsible for setting electricity rates, approving capex and deciding on the appropriate capital structure and ROE for rate-setting purposes.
- Rates are set based on a cost-of-service methodology.
- On April 17, 2013, the PUB issued the Order on Newfoundland Power's 2013/2014 GRA, which established the Company's allowed ROE at 8.80% and common equity at 45% for the 2013 to 2015 rate years. This is consistent with the cost of capital allowed in 2012. DBRS views the capital structure as favourable and the ROE as reasonable when compared to other Canadian jurisdictions.
- The operation of the Automatic Adjustment Formula has been suspended until the next GRA.
- On July 1, 2014, customer electricity rates increased by approximately 2.0% on average due to the operation of the annual Rate Stabilization Plan.
- The Company's 2014 capital plan totalling $108.8 million was approved by the PUB and included $14.5 million associated with replacing the submarine cable system that supplies electricity to Bell Island.
- The PUB approved Newfoundland Power's 2015 capital plan of $94.2 million on October 9, 2014. The PUB additionally fixed the Company's average rate base for the year ending December 31, 2013, at $915.8 million.
- On July 1, 2015, customer electricity rates decreased by approximately 5.25% on average due to (1) a 10.0% rate decrease associated with the annual operation of the Rate Stabilization Plan, and (2) a 4.75% interim rate increase in the wholesale electricity rate charged by NLH to the Company.
- As a result of the elimination of the residential energy rebate by the Province effective July 1, 2015, residential customers will see an average rate increase of approximately 3.1%.
- Newfoundland Power filed an application with the PUB on April 15, 2015, to approve a return on rate base for 2016 of 7.38% with a range of 7.20% to 7.56%, a 2016 cost-recovery deferral of approximately $4.0 million and to defer the Company's next GRA filing to on or before June 1, 2016. The PUB denied the application on July 15, 2015, and confirmed that the Company will be required to file its next GRA by October 16, 2015, to establish customer electricity rates for 2016.

Regulator-Approved Accounts

- Deferral accounts are used to smooth the impact of realized expenses and events differing from forecast.
- ***Weather Normalization Reserve (WNR):*** The WNR reduces earnings volatility by adjusting electricity purchases and sales to eliminate the variance between normal weather conditions, based on long-term averages, and actual realized weather conditions.
- ***Rate Stabilization Account (RSA):*** The RSA allows Newfoundland Power to pass through costs related to changes in the price and quantity of fuel charged by NLH to the end consumer. On July 1 of each year, customer rates are recalculated in order to amortize, over the subsequent 12 months, the balance in the RSA as of March 31 of the current year. In the absence of rate regulation, these transactions would be accounted for in a similar manner; however, the amount and timing of the recovery would not be subject to PUB approval. To the extent that actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. Effective January 1, 2008, the PUB ordered that variations in purchased power expense caused by differences between the actual unit cost of energy and the cost reflected in customer rates be recovered from (refunded to) customers through the RSA.
- ***Demand Management Incentive Account (DMIA):*** Through the DMIA, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. Balances in this account are recorded as a regulatory asset or regulatory liability on Newfoundland Power's balance sheet. The final balance of regulatory assets and liabilities is determined by the PUB, which takes into consideration the merits of the Company's conservation efforts and demand management activities.
- ***Pension Expense Variance Deferral Account (PEVDA):*** The PEVDA is utilized when differences exist between the defined benefit pension expense calculated in accordance with designated accounting standards and the pension expense approved by the PUB for rate-setting purposes.
- ***Other Post-Employment Benefits:*** The other post-employment benefits cost deferral account (OPEB) is utilized when differences exist between the OPEB expense calculated in accordance with designated accounting standards and the OPEB expense approved by the PUB for rate-setting purposes.
- ***Excess Earnings Account (EEA):*** Any earnings which exceed the upper limit of the allowed range of return on rate base set by the PUB are credited to the Company's EEA. Amounts credited to the EEA are subject to further order of the PUB.

Newfoundland Power Inc.

(CA$ millions)	June 30	Dec. 31			June 30	Dec. 31	
Assets	**2015**	**2014**	**2013**	**Liabilities and Equity**	**2015**	**2014**	**2013**
Cash & equivalents	0	0	0	S.T. borrowings	0	4	0
Accounts receivable	74	82	90	Accounts payable	50	80	82
Regulatory assets	26	30	32	Current portion L.T.D.	127	70	34
Prepaid expenses & other	5	6	4	Other current liab.	18	18	18
Total Current Assets	**106**	**118**	**126**	**Total Current Liab.**	**195**	**172**	**135**
Net fixed assets	1,005	984	915	Long-term debt	448	478	484
Future income tax assets	182	177	171	Provisions	229	233	230
Intangibles	16	16	15	Deferred income taxes	126	120	116
Regulatory assets	149	151	169	Other L.T. liab.	1	1	6
Investments & others	4	4	4	Preferred shares	9	9	9
				Common equity	454	437	422
Total Assets	**1,462**	**1,450**	**1,401**	**Total Liab. & SE**	**1,462**	**1,450**	**1,401**

	12 mos. to June 30	For the year ended December 31				
Balance Sheet & Liquidity & Capital Ratios	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Current ratio	0.54	0.69	0.94	0.77	1.10	1.04
Total debt in capital structure	55.4%	55.3%	54.6%	55.2%	55.9%	53.7%
Cash flow/Total debt	16.2%	17.7%	18.2%	16.9%	18.5%	18.6%
(Cash flow-dividends)/Capex (times)	0.62	0.66	0.80	0.88	0.48	0.96
Dividend payout ratio	43.1%	62.6%	64.8%	32.6%	156.2%	45.7%
Coverage Ratios (times)						
EBIT gross interest coverage	3.20	3.06	2.95	2.74	2.88	2.76
EBITDA gross interest coverage	4.75	4.52	4.36	4.05	4.07	3.95
Fixed-charges coverage	3.14	3.00	2.88	2.68	2.82	2.69
Profitability Ratios						
EBITDA margin	74.5%	73.7%	73.9%	72.0%	72.2%	72.7%
EBIT margin	50.2%	49.9%	49.9%	48.6%	51.2%	50.6%
Profit margin	17.1%	16.7%	16.8%	17.1%	15.9%	18.1%
Return on equity	8.7%	8.6%	8.6%	8.9%	8.2%	8.9%
Return on capital	6.3%	6.5%	6.6%	6.8%	6.6%	6.8%

Operating Statistics

	For the year ended December 31				
Electricity sales — breakdown (GWh)	**2014**	**2013**	**2012**	**2011**	**2010**
Residential	3,613	3,531	3,441	3,407	3,311
General service	2,286	2,232	2,211	2,146	2,108
Total sales	**5,899**	**5,763**	**5,652**	**5,553**	**5,419**
Growth in volume throughputs	2.4%	2.0%	1.8%	2.5%	2.3%
Customers					
Residential	224,824	221,995	218,290	214,515	211,091
Commercial	34,055	33,623	33,241	32,648	32,335
Total	**258,879**	**255,618**	**251,531**	**247,163**	**243,426**
Energy generated and purchased (GWh)					
Energy generated	430	429	432	422	425
Energy purchased	5,817	5,678	5,544	5,456	5,308
Energy generated + purchased	**6,247**	**6,107**	**5,976**	**5,878**	**5,733**
Less: transmission losses + internal use	348	344	324	325	314
Total Sales	**5,899**	**5,763**	**5,652**	**5,553**	**5,419**
System losses and internal use	5.9%	6.0%	5.7%	5.9%	5.8%
Installed generation capacity (MW)					
Hydroelectric	97	97	97	97	97
Gas turbine	37	37	37	37	37
Diesel	5	5	6	7	7
Total	**139**	**139**	**140**	**140**	**140**
Native peak demand (MW)	1,343	1,281	1,241	1,166	1,206
Rate base ($ millions)	965	916	883	876	875
Growth in rate base	5%	4%	1%	0%	3%

Rating History

	Current	2014	2013	2012	2011	2010
Issuer Rating	A	A	A	A	NR	NR
First Mortgage Bonds	A	A	A	A	A	A
Preferred Shares – cumulative, redeemable	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2

Previous Action

- Confirmed, August 13, 2015.

Previous Report

- Newfoundland Power Inc., August 13, 2014.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on **www.dbrs.com**.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

Newfoundland Power
Moody's Credit Opinion
February 2016

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
5 February 2016

Update

Rate this Research

RATINGS

NEWFOUNDLAND POWER INC.

Domicile	St. John's, Newfoundland, Canada
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Date	03 Aug 2009
Outlook	Stable
Date	08 Jun 2005

Please see the ratings section at the end of this report for more information.

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Newfoundland Power Inc.

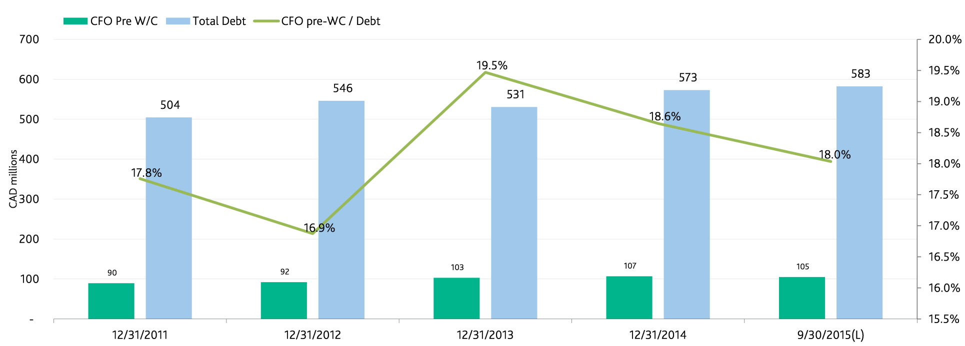
Update to Discussion of Key Credit Factors

Summary Rating Rationale

NPI's Baa1 issuer rating reflects the company's low business risk as a vertically integrated cost-of-service regulated utility with no unregulated business activities. Approximately 93% of NPI's power requirements are purchased from provincially owned Newfoundland & Labrador Hydro (Hydro), the cost of which is passed through to ratepayers. NPI's allowed Return on Equity (ROE) is 8.80% for 2013-2015, and we view the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) as one of the more supportive regulators in Canada because regulatory decisions are timely and balanced, deferral accounts reduce the risks from factors beyond management's control and NPI's 45% equity capital is among the highest authorized levels in Canada. The Baa1 rating is constrained by the risk of future cost recovery associated with the Province of Newfoundland and Labrador's sizeable Muskrat Falls hydroelectric project. This politically sensitive project is large relative to the provincial economy and is expected to place considerable upward pressure on the future electricity rates of NPI, a credit negative. The A2 rating of NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets.

Exhibit 1

Historical CFO Pre W/C, Total Debt and CFO Pre W/C to Debt



Source: Moody's Financial Metrics

Credit Strengths

» Low risk regulated utility, primarily a T&D, with 93% purchased power from provincial generators

» Supportive regulatory environment

» Stable cash flow metrics with CFO pre-W/C to debt in the mid to high teens

Credit Challenges

» Upward pressure on rates due to the Muskrat Falls project

» Increased risks of timely cost recovery upon completion Muskrat Falls expected in 2018

Rating Outlook

The stable rating outlook reflects the PUB's regulation of NPI which we consider credit supportive. We expect the regulatory environment to remain supportive to credit quality, with a suite of timely recovery mechanisms, along with our expectation that relatively stable cash flow generation and the capital structure of NPI will continue to generate sustained CFO pre-WC to debt at the high end of the range of 15% to 17%.

Factors that Could Lead to an Upgrade

NPI's rating would likely be upgraded if CFO pre-WC to debt is forecast to be sustained above 17%. However, an upgrade of NPI's rating is unlikely without further clarity on the timing and size of the increases in electricity rates in relation to the Muskrat Falls hydroelectric project.

Factors that Could Lead to a Downgrade

We consider a downward revision in NPI's rating to be unlikely in the near term. However, NPI's rating would likely be downgraded if we perceived a meaningful reduction in the level of regulatory support combined with a sustained deterioration in NPI's financial metrics such as CFO pre-WC to debt falling into the low teens.

Key Indicators

Exhibit 2
Newfoundland Power Inc.

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	9/30/2015(L)
CFO pre-WC + Interest / Interest	3.4x	3.5x	3.7x	3.9x	3.9x
CFO pre-WC / Debt	17.8%	16.9%	19.5%	18.6%	18.0%
CFO pre-WC – Dividends / Debt	7.8%	14.9%	15.2%	14.6%	15.8%
Debt / Capitalization	51.5%	51.9%	49.7%	50.7%	49.9%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics™
Source: Moody's Financial Metrics

Detailed Rating Considerations

LOW-RISK BUSINESS MODEL

NPI's rating reflects the company's low business risk as a cost of service regulated utility. NPI owns and operates a vertically integrated electric utility located on the island portion of the province of Newfoundland and Labrador and dominates that market, which is geographically isolated and effectively protected from potential competition. NPI serves roughly 90% of the province's electricity customers. The market is mature and NPI's electricity sales have tended to grow at a relatively low and predictable rate of 1-2% and we expect modest growth to continue. Historically, growth has not taxed NPI either operationally or financially due to relatively timely recovery of capital and operating costs.

Although NPI is vertically integrated, NPI's owned generation assets are regulated and represent only 14% of NPI's net property, plant and equipment at year-end 2014. Accordingly, we consider the business risk of NPI to be lower than that of a typical vertically integrated utility, which is often exposed to commodity price and volume risks or the operational, financial and environmental risks associated with electricity generation. However, NPI faces uncertainties due to the timing and size of expected rate increases in association with the Muskrat Falls hydroelectric project.

SUPPORTIVE REGULATORY AND BUSINESS ENVIRONMENT

NPI's operations benefit from a well-developed regulatory framework and business environments that we consider credit supportive. We consider the PUB's regulation of NPI to be credit supportive primarily because of a track record of reasonably timely and balanced decisions that enable NPI to generate stable and predictable cash flow and earn its allowed ROE which has not been directly subject to political interference. NPI has access to courts for disputes with the PUB.

The PUB's review and approval of NPI's capital spending plans and long-term debt issuances significantly reduce the risk of cost disallowances and support NPI's ability to fully recover costs on a timely basis. NPI submits a proposed capital plan for PUB approval annually before the next fiscal year. Furthermore, NPI is required to obtain PUB pre-approval for the issuance of any First Mortgage Bonds (FMB) or the incurrence of credit facilities with maturities exceeding one year, which we see as credit positives.

Several other cost recovery mechanisms reduce NPI's exposure to unexpected costs due to variations in purchased power costs, weather and pension and other post-employment benefit (OPEB) costs. While NPI foregoes some upside potential, the stability and predictability of its cash flows are increased. For example, the Rate Stabilization Account (RSA) facilitates timely recovery of purchased power costs in excess of those forecasted for rate-making purposes. This is particularly important since the marginal cost of power that NPI obtains from Hydro exceeds the average supply costs embedded in customer rates. The RSA provides for the amortization of the under or over collection over a 12 month period. Other mechanisms include the Weather Normalization Account, Conservation and Demand Management Deferral and the Demand Management Incentive Account (which limits NPI's exposure to variation in purchased power costs due to demand to 1% of demand costs reflected in the test year for rate-making purposes).

NPI is allowed to file a rate application based on a forward test year and forecast rate base. We view these mechanisms positively because they reduce revenue lag associated with large capital projects. NPI's allowed ROE of 8.8% has remained at that level for the period 2013-2015. While the ROE remains relatively low, it is mitigated by one of the highest deemed equity levels in Canada at 45%. NPI's outperformance, as suggested by CFO pre-W/C to debt of over 19% in 2013, 2014 and on an LTM basis as of September 30, 2015, reflected changes in regulated assets and liabilities and pension liability reductions. However, with the current allowed ROE, deemed equity layer and depreciation rate, we expect NPI to achieve sustainable CFO pre-W/C to debt consistent with our expectations and the current rating. On October 16, 2015, NPI filed its 2016/2017 general rate application with a decision expected in H1 2016. We do not expect the outcome to lead to a material change in credit quality, necessitating a rating action.

NPI IS INDEPENDENT OF FORTIS INC.

While NPI is one of a number of utility operating companies owned by Fortis, we consider NPI, like sister companies FortisAlberta Inc. (FAB: Baa1 stable), FortisBC Inc. (FBC: Baa1 stable) and FortisBC Energy Inc. (FEI: A3 stable), to be operationally and financially independent from Fortis, a credit positive Fortis has consistently demonstrated good management and support of its subsidiaries and we view NPI's access to the executive and strategic support of Fortis to be a credit positive. While we don't expect it, if required, and consistent with Fortis precedent, we have assumed that Fortis Inc. would provide extraordinary support to NPI, provided that the parent had the economic incentive and sufficient resources to do so. The credit quality of Fortis does not constrain the ratings of NPI.

Liquidity Analysis

NPI's liquidity arrangements are considered adequate in the context of its relatively stable cash flow and funding requirements.

In 2016, NPI plans to spend about $107 million on capital expenditures and pay dividends in amounts commensurate with maintaining the 45% deemed equity layer. Additionally, as of 30 September 2015, NPI had $37 million in short-term debt which relates primarily to a bond maturity in May 2016. With estimated cash flow from operations in the range of $110-120 million, we expect that any modest free cash flow shortfall is funded through NPI's bank credit facilities and adjustments to dividends paid which we expect to be about $20 million in 2016.

The company's core liquidity facility is a $100 million syndicated committed revolving credit facility that matures in August 2019. While the credit agreement contains a covenant that NPI maintain its debt to capitalization ratio at or below 65%, it does not include a material adverse change (MAC) clause or representation and warranty declaration prior to drawdown. This facility was undrawn and fully available at 30 September 2015. The company's next debt maturity is in May 2016.

Structural Considerations

The A2 rating of NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets. This is consistent with the two notch differential between most senior secured debt ratings and senior unsecured debt ratings of investment-grade regulated utilities operating in North America. The differential is based on our analysis of the history of regulated utility defaults, which indicates that regulated utilities have experienced lower loss given default rates (higher recovery rates) than non-financial, non-utility corporate issuers.

Profile

Headquartered in St. John's, Newfoundland, Newfoundland Power Inc. (NPI) is a vertically integrated electric utility serving a customer base of over 260,000 residential and commercial customers. NPI operates under cost of service regulation and is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) under the Public Utilities Act (the Act). NPI purchases the majority of its power from Newfoundland and Labrador Hydro (not rated). NPI's installed generating capacity of 139 MW provides about 7% of its power supply. NPI is a wholly-owned subsidiary of Fortis Inc. (FTS, not rated), which is primarily a diversified electric and gas utility holding company also based in St. John's.

Rating Methodology and Scorecard Factors

Exhibit 3
Rating Factors
Newfoundland Power Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 9/30/2015		Moody's 12-18 Month Forward View As of 2/2/2016 [3]	
Factor 1 : Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.9x	Baa	3.6x - 4x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	19.1%	Baa	15% - 17%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	15.6%	Baa	11% - 15%	Baa
d) Debt / Capitalization (3 Year Avg)	50.1%	Baa	48% - 51%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching			0	0
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned				Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2015(L); Source: Moody's Financial Metrics™
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Ratings

Exhibit 4

Category	Moody's Rating
NEWFOUNDLAND POWER INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
First Mortgage Bonds -Dom Curr	A2

Source: Moody's Investors Service

REPORT NUMBER 1014190

Moody's
INVESTORS SERVICE

Newfoundland Power
DBRS Credit Rating
August 2016

Rating Report

Newfoundland Power Inc.

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DBRS
Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
First Mortgage Bonds	A	Confirmed	Stable
Preferred Shares - cumulative, redeemable	Pfd-2	Confirmed	Stable

Rating Update

On August 12, 2016, DBRS Limited (DBRS) confirmed the Issuer Rating and First Mortgage Bonds rating of Newfoundland Power Inc. (Newfoundland Power or the Company) at "A," and the Preferred Shares - cumulative, redeemable rating at Pfd-2, all with Stable trends. The confirmations are based on the stability of the Company's regulated integrated electricity business, primarily electricity distribution, and its solid financial risk profile.

Newfoundland Power's business risk profile is supported by the Company's regulated operations under the Board of Commissioners of Public Utilities (PUB). The PUB regulates Newfoundland Power under a cost-of-service (COS) regime, which allows the Company an opportunity to recover all prudent expenses and earn a reasonable return on its investments. In June 2016, the PUB released its decision on the Company's 2016–2017 General Rate Application (GRA), approving an allowed return on equity (ROE) of 8.5% and deemed equity of 45%. DBRS notes that although allowed ROE has decreased from the previous 8.8% and is now one of the lowest in Canada, the Company's cash flows are partially mitigated by maintenance of the above average deemed equity component. DBRS also continues to view regulation under the PUB as reasonable, with the Company benefitting from having a Rate Stabilization Account (RSA) and a Weather Normalization Account (WNA) to help reduce volatility in earnings and the annual pre-approval of its capital budget that provides more certainty regarding capital cost recovery. DBRS remains concerned with the potential for a large increase in electricity rates for the Province of Newfoundland and Labrador (the Province) when the Muskrat Falls project, currently under construction by Nalcor Energy (Nalcor), comes on line in 2019/2020. While it is currently uncertain how the cost of the project will be recovered from the Company's customers, should the potential upward pressure on rates affect Newfoundland Power's ability to pass on costs, this could result in a negative rating action.

Newfoundland Power's financial risk profile remains solid, with all key credit metrics supportive of the current ratings. The Company continues to experience elevated capital expenditures (capex), spending $113 million in 2015, mostly for maintaining its network. Although the large capex has resulted in net free cash flow deficits, Newfoundland Power has prudently managed these deficits through dividend management and debt issuances in order to maintain its leverage in line with the regulated capital structure. DBRS expects the Company to continue to manage any deficits in a prudent manner during this period of higher capex (approximately $107 million for 2016 and $89 million for 2017). Going forward, DBRS expects key credit metrics to remain in line with the current rating category.

Financial Information

Newfoundland Power Inc.	12 mos. to June 30	For the year ended December 31				
	2016	2015	2014	2013	2012	2011
Total debt in capital structure	54.7%	54.5%	55.2%	54.6%	55.2%	55.9%
Cash flow/total debt	18.1%	17.3%	17.8%	18.2%	16.9%	18.5%
EBIT gross interest coverage (times)	3.02	3.22	3.06	2.95	2.74	2.88
(CFO+interest)/(Interest+sinking fund payment)	3.32	3.17	3.18	3.16	2.90	3.02

Issuer Description

Newfoundland Power is a regulated utility that primarily distributes, but also generates and transmits, electricity to approximately 263,000 customers throughout the island portion of the Province of Newfoundland and Labrador. Newfoundland Power is a wholly owned subsidiary of Fortis Inc. (rated A (low), Under Review with Negative Implications by DBRS).

Rating Considerations

Strengths

1. Stable and supportive regulatory environment
Newfoundland Power operates in a stable and supportive regulatory environment that is based on COS regulation. The PUB allows for the pass-through of purchased power costs and an RSA is in place to absorb fluctuations in purchased power costs relating primarily to the cost of fuel oil used by Newfoundland and Labrador Hydro (NLH; rated A (low) by DBRS) to generate electricity. Furthermore, the Company also has a WNA to stabilize earnings during extreme weather conditions.

2. Solid financial profile
Newfoundland Power has maintained a solid financial profile, underpinned by the Company's reasonable financial leverage and stable cash flows. During the last 12 months ended June 30, 2016 (LTM 2016), Newfoundland Power's total debt in capital structure remained low at 54.7% while its cash flow-to-debt and EBIT interest coverage ratios remained solid at 18.1% and 3.02 times (x), respectively.

3. Stable customer base
Newfoundland Power has a stable customer base with power sales consisting solely of those to residential and commercial customers. As such, the Company is somewhat less sensitive to economic cycles than utilities with exposure to industrial customers, and has relatively more stable throughputs year over year.

Challenges

1. Reliance on one major power supplier
Newfoundland Power relies heavily on NLH for its power supply, sourcing approximately 93% of its power requirements from this provider. The cost of power purchased from NLH is largely influenced by the market price of bunker C fuel, which has seen some volatility over the past few years. Although this is passed through to Newfoundland Power's customers through the RSA, a potential swing in prices could make it difficult for the Company to increase future rates. NLH is looking to reduce its exposure to highly expensive and volatile oil. The Muskrat Falls project could potentially replace the oil-fired power generated at the Holyrood Thermal Generating Station with cleaner hydroelectric-generated power.

2. Pressure on rates from the Muskrat Falls project
The Muskrat Falls project is an 824 megawatt (MW) hydroelectric generating facility being developed by Nalcor (100% owned by the Province). Costs for the project have increased to approximately $11.5 billion from $9.0 billion in September 2015. It is currently uncertain how costs for the project will be recovered from Newfoundland Power's customers; however, should upward pressure on rates affect the Company's ability to pass on costs, this would negatively affect its credit profile. Additionally, a potential rate shock for customers could affect their ability to pay their electricity bills as well as the electricity throughout, which would be negative for Newfoundland Power's earnings and cash flows.

3. Limited population growth
Electricity consumption growth in the Province is largely driven by growth in the customer base, which is dependent on population growth. Over the years, population growth in the Province has been relatively flat as it is limited by the Province's geographic isolation. Additionally, with the weaker economic outlook for the Province, electricity consumption is expected to remain flat for the medium term.

Earnings and Outlook

	12 mos. to June 30	For the year ended December 31				
(CAD millions where applicable)	2016	2015	2014	2013	2012	2011
Net revenues	228	231	227	214	203	204
EBITDA	170	173	167	158	146	147
EBIT	111	116	113	107	98	104
Gross interest expense	37	36	37	36	36	36
Earning before taxes	49	50	49	46	45	50
Net income before non-recurring items	38	39	38	36	35	32
Reported net income	38	39	38	50	37	32
Actual return on equity	8.1%	8.5%	8.6%	8.6%	8.9%	8.2%

2015 Summary

- Earnings have remained steady largely because of Newfoundland Power's stable regulated operations.
- EBITDA increased in 2015 because of (1) higher total consumption and (2) lower operating costs for the year as 2014 included restoration and customer service costs related to the loss of generation supply from NLH and power interruptions.
- Net income before non-recurring items was flat because of higher depreciation from the growing asset base.

2016 Summary/Outlook

- Earnings decreased modestly in LTM 2016, reflecting the lower approved ROE of 8.5% effective July 1, 2016.
- DBRS expects earnings for 2016 to be slightly lower, reflecting the lower approved ROE offset by a higher rate base.

Financial Profile

	12 mos. to June 30	For the year ended December 31				
(CAD millions where applicable)	2016	2015	2014	2013	2012	2011
Net income before non-recurring items	38	39	38	36	35	32
Depreciation & amortization	59	57	54	52	48	43
Deferred income taxes and other	9	2	6	7	1	13
Cash flow from operations	**106**	**98**	**98**	**95**	**84**	**89**
Dividends paid	(16)	(10)	(24)	(23)	(11)	(51)
Capital expenditures	(101)	(113)	(113)	(89)	(82)	(79)
Free cash flow (bef. working cap. changes)	**(11)**	**(25)**	**(39)**	**(18)**	**(9)**	**(41)**
Changes in non-cash work. cap. items	(3)	5	5	(4)	(8)	(7)
Net free cash flow	**(14)**	**(20)**	**(34)**	**(22)**	**(17)**	**(48)**
Acquisitions & investments	0	0	0	0	0	0
Proceeds on asset sales	0	0	0	0	(1)	45
Net equity change	(0)	(0)	(0)	(0)	0	(0)
Net debt change	14	20	34	22	17	(0)
Other	0	0	(0)	(0)	0	(0)
Change in cash	**(0)**	**(0)**	**(0)**	**0**	**(0)**	**(4)**
Total debt	586	570	549	518	496	478
Total debt in capital structure	54.7%	54.5%	55.2%	54.6%	55.2%	55.9%
Cash flow/total debt	18.1%	17.3%	17.8%	18.2%	16.9%	18.5%
EBIT gross interest coverage (times)	3.02	3.22	3.06	2.95	2.74	2.88
Dividend payout ratio	41.9%	25.6%	62.6%	64.8%	32.6%	156.2%

2015 Summary

- Newfoundland Power's key credit metrics remained stable in 2015 with all financial ratios supportive of the current ratings.
- Cash flow from operations was flat, reflecting the stable nature of the business.
- The Company continued its heavy capex program, spending $113.5 million in 2015. A significant portion ($51.1 million) was spent on maintaining the reliability of the distribution network and connecting new customers to the system.
- Newfoundland Power uses its annual dividend to maintain a long-term capital structure of 55% debt and 45% equity as approved by the PUB for rate-setting purposes. In 2015, Newfoundland Power paid approximately $10.1 million in dividends to maintain its leverage in line with the approved capital structure.
- The Company incurred a net free cash flow deficit of approximately $20.5 million in 2015, which was funded with debt.

2016 Summary/Outlook

- Newfoundland Power's key credit metrics were stable in the LTM 2016.
- Cash flow from operations increased moderately because of lower pension contributions required for the period.
- The PUB approved Newfoundland Power's 2016 capital plan of $107.0 million in September 2015. The Company has spent approximately $40.7 million as of June 30, 2016.
- The Company increased its quarterly common share dividends to $0.52 per share from $0.23 per share in 2015 to maintain its leverage in line with the regulatory capital structure.
- DBRS expects Newfoundland Power to continue to maintain its approved capital structure through dividend management and debt financing.

Long-Term Debt Maturities and Liquidity

- Newfoundland Power has a $100.0 million committed revolving unsecured credit facility expiring in August 2021 ($64.0 million outstanding as at June 30, 2016) and a $20.0 million uncommitted demand facility ($2.8 million outstanding as at June 30, 2016).
- The credit facilities contain customary covenants, including maintaining a debt-to-capitalization ratio at or below 65%. The Company was in compliance with all covenants as at June 30, 2016.

(CAD millions - as at June 30, 2016)	2016-2017	2018-2019	2020-2021	Thereafter	Total
First mortgage sinking fund bonds	5.9	11.7	41.3	463.1	522.0
Credit facilities (unsecured)	64.0	0.0	0.0	0.0	64.0
Demand facility (uncommitted)	2.8	0.0	0.0	0.0	2.8
Total	**72.7**	**11.7**	**41.3**	**463.1**	**588.8**

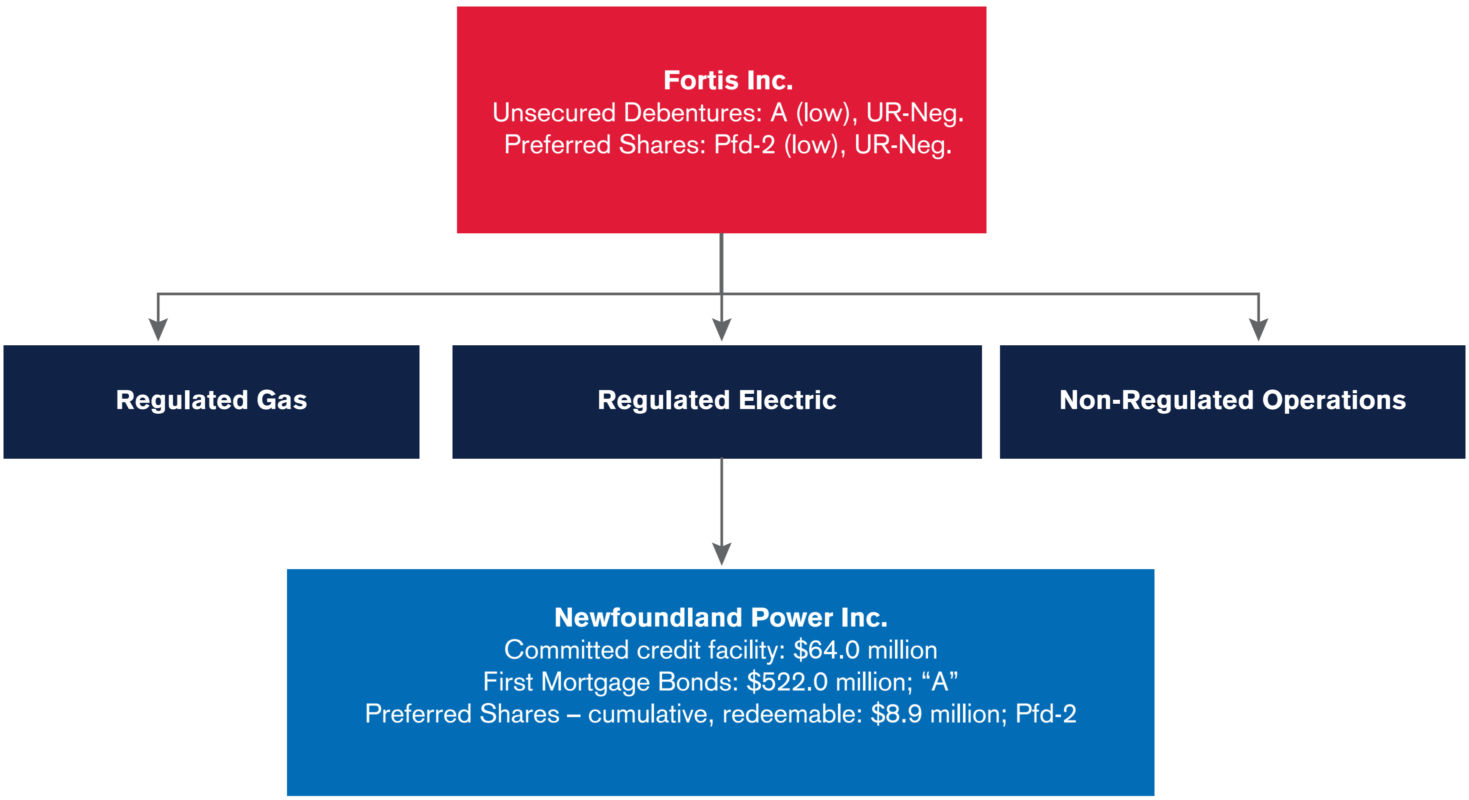
Note: Gross debt; debt issue costs not subtracted from total debt.

- The debt repayment schedule is very modest in the near term. The most notable maturity was in 2016, which included Series AE (approximately $30.4 million), which was repaid by the Company on May 2, 2016.

Securities Outstanding (CAD millions)		June 30
First mortgage sinking fund bonds:		2016
$40 million Series AF, due 2022	10.125%	30.8
$40 million Series AG, due 2020	9.000%	31.6
$40 million Series AH, due 2026	8.900%	32.4
$50 million Series AI, due 2028	6.800%	41.5
$75 million Series AJ, due 2032	7.520%	65.3
$60 million Series AK, due 2035	5.441%	53.4
$70 million Series AL, due 2037	5.901%	63.7
$65 million Series AM, due 2039	6.606%	60.5
$70 million Series AN, due 2043	4.805%	68.6
$75 million Series AO, due 2045	4.446%	74.3
		522.0
	Credit & demand facilities	66.8
		588.8
	Less: current portion	(72.7)
		516.1

- The First Mortgage Bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.
- The Company must meet an Earnings Test, whereby the net earnings are at least twice the annual interest charges on all bonds outstanding after any proposed additional bond issue. Net earnings are considered in a period of any 12 consecutive months terminating within 24 months preceding the delivery of such additional bonds.
- Second, the Company must meet the Additional Property Test, whereby the additional bonds must not exceed 60% of the fair value of the additional property.
- Given the availability of funds under the credit facilities and stable cash flow from operations, the Company's liquidity remains adequate to fund both working capital requirements and cash flow deficits.

Organizational Structure



As at June 30, 2016.

Regulation

Regulatory Overview

- Newfoundland Power is regulated by the PUB, which is responsible for setting electricity rates, approving capex and deciding on the appropriate capital structure and ROE for rate-setting purposes.
- Rates are set based on a COS methodology.
- On April 17, 2013, the PUB issued the Order on Newfoundland Power's 2013/2014 GRA, which established the Company's allowed ROE at 8.80% and common equity at 45% for the 2013 to 2015 rate years. This was consistent with the cost of capital allowed in 2012.
- On July 1, 2015, customer electricity rates decreased by approximately 5.25% on average because of (1) a 10.0% rate decrease associated with the annual operation of the RSP and (2) a 4.75% interim rate increase in the wholesale electricity rate charged by NLH to the Company.
- On June 8, 2016, the PUB issued the Order on Newfoundland Power's 2016/2017 GRA, which established the Company's allowed ROE at 8.50% and common equity at 45% for the 2016 to 2018 rate years. DBRS views the capital structure as favourable and does not expect the moderately lower ROE, as compared with other Canadian jurisdictions, to have a material impact on the Company's cash flows.
- On July 1, 2016, customer electricity rates decreased by approximately 7.9% on average because of (1) a 1.2% increase related to the Company's 2016/2017 GRA and (2) a 9.1% decrease associated with the annual operation of the RSA.
- The PUB approved Newfoundland Power's 2015 capital plan of $94.2 million on October 9, 2014. The PUB additionally fixed the Company's average rate base for the year ending December 31, 2013, at $915.8 million.

Regulation (CONTINUED)

- The PUB approved Newfoundland Power's 2016 capital plan of $107.0 million on September 18, 2015. The PUB additionally fixed the Company's average rate base for the year ending December 31, 2014, at $964.9 million.
- Newfoundland Power filed its 2017 capital plan of $89.4 million on July 15, 2016. The Company also requested approval to fix its average rate base for the year ending December 31, 2015, at $1,019.1 million. A decision is expected by the end of the year.

Regulator-Approved Accounts

Deferral accounts are used to smooth the impact of realized expenses and events differing from forecast.

- **Weather Normalization Reserve (WNR):** The WNR reduces earnings volatility by adjusting electricity purchases and sales to eliminate the variance between normal weather conditions, based on long-term averages, and actual realized weather conditions.
- **Rate Stabilization Account (RSA):** The RSA allows Newfoundland Power to pass through costs related to changes in the price and quantity of fuel charged by NLH to the end consumer. On July 1 of each year, customer rates are recalculated to amortize, over the subsequent 12 months, the balance in the RSA as of March 31 of the current year. In the absence of rate regulation, these transactions would be accounted for in a similar manner; however, the amount and timing of the recovery would not be subject to PUB approval. To the extent that actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. Effective January 1, 2008, the PUB ordered that variations in purchased power expense caused by differences between the actual unit cost of energy and the cost reflected in customer rates be recovered from (refunded to) customers through the RSA.
- **Demand Management Incentive Account (DMIA):** Through the DMIA, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1.0% of demand costs reflected in customer rates. Balances in this account are recorded as a regulatory asset or regulatory liability on Newfoundland Power's balance sheet. The final balance of regulatory assets and liabilities is determined by the PUB, which considers the merits of the Company's conservation efforts and demand management activities.
- **Pension Expense Variance Deferral Account (PEVDA):** The PEVDA is used when differences exist between the defined benefit pension expense calculated in accordance with designated accounting standards and the pension expense approved by the PUB for rate-setting purposes.
- **Other Post-Employment Benefits:** The other post-employment benefits cost deferral account (OPEB) is used when differences exist between the OPEB expense calculated in accordance with designated accounting standards and the OPEB expense approved by the PUB for rate-setting purposes.
- **Excess Earnings Account (EEA):** Any earnings which exceed the upper limit of the allowed range of return on rate base set by the PUB are credited to the Company's EEA. Amounts credited to the EEA are subject to further order of the PUB.

Newfoundland Power Inc.

(CAD millions)	June 30	December 31			June 30	December 31	
Assets	**2016**	**2015**	**2014**	**Liabilities & Equity**	**2016**	**2015**	**2014**
Cash & equivalents	0	0	0	S.T. borrowings	3	2	4
Accounts receivable	69	81	82	Accounts payable	43	81	80
Regulatory assets	19	15	24	Current portion L.T.D.	70	54	70
Prepaid expenses & other	3	12	6	Other current liab.	13	10	12
Total Current Assets	**92**	**107**	**113**	**Total Current Liab.**	**128**	**147**	**166**
Net fixed assets	1,050	1,038	984	Long-term debt	513	513	476
Future income tax assets	184	180	177	Provisions	235	230	233
Intangibles	20	18	16	Deferred income taxes	132	128	126
Regulatory assets	147	151	157	Other L.T. liab.	2	1	1
Investments & others	3	1	1	Preferred shares	9	9	9
				Common equity	477	466	437
Total Assets	**1,496**	**1,495**	**1,447**	**Total Liab. & SE**	**1,496**	**1,495**	**1,447**

Balance Sheet &	12 mos. to June 30	For the year ended December 31				
Liquidity & Capital Ratios	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Current ratio	0.71	0.73	0.68	0.94	0.77	1.10
Total debt in capital structure	54.7%	54.5%	55.2%	54.6%	55.2%	55.9%
Cash flow/total debt	18.1%	17.3%	17.8%	18.2%	16.9%	18.5%
(Cash flow-dividends)/capex (times)	0.89	0.78	0.66	0.80	0.88	0.48
Dividend payout ratio	41.9%	25.6%	62.6%	64.8%	32.6%	156.2%
Coverage Ratios (times)						
EBIT gross interest coverage	3.02	3.22	3.06	2.95	2.74	2.88
EBITDA gross interest coverage	4.61	4.79	4.52	4.36	4.05	4.07
Fixed-charge coverage	2.95	3.15	3.00	2.88	2.68	2.82
Profitability Ratios						
EBITDA margin	74.3%	75.0%	73.7%	73.9%	72.0%	72.2%
EBIT margin	48.6%	50.4%	49.9%	49.9%	48.6%	51.2%
Profit margin	16.8%	17.0%	16.7%	16.8%	17.1%	15.9%
Return on equity	8.1%	8.5%	8.6%	8.6%	8.9%	8.2%
Return on capital	6.0%	6.3%	6.5%	6.6%	6.8%	6.6%

Operating Statistics

	For the year ended December 31				
Electricity sales - breakdown (GWh)	**2015**	**2014**	**2013**	**2012**	**2011**
Residential	3,655	3,613	3,531	3,441	3,407
General service	2,302	2,286	2,232	2,211	2,146
Total sales	**5,957**	**5,899**	**5,763**	**5,652**	**5,553**
Growth in volume throughputs	1.0%	2.4%	2.0%	1.8%	2.5%
Customers					
Residential	227,455	224,824	221,995	218,290	214,515
Commercial	34,319	34,055	33,623	33,241	32,648
Total	**261,774**	**258,879**	**255,618**	**251,531**	**247,163**
Energy generated and purchased (GWh)					
Energy generated	432	430	429	432	422
Energy purchased	5,877	5,817	5,678	5,544	5,456
Energy generated + purchased	**6,309**	**6,247**	**6,107**	**5,976**	**5,878**
Less: transmission losses + internal use	353	348	344	324	325
Total sales	**5,956**	**5,899**	**5,763**	**5,652**	**5,553**
System losses and internal use	5.9%	5.9%	6.0%	5.7%	5.9%
Installed generation capacity (MW)					
Hydroelectric	97	97	97	97	97
Gas turbine	37	37	37	37	37
Diesel	5	5	5	6	7
Total	**139**	**139**	**139**	**140**	**140**
Native peak demand (MW)	**1,382**	**1,343**	**1,281**	**1,241**	**1,166**
Rate base (CAD millions)	**1,019**	**965**	**916**	**883**	**876**
Growth in rate base	6%	5%	4%	1%	0%

Rating History

	Current	2015	2014	2013	2012	2011
Issuer Rating	A	A	A	A	A	NR
First Mortgage Bonds	A	A	A	A	A	A
Preferred Shares – cumulative, redeemable	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2

Previous Action

- Confirmed, August 13, 2016.

Previous Report

- Newfoundland Power Inc.: Rating Report, August 21, 2015.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on **www.dbrs.com**.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

Newfoundland Power
Moody's Credit Opinion
February 2017

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
3 February 2017

Update

Rate this Research

RATINGS

Newfoundland Power Inc.

Domicile	St. John's, Newfoundland, Canada
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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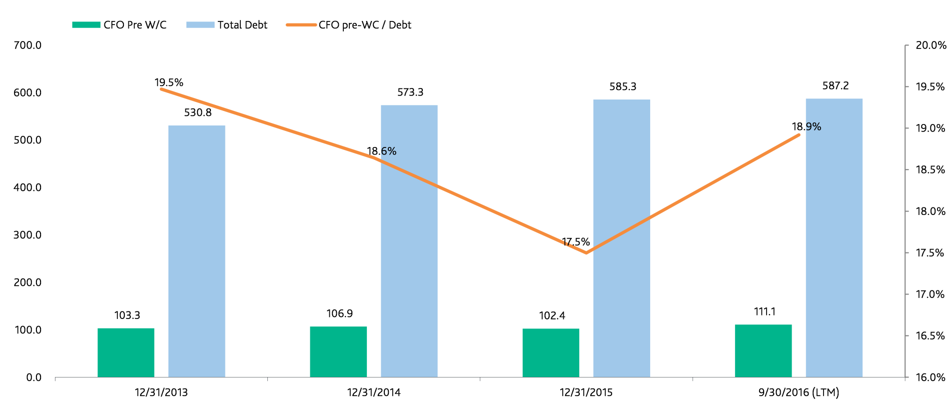
Newfoundland Power Inc.

Update to Discussion of Key Credit Factors

Summary Rating Rationale

Newfoundland Power Inc.'s (NPI, Baa1 stable) issuer rating reflects the company's low business risk as a vertically integrated cost-of-service regulated utility with no unregulated business activities. Approximately 93% of NPI's power requirements are purchased from provincially owned Newfoundland & Labrador Hydro (Hydro), the cost of which is passed through to ratepayers. NPI's allowed Return on Equity (ROE) is 8.50% for 2016-2018, and we view the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) as one of the more supportive regulators in Canada because regulatory decisions are timely and balanced, deferral accounts reduce the risks from factors beyond management's control and NPI's 45% equity capital is among the highest authorized levels in Canada. The Baa1 rating is constrained by the risk of future cost recovery associated with the Province of Newfoundland and Labrador's sizeable Muskrat Falls hydroelectric project. This politically sensitive project is large relative to the provincial economy and is expected to place considerable upward pressure on the future electricity rates of NPI, a credit negative. The A2 rating of NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets.

Exhibit 1
Historical CFO Pre W/C, Total Debt and CFO Pre W/C to Debt



Source: Moody's Financial Metrics

Credit Strengths

» Low risk regulated utility, primarily a T&D, with 93% purchased power from provincial generators

» Supportive regulatory environment

» Stable cash flow metrics with CFO pre-W/C to debt in the mid to high teens

Credit Challenges

» Upward pressure on rates due to the Muskrat Falls project

» Increased risks of timely cost recovery upon completion Muskrat Falls expected in 2020

Rating Outlook

The stable rating outlook reflects the PUB's regulation of NPI which we consider credit supportive. We expect the regulatory environment to remain supportive to credit quality, with a suite of timely recovery mechanisms, along with our expectation that relatively stable cash flow generation and the capital structure of NPI will generate sustained CFO pre-WC to debt at the high end of the range of 15% to 17%.

Factors that Could Lead to an Upgrade

NPI's rating would likely be upgraded if CFO pre-WC to debt is forecast to be sustained above 17%. However, an upgrade of NPI's rating is unlikely without further clarity on the timing and size of the increases in electricity rates in relation to the Muskrat Falls hydroelectric project.

Factors that Could Lead to a Downgrade

We consider a downward revision in NPI's rating to be unlikely in the near term. However, NPI's rating would likely be downgraded if we perceived a meaningful reduction in the level of regulatory support combined with a sustained deterioration in NPI's financial metrics such as CFO pre-WC to debt falling into the low teens.

Key Indicators

Exhibit 2
Newfoundland Power Inc.

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	9/30/2016(LTM)
CFO pre-WC + Interest / Interest	3.5x	3.7x	3.9x	3.8x	4.0x
CFO pre-WC / Debt	16.9%	19.5%	18.6%	17.5%	18.9%
CFO pre-WC – Dividends / Debt	14.9%	15.2%	14.6%	15.9%	15.8%
Debt / Capitalization	51.9%	49.7%	50.5%	49.6%	48.9%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics™
Source: Moody's Financial Metrics

Detailed Rating Considerations

LOW-RISK BUSINESS MODEL

NPI's rating reflects the company's low business risk as a cost of service regulated utility. NPI owns and operates a vertically integrated electric utility located on the island portion of the province of Newfoundland and Labrador and dominates that market, which is geographically isolated and effectively protected from potential competition. NPI serves roughly 90% of the province's electricity customers. The market is mature and NPI's electricity sales have tended to grow at a relatively low and predictable rate of 1-2%, although in the last year reductions in average consumption have caused flat to slightly negative sales growth. Historically, growth has not taxed NPI either operationally or financially due to relatively timely recovery of capital and operating costs.

Although NPI is vertically integrated, NPI's owned generation assets are regulated and represent only 13% of NPI's net property, plant and equipment at year-end 2015. Accordingly, we consider the business risk of NPI to be lower than that of a typical vertically integrated utility, which is often exposed to commodity price and volume risks or the operational, financial and environmental risks associated with electricity generation. However, NPI faces uncertainties due to the timing and size of expected rate increases in association with the Muskrat Falls hydroelectric project. The cost of Muskrat Falls and transmission in NewFoundland and Labrador has increased to about C$11.4 billion and the date of full power has been pushed back to 2020 as the project has struggled with execution risks.

SUPPORTIVE REGULATORY AND BUSINESS ENVIRONMENT

NPI's operations benefit from a well-developed regulatory framework and business environments that we consider credit supportive. We consider the PUB's regulation of NPI to be credit supportive primarily because of a track record of reasonably timely and balanced decisions that enable NPI to generate stable and predictable cash flow and earn its allowed ROE which has not been directly subject to political interference. NPI has access to courts for disputes with the PUB.

The PUB's review and approval of NPI's capital spending plans and long-term debt issuances significantly reduce the risk of cost disallowances and support NPI's ability to fully recover costs on a timely basis. NPI submits a proposed capital plan for PUB approval annually before the next fiscal year. Furthermore, NPI is required to obtain PUB pre-approval for the issuance of any First Mortgage Bonds (FMB) or the incurrence of credit facilities with maturities exceeding one year, which we see as credit positives.

Several other cost recovery mechanisms reduce NPI's exposure to unexpected costs due to variations in purchased power costs, weather and pension and other post-employment benefit (OPEB) costs. While NPI foregoes some upside potential, the stability and predictability of its cash flows are increased. For example, the Rate Stabilization Account (RSA) facilitates timely recovery of purchased power costs in excess of those forecasted for rate-making purposes. This is particularly important since the marginal cost of power that NPI obtains from Hydro exceeds the average supply costs embedded in customer rates. The RSA provides for the amortization of the under or over collection over a 12 month period. Other mechanisms include the Weather Normalization Account, Conservation and Demand Management Deferral and the Demand Management Incentive Account (which limits NPI's exposure to variation in purchased power costs due to demand to 1% of demand costs reflected in the test year for rate-making purposes).

NPI is allowed to file a rate application based on a forward test year and forecast rate base. We view these mechanisms positively because they reduce revenue lag associated with large capital projects. NPI's allowed ROE of 8.5% for 2016-2018 has been lowered slightly from the previous 8.8% in the period 2013-2015. While the ROE remains relatively low, it is mitigated by one of the highest deemed equity levels in Canada at 45%. NPI's outperformance, as suggested by CFO pre-W/C to debt of around 18% in 2014, 2015 and on an LTM basis as of September 30, 2016, reflected changes in regulated assets and liabilities and pension liability reductions. Despite the reduction in the allowed ROE we expect NPI to continue to achieve sustainable CFO pre-W/C to debt consistent with our expectations and the current rating. On June 8, 2016, PUB issued an order on NPI's 2016/2017 general rate application approving the current ROE of 8.5% and maintaining the 45% equity layer.

NPI IS INDEPENDENT OF FORTIS INC.

While NPI is one of a number of utility operating companies owned by Fortis Inc. (Baa3 stable), we consider NPI, like sister companies FortisAlberta Inc. (FAB: Baa1 stable), FortisBC Inc. (FBC: Baa1 stable) and FortisBC Energy Inc. (FEI: A3 stable), to be operationally and financially independent from Fortis, a credit positive. Fortis has consistently demonstrated good management and support of its subsidiaries and we view NPI's access to the executive and strategic support of Fortis to be a credit positive. While we don't expect it, if required, and consistent with Fortis precedent, we have assumed that Fortis Inc. would provide extraordinary support to NPI, provided that the parent had the economic incentive and sufficient resources to do so. The credit quality of Fortis does not constrain the ratings of NPI.

Liquidity Analysis

NPI's liquidity arrangements are considered adequate in the context of its relatively stable cash flow and funding requirements.

NPI plans to spend about $100 million on capital expenditures annually and pay dividends in amounts commensurate with maintaining the 45% deemed equity layer. With estimated cash flow from operations in the range of $110-120 million, we expect that any modest free cash flow shortfall is funded through NPI's bank credit facilities and adjustments to dividends paid which we expect to be about $35 million in 2017.

The company's core liquidity facility is a $100 million syndicated committed revolving credit facility that matures in August 2021. While the credit agreement contains a covenant that NPI maintain its debt to capitalization ratio at or below 65%, it does not include a material adverse change (MAC) clause or representation and warranty declaration prior to drawdown. $50.5 million was outstanding under the committed facility at 30 September 2016. The company's next debt maturity is in October 2020.

Structural Considerations

The A2 rating of NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets. This is consistent with the two notch differential between most senior secured debt ratings and senior unsecured debt ratings of investment-grade regulated utilities operating in North America. The differential is based on our analysis of the history of regulated utility defaults, which indicates that regulated utilities have experienced lower loss given default rates (higher recovery rates) than non-financial, non-utility corporate issuers.

Profile

Headquartered in St. John's, Newfoundland, NPI is a vertically integrated electric utility serving a customer base of over 260,000 residential and commercial customers. NPI operates under cost of service regulation and is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) under the Public Utilities Act (the Act). NPI purchases the majority of its power from Newfoundland and Labrador Hydro (not rated). NPI's installed generating capacity of 139 MW provides about 7% of its power supply. NPI is a wholly-owned subsidiary of Fortis Inc. (FTS, not rated), which is primarily a diversified electric and gas utility holding company also based in St. John's.

Rating Methodology and Scorecard Factors

Exhibit 3
Rating Factors
Newfoundland Power Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 9/30/2016		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.0x	Baa	3.8x - 4.2x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	19.3%	Baa	17% - 20%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	16.1%	Baa	15% - 17%	Baa
d) Debt / Capitalization (3 Year Avg)	49.4%	Baa	49% - 51%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching		0	0	0
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2016(LTM); Source: Moody's Financial Metrics™
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Ratings

Exhibit 4

Category	Moody's Rating
NEWFOUNDLAND POWER INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
First Mortgage Bonds -Dom Curr	A2
PARENT: FORTIS INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured	Baa3

Source: Moody's Investors Service

REPORT NUMBER 1056202

MOODY'S
INVESTORS SERVICE

Newfoundland Power
DBRS Credit Rating
September 2017

Rating Report

Newfoundland Power Inc.

DBRS

Insight beyond the rating.

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
First Mortgage Bonds	A	Confirmed	Stable
Preferred Shares - cumulative, redeemable	Pfd-2	Confirmed	Stable

Rating Update

On August 29, 2017, DBRS Limited (DBRS) confirmed the Issuer Rating and First Mortgage Bonds rating of Newfoundland Power Inc. (Newfoundland Power or the Company) at "A" and the Preferred Shares – cumulative, redeemable rating at Pfd-2. All trends remain Stable. The confirmation is based on the continued stability of the Company's regulated electricity business, which consists primarily of electricity distribution, and the solid financial risk profile.

Newfoundland Power's business risk profile remains supported by the Company's stable regulated integrated electricity business, which operates under a reasonable regulatory regime by the Board of Commissioners of Public Utilities (PUB). There have been no material regulatory changes since the last rating review in August 2016; the most recent General Rate Application (GRA) decision released in June 2016 established a deemed equity component of 45% and an allowed return on equity (ROE) of 8.5% until 2018. Newfoundland Power also continues to benefit from the use of multiple regulatory deferral accounts, such as the Rate Stabilization Account (RSA) and the Weather Normalization Account (WNA), which significantly reduce volatility in the Company's earnings and cash flows.

DBRS remains concerned about the potential rate shock once the Muskrat Falls project, which is currently under construction by Nalcor Energy (Nalcor), comes on line in mid-2020. Nalcor expects that by 2022, rates in the Province of Newfoundland and Labrador (the Province) will increase to 23.3 cents per kilowatt hour (kWh), which is a substantial increase from current rates of around 11.7 cents/kWh. Should the upward pressure on rates affect Newfoundland Power's ability to fully pass on costs, or affect ratepayers' ability to pay their electricity bills, this could result in a negative rating action.

Newfoundland Power's financial risk profile remained solid in 2016 and for the 12 months ending June 30, 2017 (LTM 2017), with all key credit metrics supportive of the current ratings. While capital expenditures (capex) remains higher than historical average, the moderate free cash flow deficits have remained manageable. DBRS expects the Company to continue managing free cash flow deficits in a prudent manner in order to maintain leverage in line with the regulatory capital structure. Going forward, DBRS expects key credit metrics to remain in line with the current rating category.

Financial Information

	12 mos. to June 30	For the year ended December 31				
	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Total debt in capital structure	54.3%	53.8%	54.5%	55.2%	54.6%	55.2%
Cash flow/Total debt	18.8%	18.6%	17.3%	17.8%	18.2%	16.9%
EBIT gross interest coverage (times)	3.07	3.03	3.22	3.06	2.95	2.74
(CFO+interest)/(Interest+sinking fund payment)	3.63	3.44	3.17	3.18	3.16	2.90

Issuer Description

Newfoundland Power is a regulated utility that primarily distributes, but also generates and transmits, electricity to approximately 265,000 customers throughout the island portion of the Province of Newfoundland and Labrador. Newfoundland Power is a subsidiary of Fortis Inc. (rated BBB (high) with a Stable trend by DBRS).

Rating Considerations

Strengths	Challenges

1. Stable and supportive regulatory environment

Newfoundland Power operates in a stable and supportive regulatory environment that is based on cost of service (COS) regulation. The PUB allows for the pass-through of purchased power costs, and an RSA is in place to absorb fluctuations in purchased power costs relating primarily to the cost of fuel oil used by Newfoundland and Labrador Hydro (NLH; rated A (low) with a Stable trend by DBRS) to generate electricity. Furthermore, the Company also has a WNA to stabilize earnings during extreme weather conditions.

2. Solid financial profile

Newfoundland Power has maintained a solid financial profile, underpinned by the Company's reasonable financial leverage and stable cash flows. During the last 12 months ended June 30, 2017 (LTM 2017), Newfoundland Power's total debt in capital structure remained low at 54.3%, while its cash flow-to-debt and EBIT interest coverage ratios remained solid at 18.8% and 3.07 times, respectively.

3. Stable customer base

Newfoundland Power has a stable customer base with power sales consisting solely of those to residential and commercial customers. As such, the Company is somewhat less sensitive to economic cycles than utilities with exposure to industrial customers, and it has relatively more stable throughputs year over year.

1. Reliance on one major power supplier

Newfoundland Power relies heavily on NLH for its power supply, sourcing approximately 93% of its power requirements from this provider. The cost of power purchased from NLH is largely influenced by the market price of bunker C fuel, which has seen some volatility over the past few years. Although this is passed through to Newfoundland Power's customers through the RSA, a potential swing in prices could make it difficult for the Company to increase future rates. NLH is looking to reduce its exposure to highly expensive and volatile oil. The Muskrat Falls project could potentially replace the oil-fired power generated at the Holyrood Thermal Generating Station with cleaner hydroelectric-generated power.

2. Pressure on rates from the Muskrat Falls project

The Muskrat Falls project is an 824-megawatt (MW) hydroelectric generating facility being developed by Nalcor (100% owned by the Province). Costs for the project have increased to approximately $12.7 billion from $9.0 billion in September 2015. It is currently uncertain how costs for the project will be recovered from Newfoundland Power's customers; however, should upward pressure on rates affect the Company's ability to pass on costs, this would negatively affect its credit profile. Nalcor has noted that, based on current projections, rates are expected to increase to 23.3 cents/kWh in 2022 (11.7 cents/kWh in 2017). While Nalcor is currently investigating potential rate mitigation measures, a potential rate shock for customers could affect their ability to pay their electricity bills as well as the electricity throughput, which would be negative for Newfoundland Power's earnings and cash flows. DBRS notes that the Province has directed Nalcor to source $210 million to lower electricity rates starting in 2020–21.

3. Limited population growth

Electricity consumption growth in the Province is largely driven by growth in the customer base, which is dependent on population growth. Over the years, population growth in the Province has been relatively flat, as it is limited by the Province's geographic isolation. Additionally, with the weaker economic outlook for the Province, electricity consumption is expected to remain flat for the medium term.

Earnings and Outlook

	12 mos. to June 30	For the year ended December 31				
(CAD millions where applicable)	2017	2016	2015	2014	2013	2012
Net revenues	231	229	231	227	214	203
EBITDA	169	169	173	167	158	146
EBIT	107	108	116	113	107	98
Gross interest expense	35	36	36	37	36	36
Earning before taxes	54	52	50	49	46	45
Net income before non-recurring items	42	41	39	38	36	35
Reported net income	42	41	39	38	50	37
Actual return on equity	8.4%	8.4%	8.5%	8.6%	8.6%	8.9%
Regulated rate base	N/A	1,061	1,019	965	916	883

2016 Summary

- Newfoundland Power's earnings remained relatively steady in 2016, reflecting the regulated nature of the Company's operations.
- EBITDA and EBIT decreased as a result of (1) lower than anticipated sales and (2) lower recoveries of employee future benefit costs.
- Net income before non-recurring items increased as a result of higher revenues associated with rate base growth.

2017 Summary/Outlook

- Earnings remained stable for LTM 2017, as higher electricity sales and the 1.2% increase for 2016 rates were largely offset by inflationary pressure on operating expenses and higher depreciation from the larger asset base.
- DBRS expects earnings in 2017 to remain stable.

Financial Profile

	12 mos. to June 30	For the year ended December 31				
(CAD millions where applicable)	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Net income before non-recurring items	42	41	39	38	36	35
Depreciation & amortization	62	61	57	54	52	48
Deferred income taxes and other	9	6	2	6	7	1
Cash flow from operations	**113**	**107**	**98**	**98**	**95**	**84**
Dividends paid	(24)	(22)	(10)	(24)	(23)	(11)
Capital expenditures	(100)	(103)	(113)	(113)	(89)	(82)
Free cash flow (bef. working cap. changes)	**(12)**	**(18)**	**(25)**	**(39)**	**(18)**	**(9)**
Changes in non-cash work. cap. items	0	12	5	5	(4)	(8)
Net free cash flow	**(12)**	**(6)**	**(20)**	**(34)**	**(22)**	**(17)**
Acquisitions & investments	0	0	0	0	0	0
Proceeds on asset sales	0	0	0	0	0	(1)
Net equity change	(0)	(0)	(0)	(0)	(0)	0
Net debt change	13	7	20	34	22	17
Other	(1)	(1)	0	(0)	(0)	0
Change in cash	**(0)**	**(0)**	**(0)**	**(0)**	**0**	**(0)**
Total debt	599	576	570	549	518	496
Total debt in capital structure	54.3%	53.8%	54.5%	55.2%	54.6%	55.2%
Cash flow/Total debt	18.8%	18.6%	17.3%	17.8%	18.2%	16.9%
EBIT gross interest coverage (times)	3.07	3.03	3.22	3.06	2.95	2.74

2016 Summary

- Newfoundland Power's key credit metrics remained stable in 2016 and supportive of the current ratings.
- Cash flow from operations increased following the rebase of rates for 2016 and lower pension contributions.
- Capex decreased slightly but remained significantly higher than depreciation as the Company continues to invest in renewing aging infrastructure.
- Newfoundland Power uses its annual dividend to maintain a long-term capital structure of 55% debt and 45% equity as approved by the PUB for rate-setting purposes. In 2016, Newfoundland Power paid approximately $22 million in dividends to maintain its leverage in line with the approved capital structure.
- The Company incurred a net free cash flow deficit of approximately $7 million in 2016, which was funded with debt.

2017 Summary/Outlook

- Newfoundland Power's key credit metrics were steady in LTM 2017.
- Cash flow from operations increased largely because of the rate increase effective July 2016.
- The PUB approved Newfoundland Power's 2017 capital plan of $89.4 million in September 2016. The PUB approved supplemental applications for capex of $2.8 million and $3.3 million in February and May 2017, respectively. The Company has spent approximately $38.2 million as of June 30, 2017.
- The Company increased its quarterly common share dividends to $0.64 per share from $0.52 per share in 2017 to maintain its leverage in line with the regulatory capital structure.
- Newfoundland Power issued $75 million of first mortgage sinking fund bonds in June 2017, largely to repay the outstanding balance on its credit facilities.
- DBRS expects Newfoundland Power to continue to maintain its approved capital structure through dividend management and debt financing.

Long-Term Debt Maturities and Liquidity

- Newfoundland Power has a $100.0 million committed revolving unsecured credit facility expiring in August 2022 ($8.5 million outstanding as at June 30, 2017) and a $20.0 million uncommitted demand facility ($2.0 million outstanding as at June 30, 2017).
- The credit facilities contain customary covenants, including maintaining a debt-to-capitalization ratio at or below 65%. The Company was in compliance with all covenants as at June 30, 2017.

(CAD millions - as at June 30, 2017)	2017-2018	2019-2020	2021-2022	Thereafter	Total
First mortgage sinking fund bonds	6.6	13.2	42.4	528.9	591.1
Credit facilities (unsecured)	8.5	0.0	0.0	0.0	8.5
Demand facility (uncommitted)	2.0	0.0	0.0	0.0	2.0
Total	**17.1**	**13.2**	**42.4**	**528.9**	**601.6**

Note: Gross debt; debt issue costs not subtracted from total debt.

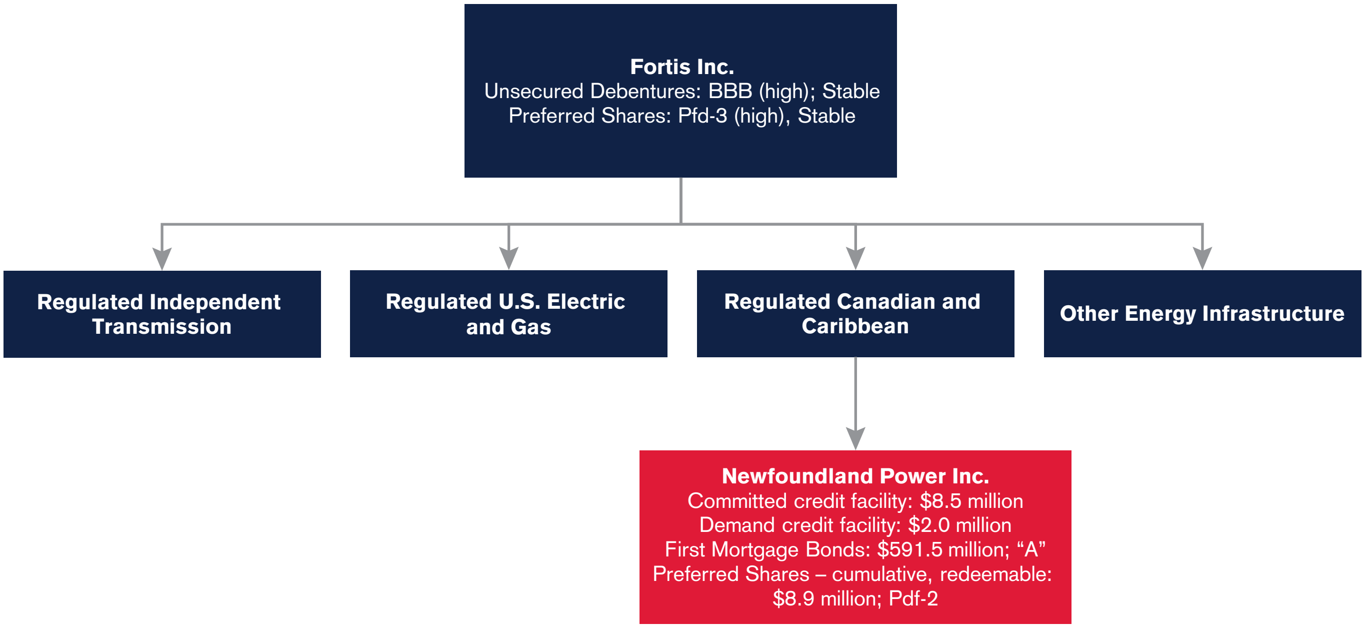
- The debt repayment schedule is very modest in the near term, with the nearest first mortgage sinking fund bond maturity in 2020.

Securities Outstanding (CAD millions)

First mortgage sinking fund bonds:		June 30, 2017
$40 million Series AF, due 2022	10.125%	30.4
$40 million Series AG, due 2020	9.000%	31.2
$40 million Series AH, due 2026	8.900%	32.0
$50 million Series AI, due 2028	6.800%	41.0
$75 million Series AJ, due 2032	7.520%	64.5
$60 million Series AK, due 2035	5.441%	52.8
$70 million Series AL, due 2037	5.901%	63.0
$65 million Series AM, due 2039	6.606%	59.8
$70 million Series AN, due 2043	4.805%	67.9
$75 million Series AO, due 2045	4.446%	73.5
$75 million Series AP, due 2057	3.815%	75.0
		591.1
Credit & demand facilities		10.5
		601.6
Less: current portion		(17.1)
		584.5

- The First Mortgage Bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.
- The Company must meet an Earnings Test, whereby the net earnings are at least twice the annual interest charges on all bonds outstanding after any proposed additional bond issue. Net earnings are considered in a period of any 12 consecutive months terminating within 24 months preceding the delivery of such additional bonds.
- Second, the Company must meet the Additional Property Test, whereby the additional bonds must not exceed 60% of the fair value of the additional property.
- Given the availability of funds under the credit facilities and stable cash flow from operations, the Company's liquidity remains adequate to fund both working capital requirements and cash flow deficits.

Organizational Structure



As at June 30, 2017.

Regulation

Regulatory Overview

- Newfoundland Power is regulated by the PUB, which is responsible for setting electricity rates, approving capex and deciding on the appropriate capital structure and ROE for rate-setting purposes.
- Rates are set based on a COS methodology.
- On June 8, 2016, the PUB issued the Order on Newfoundland Power's 2016/2017 GRA, which established the Company's allowed ROE at 8.50% and common equity at 45% for the 2016 to 2018 rate years. DBRS views the capital structure as favourable and does not expect the moderately lower ROE, as compared with other Canadian jurisdictions, to have a material impact on the Company's cash flows.
- On July 1, 2016, customer electricity rates decreased by approximately 7.9% on average because of (1) a 1.2% increase related to the Company's 2016/2017 GRA and (2) a 9.1% decrease associated with the annual operation of the RSA.
- The PUB approved Newfoundland Power's 2016 capital plan of $107.0 million on September 18, 2015. The PUB additionally fixed the Company's average rate base for the year ending December 31, 2014, at $964.9 million.
- On July 1, 2017, customer electricity rates increased by approximately 8.5% on average because of (1) a flow through adjustment related to the final ruling on NLH's GRA, (2) the annual operation of Hydro's Rate Stabilization Plan, and (3) the annual operation of the Company's RSA.
- The PUB approved Newfoundland Power's 2017 capital plan of $89.4 million on September 12, 2016. The PUB additionally fixed the Company's average rate base for the year ending December 31, 2015, at $1,019 million.
  - The PUB subsequently approved supplemental capital spending of $2.8 million on February 24, 2017, and $3.3 million on May 23, 2017.
- Newfoundland Power filed its 2018 capital plan of $83.9 million on July 7, 2017. The Company also requested approval to fix its average rate base for the year ending December 31, 2016, at $1,061.0 million. A decision is expected by the end of the year.

Regulator-Approved Accounts

Deferral accounts are used to smooth the impact of realized expenses and events differing from forecast.

- **Weather Normalization Reserve (WNR):** The WNR reduces earnings volatility by adjusting electricity purchases and sales to eliminate the variance between normal weather conditions, based on long-term averages, and actual realized weather conditions.

Regulation (CONTINUED)

- **Rate Stabilization Account (RSA):** The RSA allows Newfoundland Power to pass through costs related to changes in the price and quantity of fuel charged by NLH to the end consumer. On July 1 of each year, customer rates are recalculated to amortize the balance in the RSA as of March 31 of the current year over the subsequent 12 months. In the absence of rate regulation, these transactions would be accounted for in a similar manner; however, the amount and timing of the recovery would not be subject to PUB approval. To the extent that actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. Effective January 1, 2008, the PUB ordered that variations in purchased power expense caused by differences between the actual unit cost of energy and the cost reflected in customer rates be recovered from (refunded to) customers through the RSA.
- **Demand Management Incentive Account (DMIA):** Through the DMIA, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1.0% of demand costs reflected in customer rates. Balances in this account are recorded as a regulatory asset or regulatory liability on Newfoundland Power's balance sheet. The final balance of regulatory assets and liabilities is determined by the PUB, which considers the merits of the Company's conservation efforts and demand management activities.
- **Pension Expense Variance Deferral Account (PEVDA):** The PEVDA is used when differences exist between the defined benefit pension expense calculated in accordance with designated accounting standards and the pension expense approved by the PUB for rate-setting purposes.
- **Other Post-Employment Benefits (OPEB):** The OPEB cost deferral account is used when differences exist between the OPEB expenses calculated in accordance with designated accounting standards and the OPEB expenses approved by the PUB for rate-setting purposes.
- **Excess Earnings Account (EEA):** Any earnings that exceed the upper limit of the allowed range of return on rate base set by the PUB are credited to the Company's EEA. Amounts credited to the EEA are subject to further order of the PUB.

Newfoundland Power Inc.

Balance sheet (CAD millions)	June 30 2017	Dec. 31 2016	Dec. 31 2015
Assets			
Cash & equivalents	0	0	0
Accounts receivable	66	76	81
Regulatory assets	20	13	15
Prepaid expenses & other	3	3	12
Total Current Assets	**89**	**92**	**107**
Net fixed assets	1,092	1,082	1,038
Future income tax assets	194	191	180
Intangibles	21	21	18
Regulatory assets	135	143	151
Pensions & Other	13	11	1
Total Assets	**1,544**	**1,540**	**1,495**

	June 30 2017	Dec. 31 2016	Dec. 31 2015
Liabilities & sh. Equity			
S.T. borrowings	2	2	2
Accounts payable	41	79	81
Current portion L.T.D.	15	66	54
Other current liab.	14	12	10
Total Current Liab.	**72**	**159**	**147**
Long-term debt	582	508	513
Provisions	244	238	230
Deferred income taxes	141	140	128
Other L.T. liab.	1	2	1
Preferred shares	9	9	9
Common equity	495	485	466
Total Liab. & SE	**1,544**	**1,540**	**1,495**

Balance Sheet & Liquidity & Capital Ratios	12 mos. to June 30 2017	For the year ended December 31 2016	2015	2014	2013	2012
Current ratio	1.24	0.58	0.73	0.68	0.94	0.77
Total debt in capital structure	54.3%	53.8%	54.5%	55.2%	54.6%	55.2%
Cash flow/Total debt	18.8%	18.6%	17.3%	17.8%	18.2%	16.9%
(Cash flow-dividends)/Capex (times)	0.88	0.83	0.78	0.66	0.80	0.88
Dividend payout ratio	58.7%	54.4%	25.6%	62.6%	64.8%	32.6%
Coverage Ratios (times)						
EBIT gross interest coverage	3.07	3.03	3.22	3.06	2.95	2.74
EBITDA gross interest coverage	4.85	4.72	4.79	4.52	4.36	4.05
Fixed-charges coverage	3.00	2.96	3.15	3.00	2.88	2.68
Profitability Ratios						
EBITDA margin	73.0%	73.7%	75.0%	73.7%	73.9%	72.0%
EBIT margin	46.3%	47.2%	50.4%	49.9%	49.9%	48.6%
Profit margin	18.1%	17.7%	17.0%	16.7%	16.8%	17.1%
Return on equity	8.4%	8.4%	8.5%	8.6%	8.6%	8.9%
Return on capital	6.0%	6.1%	6.3%	6.5%	6.6%	6.8%

Operating Statistics

	For the year ended December 31				
Electricity sales - breakdown (GWh)	**2016**	**2015**	**2014**	**2013**	**2012**
Residential	3,655	3,655	3,613	3,531	3,441
General service	2,295	2,302	2,286	2,232	2,211
Total sales	**5,950**	**5,957**	**5,899**	**5,763**	**5,652**
Growth in volume throughputs	-0.1%	1.0%	2.4%	2.0%	1.8%
Customers					
Residential	229,815	227,455	224,824	221,995	218,290
Commercial	34,591	34,319	34,055	33,623	33,241
Total	**264,406**	**261,774**	**258,879**	**255,618**	**251,531**
Energy generated and purchased (GWh)					
Energy generated	427	432	430	429	432
Energy purchased	5,868	5,877	5,817	5,678	5,544
Energy generated + purchased	**6,295**	**6,309**	**6,247**	**6,107**	**5,976**
Less: transmission losses + internal use	345	353	348	344	324
Total sales	**5,950**	**5,956**	**5,899**	**5,763**	**5,652**
System losses and internal use	5.8%	5.9%	5.9%	6.0%	5.7%
Installed generation capacity (MW)					
Hydroelectric	97	97	97	97	97
Gas turbine	37	37	37	37	37
Diesel	5	5	5	5	6
Total	**139**	**139**	**139**	**139**	**140**
Native peak demand (MW)	1,381	1,382	1,343	1,281	1,241
Rate base (CAD millions)	1,061	1,019	965	916	883

Rating History

	Current	2016	2015	2014	2013	2012
Issuer Rating	A	A	A	A	A	A
First Mortgage Bonds	A	A	A	A	A	A
Preferred Shares – cumulative, redeemable	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2

Previous Action

- Confirmed, August 13, 2016.

Previous Report

- Newfoundland Power Inc.: Rating Report, August 19, 2016.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/225752/highlights.pdf.

Newfoundland Power
Moody's Credit Opinion
January 2018

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
31 January 2018

Update

Rate this Research

RATINGS

Newfoundland Power Inc.

Domicile	St. John's, Newfoundland, Canada
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Newfoundland Power Inc.

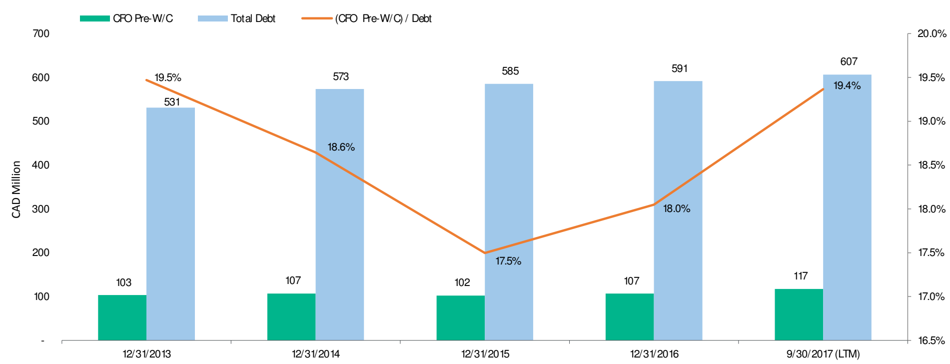
Update to credit analysis

Summary

Newfoundland Power Inc.'s (NPI, Baa1 stable) credit profile reflects the company's low business risk as a vertically integrated cost-of-service regulated utility with no unregulated business activities. Approximately 93% of NPI's power requirements are purchased from provincially owned Newfoundland & Labrador Hydro (Hydro), the cost of which is passed through to ratepayers. NPI's allowed Return on Equity (ROE) is 8.50% for 2016-2018, and we view the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) as one of the more supportive regulators in Canada because regulatory decisions are timely and balanced, deferral accounts reduce the risks from factors beyond management's control and NPI's 45% equity capital is among the highest authorized levels in Canada. The credit profile is constrained by the risk of future cost recovery associated with the Province of Newfoundland and Labrador's sizeable Muskrat Falls hydroelectric project. This politically sensitive project is large relative to the provincial economy and is expected to place considerable upward pressure on the future electricity rates of NPI, a credit negative. NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets.

Exhibit 1

Historical CFO Pre W/C, Total Debt and CFO Pre W/C to Debt



Source: Moody's Financial Metrics

Credit strengths

» Low risk regulated utility, primarily a T&D, with 93% purchased power from provincial generators

» Supportive regulatory environment

» Stable cash flow metrics with CFO pre-W/C to debt in the mid to high teens

Credit challenges

» Upward pressure on rates due to the Muskrat Falls project

» Increased risks of timely cost recovery upon completion Muskrat Falls expected in 2020

Rating outlook

The stable rating outlook reflects the PUB's regulation of NPI which we consider credit supportive. We expect the regulatory environment to remain supportive to credit quality, with a suite of timely recovery mechanisms, along with our expectation that relatively stable cash flow generation and the capital structure of NPI will generate sustained CFO pre-WC to debt in the 17-20% range.

Factors that could lead to an upgrade

NPI's rating would likely be upgraded if CFO pre-WC to debt is forecast to be sustained above 17%. However, an upgrade of NPI's rating is unlikely without further clarity on the timing and size of the increases in electricity rates in relation to the Muskrat Falls hydroelectric project.

Factors that could lead to a downgrade

We consider a downward revision in NPI's rating to be unlikely in the near term. However, NPI's rating would likely be downgraded if we perceived a meaningful reduction in the level of regulatory support combined with a sustained deterioration in NPI's financial metrics such as CFO pre-WC to debt falling into the low teens.

Key indicators

Exhibit 2

Newfoundland Power Inc.

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	9/30/2017(L)
CFO pre-WC + Interest / Interest	3.7x	3.9x	3.8x	4.0x	4.3x
CFO pre-WC / Debt	19.5%	18.6%	17.5%	18.0%	19.4%
CFO pre-WC – Dividends / Debt	15.2%	14.6%	15.9%	14.4%	13.2%
Debt / Capitalization	49.7%	50.5%	49.6%	48.6%	49.3%

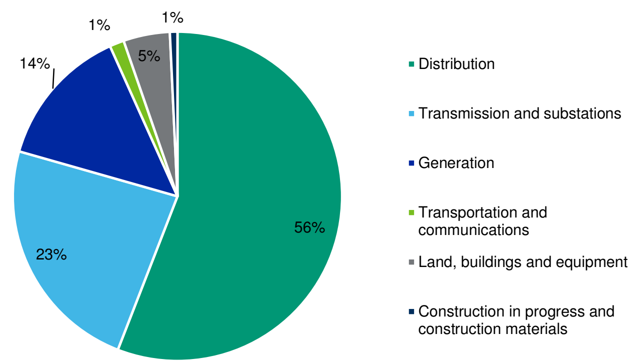
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Profile

Headquartered in St. John's, Newfoundland, NPI is a vertically integrated electric utility serving a customer base of over 265,000 customers. NPI operates under cost of service regulation and is regulated by the PUB under the Public Utilities Act (the Act). NPI purchases the majority of its power from Newfoundland and Labrador Hydro (not rated). NPI's installed generating capacity is 139 MW, including 97 MW of hydro. NPI is a wholly-owned subsidiary of Fortis Inc. (FTS: Baa3 stable), which is primarily a diversified electric and gas utility holding company also based in St. John's.

Exhibit 3

2016 Net Property, Plant and Equipment by segmentNewfoundland Power Inc.



Source: NPI's 2016 AR

Detailed credit considerations

LOW-RISK BUSINESS MODEL

NPI's credit profile reflects the company's low business risk as a cost of service regulated utility. NPI owns and operates a vertically integrated electric utility located on the island portion of the province of Newfoundland and Labrador and dominates that market, which is geographically isolated and effectively protected from potential competition. NPI serves roughly 90% of the province's electricity customers. The market is mature and NPI's electricity sales have tended to be relatively stable. Historically, growth has not taxed NPI either operationally or financially due to relatively timely recovery of capital and operating costs.

Although NPI is vertically integrated, NPI's owned generation assets are regulated and represent only 14% of NPI's net property, plant and equipment at year-end 2016. Accordingly, we consider the business risk of NPI to be lower than that of a typical vertically integrated utility, which is often exposed to commodity price and volume risks or the operational, financial and environmental risks associated with electricity generation. However, NPI faces uncertainties due to the timing and size of expected rate increases in association with the Muskrat Falls hydroelectric project. The total cost (including financing) of Muskrat Falls and transmission in NewFoundland and Labrador has increased to about C$12.7 billion and the date of full power has been pushed back to 2020 as the project has struggled with execution risks.

SUPPORTIVE REGULATORY AND BUSINESS ENVIRONMENT

NPI's operations benefit from a well-developed regulatory framework and business environments that we consider credit supportive. We consider the PUB's regulation of NPI to be credit supportive primarily because of a track record of reasonably timely and balanced decisions that enable NPI to generate stable and predictable cash flow and earn its allowed ROE which has not been directly subject to political interference. NPI has access to courts for disputes with the PUB.

The PUB's review and approval of NPI's capital spending plans and long-term debt issuances significantly reduce the risk of cost disallowances and support NPI's ability to fully recover costs on a timely basis. NPI submits a proposed capital plan for PUB approval annually before the next fiscal year. Furthermore, NPI is required to obtain PUB pre-approval for the issuance of any First Mortgage Bonds (FMB) or the incurrence of credit facilities with maturities exceeding one year, which we see as credit positives.

Several other cost recovery mechanisms reduce NPI's exposure to unexpected costs due to variations in purchased power costs, weather and pension and other post-employment benefit (OPEB) costs. While NPI foregoes some upside potential, the stability and predictability of its cash flows are increased. For example, the Rate Stabilization Account (RSA) facilitates timely recovery of purchased power costs in excess of those forecasted for rate-making purposes. This is particularly important since the marginal cost of power that NPI obtains from Hydro exceeds the average supply costs embedded in customer rates. The RSA provides for the amortization of the under or over collection over a 12 month period. Other mechanisms include the Weather Normalization Account, Conservation and Demand Management Deferral and the Demand Management Incentive Account (which limits NPI's exposure to variation in purchased power costs due to demand to 1% of demand costs reflected in the test year for rate-making purposes).

NPI is allowed to file a rate application based on a forward test year and forecast rate base. We view these mechanisms positively because they reduce revenue lag associated with large capital projects. NPI's allowed ROE of 8.5% for 2016-2018 has been lowered slightly from the previous 8.8% in the period 2013-2015. While the ROE remains relatively low, it is mitigated by one of the highest deemed equity levels in Canada at 45%.

Exhibit 4

Historical Approved ROE, Approved Equity thickness and Rate Base Newfoundland Power Inc.

	2013	2014	2015	2016	2017
Approved Return on Equity (ROE)	8.8%	8.8%	8.8%	8.5%	8.5%
Approved Equity thickness	45%	45%	45%	45%	45%
Midyear Rate base, CAD billion	0.9	1.0	1.0	1.1	1.1

Source: NPI's financial statements, Fortis Inc's presentations

We expect the company to continue to generate predictable cash flow, a key credit strength. Driving this stability, the company's net income is a function of its allowed return on equity, its deemed capital structure (equity thickness) and rate base. The other large component of it's predictable cash flow is depreciation and amortization. NPI's comparatively strong financial performance as suggested by CFO pre-W/C to debt of around 18% in 2014-2016 and 19% on an LTM basis as of September 30, 2017, reflects changes in regulated assets and liabilities and pension liability reductions. Despite the reduction in the allowed ROE we expect NPI to continue to achieve sustainable CFO pre-W/C to debt consistent with our expectations and the current rating.

Exhibit 5

Historical CFO Pre-W/C BreakdownNewfoundland Power Inc.

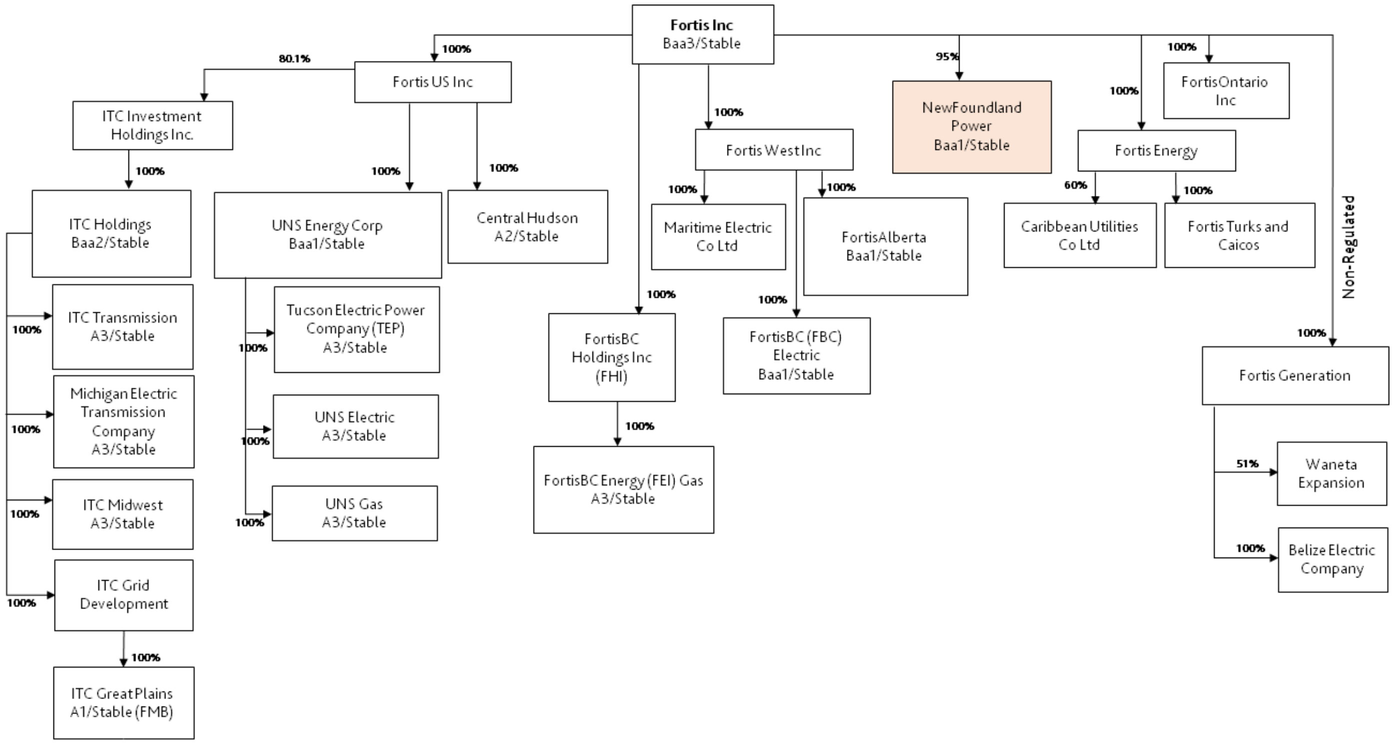
(in CN$ Millions)	FYE Dec-12	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	LTM Ending Sep-17
As Adjusted						
Net Income	**36.6**	**49.4**	**37.3**	**38.8**	**40.0**	**41.2**
Depreciation	44.7	48.8	51.4	54.2	57.7	59.4
Amortization of Investments	3.0	2.8	2.8	2.8	3.0	3.2
Deferred income taxes and itc	2.4	(0.9)	(0.2)	(0.7)	(0.4)	0.1
Other	(3.5)	(13.1)	(1.4)	4.5	4.1	3.9
Funds from Operations	**83.2**	**87.0**	**89.7**	**99.5**	**104.4**	**107.8**
Changes in Other Oper. Assets & Liabilities - LT	8.9	16.3	17.2	2.9	2.3	9.6
CFO Pre-W/C	**92.2**	**103.3**	**106.9**	**102.4**	**106.7**	**117.5**

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

NPI IS INDEPENDENT OF FORTIS INC.

While NPI is one of a number of utility operating companies owned by FTS, we consider NPI, like sister companies FortisAlberta Inc. (FAB: Baa1 stable), FortisBC Inc. (FBC: Baa1 stable) and FortisBC Energy Inc. (FEI: A3 stable), to be operationally and financially independent from Fortis, a credit positive. Fortis has consistently demonstrated good management and support of its subsidiaries and we view NPI's access to the executive and strategic support of Fortis to be a credit positive. While we don't expect it, if required, and consistent with Fortis precedent, we have assumed that Fortis Inc. would provide extraordinary support to NPI, provided that the parent had the economic incentive and sufficient resources to do so. Fortis is a more highly leveraged holding company and it is ultimately reliant on distributions from its subsidiaries to finance its obligations. The weaker credit quality of Fortis does not constrain the ratings of NPI.

Exhibit 6
Fortis Inc's Organizational Structure



Source: Fortis Inc

Liquidity analysis

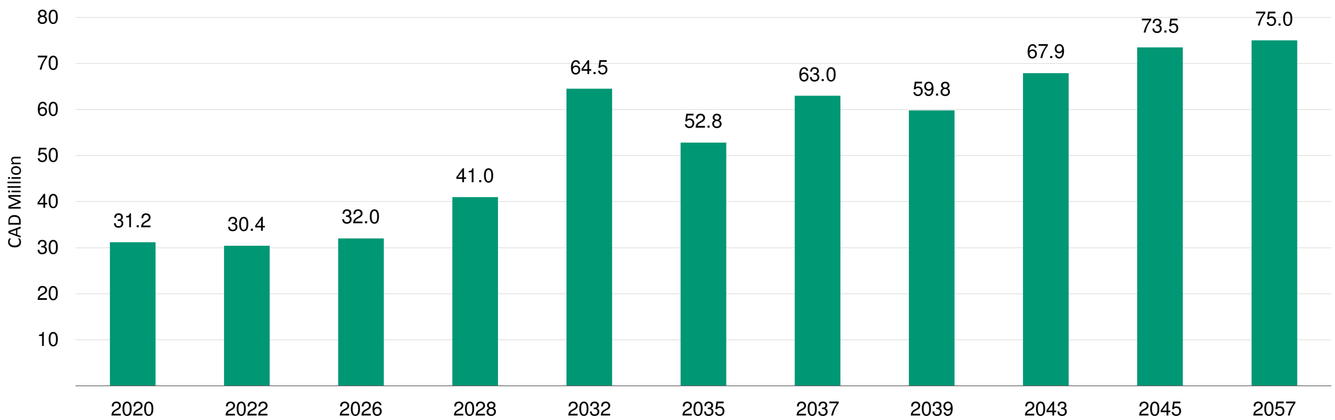
NPI's liquidity arrangements are considered adequate in the context of its relatively stable cash flow and funding requirements.

NPI plans to spend about $84 million on capital expenditures in 2018 and pay dividends in amounts commensurate with maintaining the 45% deemed equity layer. With estimated cash flow from operations to be about $110-120 million, we expect that any modest free cash flow shortfall is funded through NPI's bank credit facilities and adjustments to dividends paid which we expect to be about $30 million in 2018.

The company's core liquidity facility is a $100 million committed revolving credit facility that matures in August 2022. While the credit agreement contains a covenant that NPI maintain its debt to capitalization ratio at or below 65%, it does not include a material adverse change (MAC) clause or representation and warranty declaration prior to drawdown. There was no outstanding balance under the committed facility at 30 September 2017. The company's next debt maturity is in October 2020.

Exhibit 7

Long-term Debt Maturity as of 30 September 2017Newfoundland Power Inc.



NPI's debt consists of first mortgage sinking fund bonds.
Source: NPI's financial statements, FactSet

Structural considerations

NPI's senior secured FMB reflects the first mortgage security over NPI's property, plant and equipment and floating charge on all other assets. The A2 rating for these bonds is consistent with the two notch differential between most senior secured debt ratings and senior unsecured debt ratings of investment-grade regulated utilities operating in North America. The differential is based on our analysis of the history of regulated utility defaults, which indicates that regulated utilities have experienced lower loss given default rates (higher recovery rates) than non-financial, non-utility corporate issuers.

Rating methodology and scorecard factors

Exhibit 8
Rating Factors
Newfoundland Power Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 9/30/2017		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.1x	Baa	3.8x - 4.2x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	18.8%	Baa	17% - 20%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	14.9%	Baa	13% - 15%	Baa
d) Debt / Capitalization (3 Year Avg)	49.4%	Baa	49% - 51%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching			0	0
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2017(L);
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Appendix

Exhibit 9
Peer Comparison Table
Newfoundland Power Inc.

	Newfoundland Power Inc. Baa1 Stable			FortisAlberta Inc. Baa1 Stable			Hydro One Inc. A3 Negative		
(in CN$ Millions)	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Sep-17
Revenue	$653	$672	$676	$563	$572	$591	$6,529	$6,502	$6,122
CFO Pre-W/C	$102	$107	$117	$310	$299	$296	$1,382	$1,528	$1,596
Total Debt	$585	$591	$607	$1,772	$1,927	$2,053	$11,184	$12,114	$12,527
(CFO Pre-W/C) / Debt	17.5%	18.0%	19.4%	17.5%	15.5%	14.4%	12.4%	12.6%	12.7%
(CFO Pre-W/C - Dividends) / Debt	15.9%	14.4%	13.2%	14.1%	8.3%	7.7%	4.4%	7.5%	8.3%
(CFO Pre-W/C + Interest) / Interest Expense	3.8x	4.0x	4.3x	4.9x	4.5x	4.2x	4.0x	4.3x	4.3x
Debt / Book Capitalization	49.6%	48.6%	49.3%	54.3%	55.7%	56.0%	52.8%	55.0%	55.5%

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 10
Moody's adjusted Debt breakdown
Newfoundland Power Inc.

(in CN$ Millions)	FYE Dec-12	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	LTM Ending Sep-17
As Reported Debt	**493.2**	**515.2**	**549.4**	**569.5**	**576.4**	**588.7**
Pensions	44.0	6.6	15.0	6.9	6.1	6.1
Hybrid Securities	9.1	9.0	8.9	8.9	8.9	8.9
Moody's-Adjusted Debt	**546.2**	**530.8**	**573.3**	**585.3**	**591.4**	**606.5**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 11
Moody's-Adjusted EBITDA Breakdown
Newfoundland Power Inc.

(in CN$ Millions)	FYE Dec-12	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	LTM Ending Sep-17
As Reported EBITDA	**128.8**	**134.7**	**139.2**	**142.9**	**148.3**	**151.9**
Pensions	6.9	8.6	7.1	10.0	3.2	2.3
Moody's-Adjusted EBITDA	**135.7**	**143.3**	**146.3**	**152.9**	**151.5**	**154.1**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 12
Cash Flow Adjusted Financial Data
Newfoundland Power Inc.

(in CN$ Millions)	2012	2013	2014	2015	2016	LTM (09/17)
As Adjusted						
EBITDA	**136**	**143**	**146**	**153**	**151**	**154**
FFO	**83**	**87**	**90**	**100**	**104**	**108**
- Div	11	23	23	9	21	37
RCF	**72**	**64**	**67**	**90**	**83**	**71**
FFO	**83**	**87**	**90**	**100**	**104**	**108**
+/- ΔWC	(8)	(4)	5	5	12	(11)
+/- Other	9	16	17	3	2	10
CFO	**84**	**100**	**112**	**107**	**119**	**107**
- Div	11	23	23	9	21	37
- Capex	85	92	117	116	107	91
FCF	**(12)**	**(15)**	**(28)**	**(18)**	**(10)**	**(22)**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Ratings

Exhibit 13

Category	Moody's Rating
NEWFOUNDLAND POWER INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
First Mortgage Bonds -Dom Curr	A2
PARENT: FORTIS INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured	Baa3

Source: Moody's Investors Service

REPORT NUMBER 1108365

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

Fortis Inc.
DBRS Credit Rating Report
February 2014

Rating Report

Report Date:
February 12, 2014

Previous Report:
February 19, 2013

DBRS

Insight beyond the rating.

Fortis Inc.

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The Company

Fortis Inc. is a holding company for a number of regulated electric and natural gas utilities, including wholly owned FortisBC Energy companies (formerly Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc.), Newfoundland Power Inc., FortisAlberta Inc., FortisBC Inc., Maritime Electric Company, Limited, FortisOntario Inc., and Fortis Turks and Caicos, as well as majority ownership of Caribbean Utilities Company (approximately 60%). In June 27, 2013, Fortis completed the acquisition of CH Energy Group Inc., a utility company located in New York.

Non-regulated operations include Fortis Properties, as well as non-regulated generation in Belize, Ontario and upper New York State.

Rating

Debt	Rating	Rating Action	Trend
Issuer Rating	A (low)	UR-Dev.	--
Unsecured Debentures	A (low)	UR-Dev.	--
Preferred Shares	Pfd-2 (low)	UR-Dev.	--

Rating Update

On December 11, 2013, DBRS placed the A (low) Issuer Rating and the A (low) Unsecured Debentures and Pfd-2 (low) Preferred Shares ratings of Fortis Inc. (Fortis, Parent or the Company) Under Review with Developing Implications. This action followed the announcement that the Company has agreed to acquire UNS Energy Corporation (UNS) for a total consideration of approximately $4.3 billion, including the assumption of $1.8 billion of debt on closing (the UNS Acquisition) (see the December 11, 2013, press release for details).

Based on DBRS's review of the proposed acquisition including Fortis' acquisition financing strategy, DBRS believes that the UNS Acquisition would modestly increase Fortis' business risk profile, as the business risk profile of UNS is viewed as higher than Fortis' average business risk, partially offset by an improvement of diversified sources of cash flow. Currently, approximately 93.4% of Fortis' consolidated earnings are contributed by its regulated utilities, with the remaining earnings coming from hotel properties and non-regulated generation. With the proposed UNS Acquisition, Fortis' earnings mix is expected to improve, with a larger percentage of earnings generated from regulated businesses, since all of UNS's operations are regulated. However, the regulatory regime in Arizona is viewed as weaker when compared to other jurisdictions in Canada where Fortis currently conducts its business, reflecting regulatory lag in Arizona (albeit improving). That said, the overall business risk profile of Fortis' investment portfolio should remain in the A (low) range.

Based on Fortis' intention to largely finance the UNS Acquisition with common equity, and the remaining portion to be financed with preferred shares and debt (see page three), the impact of the UNS Acquisition on the financial risk profile will likely be positive. As the end of 2013, Fortis' non-consolidated leverage of 21.6% was modestly aggressive for a holding company with respect to DBRS's notching guidelines of 20% (between the holding company and its major subsidiaries). However, this increase is expected to be temporary and the leverage will likely fall in-line within the notching guidelines following the completion of the Waneta Expansion Project (WEP) (expected in Spring 2015). The Under Review with Developing Implications rating reflects DBRS's expectations that: (1) Convertible debentures ($1.8 billion) will be converted into common equity at closing of the acquisition; (2) No materially negative conditions will be imposed by the regulators with respect to rate freezes and dividend restrictions to Fortis; and (3) Non-consolidated leverage will be maintained at 20%.

Rating Considerations

Strengths	Challenges
(1) Strong and stable dividends and cash income	(1) Higher debt levels at the Parent
(2) Diversified sources of cash flow	(2) Structural subordination to debt at the subsidiaries
(3) 100% ownership of most subsidiaries	(3) Strong ring-fencing at its wholly owned utilities
(4) Solid interest coverage/Good liquidity	(4) Large capex for Waneta Expansion Project

Financial Information

	USGAAP	USGAAP	CGAAP	CGAAP	CGAAP
Fortis Inc. - Non-consolidated (Unaudited)	**Year ended December 31**				
(CA$ millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Investment & interest income	458	420	415	381	346
Parent's total debt	1,345	800	759	949	833
Investment income-to-interest coverage (times)	11.23	10.55	6.92	5.93	5.74
Total debt in capital structure (1)	21.6%	18.1%	15.7%	22.5%	17.7%
Cash flow-to-interest coverage (times)	9.30	6.56	4.33	3.16	4.38
Cash flow/Total debt	25.1%	27.6%	26.2%	14.5%	24.4%

(1) DBRS treats preferred shares within 20% of common equity as equity, any amount above 20% as debt.

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Rating Considerations Details

Strengths

(1) **Strong and stable dividends and cash income.** Cash income and dividends have been strong, largely supported by stable earnings and cash flow from low-risk, regulated entities and long-term power contracts. Regulated operations account for approximately 93.4% of consolidated EBITDA and 70% of non-consolidated cash flow in 2013. This earnings and cash flow mix is expected to improve in 2014 following the closing of the Central Hudson Energy Group (CH Energy) acquisition in June 2013.

(2) **Diversified sources of cash flow.** Fortis' business risk profile is supported by a diversified source of cash flow through its ownership of regulated natural gas and electricity utilities in British Columbia (BC), and electric utilities in five Canadian provinces and three Caribbean countries. The completion of the CH Energy acquisition further diversified Fortis Inc.'s sources of cash flow (see the CH Energy Acquisition). In addition, the WEP (expected be in service in Spring 2015) and the proposed acquisition of UNS Energy Corporation, if completed, should further improve Fortis' cash flow diversification.

(3) **100% ownership of most subsidiaries.** Fortis owns 100% of most of its operating entities. This provides Fortis, within the boundaries of regulatory oversight, with some discretionary powers over the manner in which cash flows are paid to it by its operating companies.

(4) **Solid interest coverage and good liquidity:** On a non-consolidated basis, Fortis had solid cash flow and interest coverage metrics, with cash flow-to-debt of 25% and cash flow-to-interest coverage of 9.3 times (x) in 2013. These metrics were reflective of the A (low) rating for a holding company, and are expected to improve once the WEP is in service (see page three). In addition, Fortis had good liquidity at the end of 2013, with $785 million available under the Parent's $1.0 billion committed revolving credit facility while the Parent's long-term debt due in 2014 is modest (only $160 million and no debt coming due in 2015 and 2016).

Challenges

(1) **Higher debt levels at the Parent.** Fortis' acquisition of CH Energy increased adjusted debt leverage at the Parent to 21.6% (adjusted for the debt-treatment of a portion of preferred shares) in 2013 from 18.1% in 2012. DBRS notes that the non-consolidated leverage of 21.6% is slightly above the acceptable range for a holding company with respect to DBRS's one-notch rating guideline. However, this increase is expected to be temporary and the leverage will likely fall back to the 20% range within the current rating range following the completion of the WEP. With respect to the proposed UNS acquisition, DBRS expects Fortis to adhere to its financing plan to maintain its non-consolidated debt level within the 20% threshold.

(2) **Structural subordination to debt at the subsidiaries.** Fortis is a holding company whose debt is structurally subordinated to the debt obligations of its operating companies. This accounts for the lower debt rating of Fortis relative to the debt ratings of some of its major regulated subsidiaries.

(3) **Strong ring-fencing at its wholly owned utilities.** Fortis faces strong ring-fencings imposed on FortisBC Energy Inc. and FortisBC (Vancouver Island) Inc., with respect to their capital structure and dividend payouts. In addition, it is common for utilities to maintain their capital structure in line with the regulatory capital structure. As a result, dividend payouts to Fortis could be affected should these utilities have a large capital expenditure program.

(4) **Large capital expenditures for the WEP.** The Parent is expected to make a $131 million investment in the WEP in 2014. WEP is a $900 million (100% basis), 335 megawatt hydroelectric project in British Columbia that is 51% owned by Fortis. Up to the end of 2013, approximately $579 million (100% basis) has been spent on the project.

The Proposed Acquisition of UNS

On December 11, 2013, Fortis entered into an agreement and plan of merger to acquire UNS Energy Corporation (UNS) for a total consideration of approximately USD 4.3 billion, including the assumption of USD 1.8 billion of debt on closing.

(1) The Assets:
UNS's principal businesses comprise of: (1) Tucson Electric Power (TEP), a regulated utility in southeastern Arizona that generates, transmits and distributes electricity to approximately 412,000 retail electric customers. TEP accounted for 85% of UNS's consolidated net income and 84% of its assets for the nine months ended September 30, 2013 (9M2013); (2) UNS Electric, Inc. (UNS Electric), a regulated electric utility that serves approximately 93,000 retail electric customers in northern Arizona's Mohave and Santa Cruz counties. UNS Electric accounted for 10% of UNS's consolidated net income and 9% of its assets for 9M2013; and (3) UNS Gas, Inc. (UNS Gas), a gas distribution company that serves approximately 149,000 retail gas customers in northern and southeastern Arizona. UNS Gas accounted for 5% of UNS's consolidated net income and 7% of its assets for 9M2013**.**

(2) Financing Plan for the UNS Acquisition:
Fortis intends to finance the UNS Acquisition as follows:
- $1.8 billion in equity
- $600 million in preferred
- $300 million in debt

In January 2014, the Company issued $1.8 billion in subordinated convertible debentures represented by installment receipts (the Debentures), with approximately $600 million being paid on closing and $1.2 billion to be paid on the date (Final Installment Date) to be fixed following the satisfaction of all conditions precedent to the closing of the UNS Acquisition. All Debentures are expected to be converted into common shares on the closing date or before July 2, 2015, whichever is earlier.

DBRS has performed a pro forma on non-consolidated credit metrics, based on the Company's acquisition financing strategy, its 2013 financial results and assuming that the WEP will be in service for Q1 2015. The pro forma shows that all non-consolidated metrics would still remain in the A (low) rating range. Note that DBRS's performance is also based on the expectation that all the Debentures will be converted into equity at the closing date. Should this not be the case, DBRS could take a negative rating action.

Waneta Expansion Project (WEP)

The WEP continues to be on time and on budget, and is expected to be completed in the spring of 2015. WEP, a 335 megawatt (MW) expansion of the hydroelectric generating facility on the Pend Oreille River in British Columbia, is the largest capital project currently underway. The project's cost is estimated to be approximately $900 million (on a 100% basis), 51% of which Fortis will be responsible for, due to its ownership interest (remainder owned by Columbia Power Corporation (32.5%) and Columbia Basin Trust (16.5%)). By December 31, 2013, approximately $579 million (on a 100% basis) has been spent in total on the project. Capex in 2014 is expected to be $131 million. Due to the financing of the project, the non-consolidated metrics have declined modestly during the construction but are expected to improve once the project is in service.

Although the WEP is non-regulated, its output will be included in the Canal Plant Agreement (an agreement between British Columbia Hydro & Power Authority (BC Hydro; rated AA (high)), FortisBC Inc. (rated A (low) and three other parties governing 1,565 MW of capacity) and will receive fixed energy and capacity entitlements based on long-term average water flows. In the long-term energy purchase agreement with BC Hydro, approximately 630 gigawatt hours (GWh) and associated capacity required to deliver such energy have been contracted. The remaining capacity, approximately 234 MW, is expected to be sold to FortisBC Inc. under a long-term capacity purchase agreement.

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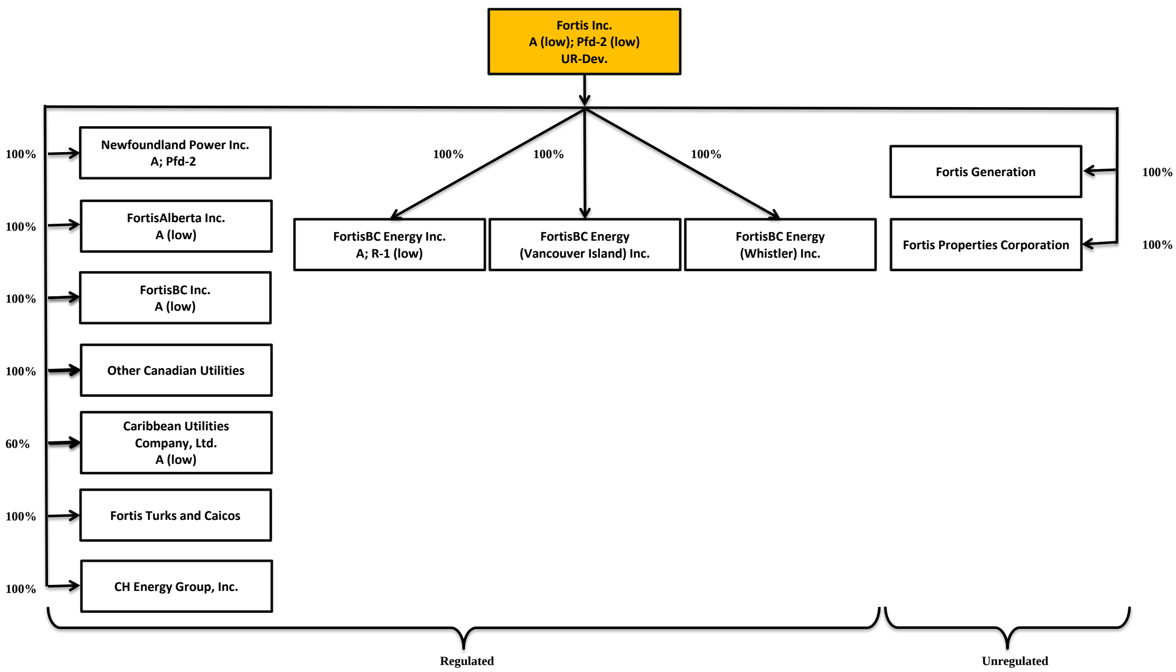
Simplified Corporate Structure*



*Note: The above chart only includes Fortis' major regulated and non-regulated subsidiaries, which directly or indirectly contribute dividends to Fortis.

As of December 31, 2013, regulated assets accounted for approximately 90% of total consolidated assets and regulated EBITDA accounted for 93.4% of total consolidated EBITDA.

Based on 2013 Data

Corporate Structure

Name	Operations	Customers	Rate base (CAD millions)	Allowed Roe for 2013	Net income (CAD millions)	Deemed equity
FortisBC Holdings Inc.	Holding company				127	
FortisBC Energy Inc.	Natural gas distribution	850,000	2,789 (*)	8.75%	104	38.5%
FortisBC Energy (Vancouver Island)	Natural gas distribution		N/A	9.25%	N/A	40.0%
FortisBC Energy (Whistler)	Natural gas distribution		N/A	9.25%	N/A	40.0%
Central Hudson	Transmission and distribution	377,000	N/A	10.00%	23	48.0%
FortisAlberta	Electricity distribution	518,000		8.75%	94	41.0%
FortisBC	Integrated utility	163,800	1,192 (*)	9.15%	50	40.0%
Newfoundland Power	Electricity distribution	255,000		8.80%	49	45.0%
Other Canadian Utilities	-			8.93-9.85% (1)	26	40.0%
Fortis Properties	Real estate	N/A	N/A	N/A	18	N/A
Caribbean Utilities	Integrated utility	27,364	390	7.0-9.0% (2)	23	N/A
Fortis Turks and Caicos	Integrated utility			17.5% (3)	N/A	N/A
Fortis Generation	Power generation	N/A	N/A	N/A	39	N/A

(1) Maritime Power 9.75%; Niagara Power 8.01%; Algoma Power 9.85%

(*) As requested in the 2014 application

(2) Regulated rate of return on assets ("ROA")

(3)Amount provided under licence is for FortisTCI and Atlantic. Amount provided under licence for TCU is 15%.

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Non-Consolidated Earnings & Cash Flows

Earnings Breakdown: Non-Consolidated (Unaudited)	USGAAP	USGAAP	CGAAP	CGAAP
	Year end December 31			
(CA$ millions)	**2013**	**2012**	**2011**	**2010**
Newfoundland Power	50	37	34	35
FortisOntario	9	12	10	9
FortisWest	104	103	84	82
FortisBC Holdings	124	127	129	119
Fortis Cayman Inc.	(0)	0	(0)	1
Fortis Energy Bermuda Limited	28	25	26	28
Regulated investment income	**315**	**304**	**282**	**275**
Fortis Energy Cayman Inc.	19	15	15	18
FG Similkameen Partnership	(0)	0	0	0
FOG Partnership	1	(0)	0	0
FortisUS Holdings Nova Scotia (FortisUS Inc.)	(25)	(7)	12	(3)
Fortis Properties	53	34	35	37
52905 Newfoundland and Labrador	0	0	0	0
Fortis Energy Corporation (NL)	10	0	0	0
Non-regulated investment income	**57**	**42**	**61**	**52**
Total investment income	372	346	343	327
Interest income + Management fee	86	83	77	60
Total income	**458**	**428**	**420**	**386**
Operating expenses	(0)	(8)	(5)	(6)
Investment & Interest income	**458**	**420**	**415**	**381**

Earnings: Non-Consolidated (Unaudited)	USGAAP	USGAAP	CGAAP	CGAAP	CGAAP
	Year end December 31				
(CA$ millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Investment & interest income	458	420	415	381	346
Amortization	(2)	(2)	(2)	(1)	(2)
Investment & interest income after amortization	456	419	414	379	344
Interest expense on Parent's debt	(41)	(40)	(60)	(64)	(60)
Corporate income taxes	(5)	(17)	(7)	(3)	(4)
Net investment & interest income	410	362	347	313	280

2013 Earnings Summary

- Overall, Fortis has benefited from good earnings diversification, underpinned by its investments in regulated utilities, which account for approximately 70% in 2013 (71% in 2012).
- In 2013, approximately 88% of Fortis' 2013 investment income was generated from stable, low risk businesses (regulated subsidiaries and interest and management fee income).
- Consistent growth in net investment income is reflective of the Company's growing earnings from regulated utilities, contracted generation facilities, property management and interest income.
- Earnings growth has been supported by increases in the number of customers and higher rate bases among the utilities, particularly in Newfoundland and Alberta since 2012.
- Higher regulated investment income was also attributable to earnings contribution from the acquisition of CH Energy, offset by acquisition costs.
- Non-regulated generation is comprised of Fortis' generation assets located in Ontario, Belize, British Columbia and Upstate New York (combined capacity of 103 MW, mainly hydroelectric). Over 80% of the capacity is under long-term contracts. In 2013, non-regulated generation benefited from increased production in Belize, Ontario and Upstate New York due to higher rainfalls and a generating unit in Upstate New York being returned to service in October 2013.

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- Fortis Properties is heavily affected by economic conditions in eight Canadian provinces, primarily in Atlantic Canada. Fortis Properties' performance improved considerably in 2013 due to (1) an increase in average room rate and higher occupancy rate in all regions, (2) the recovery of business occupancy tax, and (3) a full-year contribution of StationPark All Suite Hotel (acquired in October 2012).

2014 Earnings Outlook

- Regulated earnings should increase materially, largely reflecting a full-year contribution of investment income from CH Energy, and a higher rate base and customer growth in Alberta.
- Beyond 2014, should the proposed UNS Acquisition be completed, Fortis' regulated earnings should grow stronger and its earnings mix would be expected to improve further, with a larger percentage of earnings generated from regulated businesses since most of UNS's operations are regulated.
- Earnings from non-regulated generation are expected to remain more volatile than earnings from the regulated operations. Although, earnings from this segment continue to be protected by long-term power contracts in Belize, poor hydrology conditions in Belize, Ontario and Upstate New York could negatively affect production output. Beyond 2014, earnings from this segment are expected to increase significantly as the WEP is expected to be in service in spring 2015. Earnings from this project should benefit from a long-term power contract with BC Hydro.

Cash Flow Analysis

	USGAAP	USGAAP	CGAAP	CGAAP	CGAAP
Cash flow: Non-Consolidated (Unaudited)	**Year end December 31**				
(CA$ millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Investment & interest income	410	362	347	313	280
Amortization	2	2	2	1	2
Earnings from equity investments	(80)	(169)	(164)	(188)	(90)
Deferred income taxes and others	5	26	15	12	11
Cash flow from subsidiaries	337	221	199	138	203
Common dividends paid	(181)	(170)	(151)	(193)	(177)
Preferred dividends paid	(56)	(45)	(29)	(28)	(18)
Corporate capex	(13)	(9)	(4)	(3)	(0)
Free cash flow from subsidiaries	88	(3)	15	(87)	8
Changes in non-cash work. cap.	0	0	3	(1)	13
Net free cash flow from subsidiaries	88	(3)	18	(88)	21
Acquisitions & long-term investments	(1,156)	(116)	(208)	(377)	(358)
Short-term investments	0	0	0	0	0
Proceeds on asset sales	0	0	0	10	0
Net equity change	713	218	345	322	46
Net debt change	498	52	(165)	141	293
Advances from (to) related parties and others	(150)	(150)	0	0	0
Change in cash	(7)	2	(10)	8	2

Summary

- Cash flow consists of cash dividends from Fortis' subsidiaries, interest income from loans provided to its subsidiaries and management fee.
- Cash flow increased significantly in 2013, resulting in strong cash flow-to-interest coverage. This increase was due to higher cash dividend flows from Fortis' subsidiaries.
- Following the acquisition of CH Energy, Fortis benefits from more diverse sources of cash flow.
- Corporate capex remained minimal in 2013 resulting in a significant free cash flow surplus (after corporate expense, corporate interest and capex) being generated. Most of the cash surplus was distributed as dividends to common and preferred shareholders.
- As a result, all major acquisitions have been financed with external funds, including common equity, preferred shares and debt. Up to the end of 2013, the financing mix has been reasonable and the non-consolidated leverage has been maintained around the 20% level.

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Capital Structure and Liquidity

Capital Structure: Non-Consolidated (Unaudited)	**Year end December 31**				
(CA$ millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Short-term debt	160	0	0	0	100
Credit facilities	214	53	0	165	125
Long-term debt	971	747	759	742	564
Sub. convertible debentures	0	0	0	42	44
Preferred shares	1,229	1,108	912	912	667
Common equity	4,765	4,000	3,867	3,308	3,195
Total non-consolidated capital	**7,339**	**5,907**	**5,538**	**5,169**	**4,695**
Total debt in capital structure (1)	21.6%	18.1%	15.7%	22.5%	17.7%
Investment income-to-interest coverage (times)	11.23	10.55	6.92	5.93	5.74
Cash flow-to-interest coverage (times)	9.30	6.56	4.33	3.16	4.38
Cash flow/(Interest + Preferred dividends)(times)	3.29	2.60	2.64	1.99	3.12
Cash flow/Total debt	25.1%	27.6%	26.2%	14.5%	24.4%

(1) DBRS treats preferred shares within 20% of common equity as equity, any amount above 20% as debt.

Summary

- Fortis' non-consolidated cash flow and interest coverage ratios improved in 2013 and remained relatively strong for the current rating category.
- The non-consolidated leverage increased to a level slightly above the 20% threshold that DBRS uses in its notching guidelines for a holding company relative to its subsidiaries. This increase was due to the financing of the CH Energy acquisition, closed in June 2013. However, this level is still acceptable for the current rating since the Parent benefits from a large, stable and more diverse source of cash flow than in 2012.
- Excluding the proposed UNS Acquisition, the WEP is the only project that requires investment from the Parent (estimated to be $131 million for 2014). DBRS expects Fortis to adhere to its non-consolidated leverage target of 20% while carrying out the financing of the remaining portion of the WEP.
- Once the WEP is in operation (expected in spring 2015), capex requirements at the Parent should reduce significantly. Non-consolidated cash flow and interest coverage metrics are expected to improve due to incremental cash flow contributed by the WEP.

Potential Impact of the Proposed Acquisition of UNS

- The price of the UNS Acquisition will be approximately USD 4.3 billion, including the assumption of approximately USD 1.8 billion of debt on closing.
- Fortis issued $1.8 billion in convertible debentures.
- Fortis has obtained revolving credit facility commitments in the amount of $2 billion.
- Convertible debentures are expected to be converted into equity at the closing.
- Based on DBRS's pro forma, all credit metrics should remain stable should Fortis successfully implement its financing plan.
- Should Fortis deviate from its current financing plan and increase its non-consolidated leverage beyond DBRS's 20% guideline for a holding company, a negative rating action could follow.

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Liquidity

Credit Facilities as at Dec. 31, 2013 ($ millions)	**Parent & other**	**Regulated Subsidiaries**	**Non-regulated Subsidiaries**	**Total**
Total credit facilities	1,030	1,546	119	2,695
Drawing on credit facilities (S-T)	0	(157)	(3)	(160)
Drawing on credit facilities (L-T)	(214)	(99)	0	(313)
Letters of credit	(1)	(65)	0	(66)
Credit facilities available	815	1,225	116	2,156

Debt Maturities ($ millions) as at Dec. 31, 2013	2014	2015	2016	2017	2018	Thereafter	Total
Long-term debt and lease obligations	160	0	0	0	214	971	1,345
% of total	12%	0%	0%	0%	16%	72%	100%

Non-Consolidated

- The Company's liquidity is solid, reflecting strong cash flow from its investments, sizable credit facilities and modest capex at the Parent's level.
- As at December 31, 2013, Fortis had approximately $815 million of unused credit facilities, which provide Fortis with sufficient liquidity to finance its near-term funding requirements.
- Refinancing risk is modest and manageable, with only $160 million of long-term debt maturing in 2014. DBRS believes that the refinancing of this amount is within the Company's capacity given its strong credit profile.
- In addition to the facilities in the table above, Fortis has commitments of $2 billion in non-revolving bridge credit facilities associated with the proposed UNS Acquisition.

Capex Profile

Consolidated Capex Breakdown	**2014**		**2013**	
(CA$ millions)	Forecast	(%)	Actual	(%)
Canadian Regulated Utilities	1,033	72%	861	73%
US Regulated Utilities	122	9%	57	5%
Caribbean Regulated Utilities	61	4%	52	4%
Total Regulated Utilities	1,216	85%	970	83%
Non-Regulated Fortis Generation	131	9%	146	12%
Non-Regulated Non-utility	83	6%	59	5%
Total Capex	**1,430**	**100%**	**1,175**	**100%**

- Most capex is carried out by regulated utilities, which are low risk and should produce good growth in rate bases. These utilities are self-financed.
- The portion that requires financing from the Parent is the WEP (the Non-Regulated Fortis Generation line in the above table). Fortis is expected to have sufficient liquidity to cover this investment in 2014.

Description of Operations

Fortis' main subsidiaries and investments are as follows:

FortisBC Holdings Inc. (100% owned) is a holding company for the following utilities:
(1) **FortisBC Energy Inc. (FEI)** is the largest natural gas distributor in British Columbia, serving residential, commercial and industrial customers in an area extending from Vancouver to the Fraser Valley and the interior of British Columbia.
(2) **FortisBC Energy (Vancouver Island) Inc. (FEVI)** owns a combined distribution and transmission system, serving residential, commercial and industrial customers along the Sunshine Coast and in Victoria and various communities on Vancouver Island.
(3) **FortisBC Energy (Whistler) Inc. (FEW)** owns and operates a propane distribution system in Whistler, British Columbia, and provides service to residential and commercial customers.

FortisAlberta Inc. (100% owned) is a regulated electricity distributor with a franchise area that includes central and southern Alberta, the suburbs surrounding Edmonton, Calgary, Red Deer, Lethbridge and Medicine Hat.

FortisBC Inc. (100% owned) is a vertically integrated regulated utility operating in south-central British Columbia. Its generation assets include four hydroelectric generating plants (totalling 223 MW) on the Kootenay River in south-central British Columbia.

Newfoundland Power Inc. (NP) **(100% owned)** is a principal distributor of electricity on the island portion of Newfoundland and Labrador. Fortis also owns 25% of NP's preferred shares.

CH Energy Group, Inc. (100% owned) entails Central Hudson Gas & Electric Corporation, a regulated transmission and distribution utility that serves 376,000 electric and gas customers in New York State's Mid-Hudson River Valley.

Caribbean Utilities Company, Ltd. (60% owned) (CUC) is a fully integrated electricity utility on Grand Cayman, Cayman Islands with an installed generating capacity of 150 MW.

Other Canadian Subsidiaries
FortisOntario Inc. (FortisOntario) is an integrated electric utility providing services to customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario also owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies.
Maritime Electric Company Limited (Maritime Electric) is the principal distributor of electricity on Prince Edward Island. It also maintains on-island generating facilities with a combined capacity of 150 MW. Maritime Electric is indirectly owned by Fortis through FortisWest.
Fortis Properties Corporation owns and operates 23 hotels in eight Canadian provinces and approximately 2.7 million square feet of commercial real estate, primarily in Atlantic Canada. In October 2012, Fortis Properties acquired the 126-room StationPark All Suite Hotel in London, Ontario, for approximately $13 million, inclusive of approximately $6 million of debt.
Fortis Turks and Caicos serves approximately 85% of electricity consumers on the Turks and Caicos Islands, pursuant to 50-year licenses that expire in 2036 and 2037. The Company has a combined diesel-fired generating capacity of 54 MW.
Belize Electric Company Limited is a non-regulated 51 MW hydro generation operation in Belize. All output is sold to Belize Electricity Limited under 50-year power purchase agreements expiring in 2055 and 2060. The USD 53 million 19 MW hydroelectric generating facility at Vaca in Belize was commissioned in March 2010.
Belize Electricity Limited is recorded as an equity investment following the expropriation by the Government of Belize in June 2011.

Fortis Inc.

Report Date:
February 12, 2014

Fortis Inc (Consoldiated)

Balance Sheet	USGAAP	USGAAP	CGAAP		USGAAP	USGAAP	CGAAP
(CA$ millions)	**Dec. 31**	**Dec. 31**	**Dec. 31**		**Dec. 31**	**Dec. 31**	**Dec. 31**
Assets	**2013**	**2012**	**2011**	**Liabilities & Equity**	**2013**	**2012**	**2011**
Cash & equivalents	72	154	87	S.T. borrowings	160	136	159
Accounts receivable	732	587	638	Current portion L.T.D.	787	124	110
Inventories	143	133	134	Accounts payable	957	966	977
Current regulatory assets	150	185	230	Regulatory liabilities	140	72	51
Prepaid expenses & others	199	34	43	Others	40	10	8
Total Current Assets	**1,296**	**1,093**	**1,132**	**Total Current Liab.**	**2,084**	**1,308**	**1,305**
Net fixed assets	12,267	10,249	9,612	Long-term debt	6,841	6,211	6,114
Deferred income taxes	7	-	8	Deferred income taxes	1,078	702	676
Goodwill	2,075	1,568	1,565	Regulatory liabilities	902	681	612
Intangibles	345	325	325	Other L-T liabilities	627	638	564
Regulatory assets	1,672	1,515	1,388	Minority interest	375	310	208
Investments & others	246	200	184	Preferred shares	1,229	1,108	912
				Common equities	4,772	3,992	3,823
Total Assets	**17,908**	**14,950**	**14,214**	**Total Liab. & SE**	**17,908**	**14,950**	**14,214**

Fortis Inc. (Consolidated)

	USGAAP	USGAAP	CGAAP	CGAAP	CGAAP
Earnings Profile	**Year end December 31**				
(CA$ millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Revenues	4,047	3,654	3,738	3,657	3,643
EBITDA	1,393	1,264	1,191	1,149	1,065
EBIT	852	794	775	739	701
Gross interest expense	389	366	363	378	378
Net Income before non-recurring items	390	362	357	313	280
Net income as reported	410	362	357	313	280
Consolidated Financial Highlights	**Year ended December 31**				
(CA$ millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Total debt	7,788	6,471	6,383	6,023	5,915
Preferred shares	1,229	1,108	912	912	667
Total equity	5,219	4,398	4,126	3,556	3,394
Total assets	17,908	14,950	14,214	12,909	12,139
EBITDA	1,393	1,264	1,191	1,149	1,065
EBIT	852	794	775	739	701
Gross interest expenses	389	366	363	378	378
Cash flow from operations	930	860	790	725	653
Debt/Capital (1)	56.5%	56.5%	57.0%	59.6%	59.4%
Debt/EBITDA	5.59	5.12	5.36	5.24	5.55
Cash flow/Debt	11.6%	12.7%	12.1%	11.6%	11.0%
EBIT interest coverage	2.19	2.17	2.13	1.96	1.85
Regulated asset/Total assets (%)	89.8%	89.6%	86.6%	92.2%	93.0%
Regulated EBITDA/Total EBITDA (%)	93.4%	93.3%	91.4%	91.3%	91.0%

(1) DBRS treats preferred shares within 20% of common equity as equity, any amount above 20% as debt.

Regulated Assets	16,081	13,389	12,315	11,901	11,295
Regulated EBITDA	1,301	1,179	1,088	1,049	969

Fortis Inc.

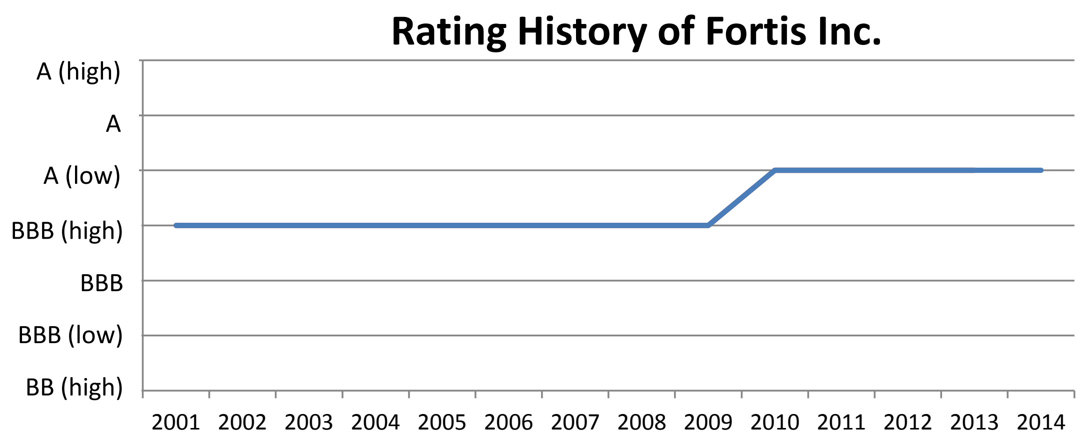
Report Date:
February 12, 2014

Rating

Debt	Rating	Rating Action	Trend
Issuer Rating	A (low)	UR-Dev.	--
Unsecured Debentures	A (low)	UR-Dev.	--
Preferred Shares	Pfd-2 (low)	UR-Dev.	--

Rating History

	Current	2013	2012	2011	2010	2009
Issuer Rating	A (low)	A (low)	A (low)	NR	NR	NR
Unsecured Debentures	A (low)	A (low)	A (low)	A (low)	A (low)	BBB (high)
Preferred Shares	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-3 (high)



Note:
All figures are in Canadian dollars unless otherwise noted.

Fortis Inc.
S&P Credit Rating Report
April 2014

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:
Fortis Inc.

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Summary:
Fortis Inc.

Corporate Credit Rating	A-/Negative/--

Profile Assessments

BUSINESS RISK	EXCELLENT	Vulnerable — Excellent
FINANCIAL RISK	SIGNIFICANT	Highly leveraged — Minimal

Initial Analytical Outcome ("Anchor") and Rating Result

Standard & Poor's Ratings Services derives its 'A-' long-term corporate credit rating on Fortis Inc. from the following factors:

- Our anchor of 'a-', which reflects the "excellent" business risk profile and "significant" financial risk profile assessments for Fortis
- No impact of any of the modifiers

Rationale

Business Risk: Excellent	Financial Risk: Significant
• Low-risk and regulated assets, with limited commodity price and volume risks • A diversified portfolio of regulated utilities operating as monopoly service providers • Marginal weakening in the business risk profile resulting from Fortis' acquisition of UNS Energy Corp. an Arizona-based holding company that wholly owns Tucson Electric Power Co. (TEP)	• Stable regulated cash flow • High degree of leverage, with financial metrics in the bottom of the risk category • Our expectation of depressed credit metrics until C$1.8 billion in convertible debentures issued to fund the UNS acquisition are converted to equity

Outlook: Negative

The negative outlook reflects our expectation that Fortis' credit metrics would weaken materially due to the issuance of C$1.8 billion of convertible debentures to finance the UNS acquisition. We believe that although the debentures are highly likely to be converted into equity, credit metrics will remain depressed until that happens. We expect to continue to assess the company's financial risk profile using the low-volatility table.

Downside scenario

We might lower the rating one notch if conversion does not occur as expected, as a result of which credit metrics remain weak longer than expected, with consolidated adjusted funds from operations (AFFO)-to-total debt ratio plummeting below 10%.

Upside scenario

An outlook revision to stable would likely occur when the debentures are converted to equity, lessening the debt burden.

Standard & Poor's Base-Case Scenario

Assumptions

- Fortis will issue C$1.8 billion of convertible debentures, which will convert to equity, with the rest of the acquisition to be financed through hybrid securities, equity, and debt
- The acquisition will close by Dec. 31, 2014
- The company will maintain its regulatory capital structure at utility subsidiaries, earn its allowed returns on equity, and issue no additional debt at the holding company level
- It will generate EBITDA of approximately C$1.6 billion in 2014 and C$2.3 billion in 2015, with a full year of UNS contributions
- The C$900 million Waneta hydroelectric project will finish on time and within budget in 2015

Key Metrics

	2013A	2014E	2015E
AFFO/debt	10.4%	8%-10%	12%-13%
Debt-to-EBITDA	6.4x	7x-8x	5x-6x

A--Actual. E--Estimate.

Business Risk: Excellent

In our view, Fortis' excellent business risk profile continues to benefit from its stable, low-risk, and regulated utility portfolio. Regulation typically involves a cost-of-service methodology that provides an allowed regulated rate of return. We believe the utilities have relatively low levels of commodity and volume risk exposure, further reducing cash-flow volatility. Fortis' regulated companies have monopolies as service providers in their service areas. They are exposed to limited bypass risk and are relatively insulated from typical market forces, which we view as a credit strength for Fortis.

In our view, another key credit strength for the company is the regulatory, geographic, and market diversification of its subsidiaries and their cash flows. There continues to be some concentration in British Columbia, where about 50% of the rate base is located. In our view, the addition of TEP from Fortis' acquisition of UNS will reduce this concentration and provide further diversification to cash flows. This diversification effect partially offsets the impact of TEP's "strong" business risk profile, which is weaker than Fortis's excellent profile, reflecting our view that TEP is exposed to generation and environmental risks, as well as concentration risk arising from operating in only one market. We believe that although adding TEP would marginally weaken Fortis' business risk profile, it is likely to remain excellent. We also believe that the proportion of somewhat higher-risk cash flows from UNS would not be significant enough to cause any weakening in Fortis' business risk profile.

The unregulated businesses make a relatively small consolidated contribution to the group, at approximately 15%. The size and quality of these cash flows will improve with the Waneta project's completion. We believe this project has limited hydrology and price risk, no dispatch risk, and strong counterparties in British Columbia Hydro & Power Authority and Fortis BC.

Financial Risk : Significant

We expect Fortis' cash flows from the regulated utilities to remain very stable, a factor we believe is a key credit strength that offsets the company's high leverage. Regulated utility cash flow is primarily composed of a return of capital (depreciation) and a return on capital, both of which continue to experience limited volatility. Consolidated leverage is a function of the regulatory capital structure of the underlying utilities that generally follows levels regulation allows. We have assumed rate-base growth leads to corresponding growth in cash flow.

We believe that the UNS addition would modestly improve Fortis' financial metrics. We forecast TEP, the company's largest provider of cash flow, to have an AFFO-to-total debt ratio of greater than 20%, compared with Fortis' 10%-11%. We forecast AFFO-to-total debt ratio for Fortis in the 12%-13% range in 2015 and 2016, improving to more than 13% in 2017. Based on our forecast, we have assessed the company's financial risk as significant.

Liquidity: Adequate

We believe Fortis's liquidity is "adequate." At the holding company level, liquidity sources are likely to exceed uses by more than 1.2x and sources less uses to be positive, even in the event of a 10% decline in EBITDA. In our view, the company has sound relationships with its bankers and generally satisfactory standing in credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• FFO of C$980 million-C$1.0 billion • Equity and debt issuances of C$1.8 billion-C$2.0 billion • Credit facility availability of approximately C$800 million and cash balances of C$70 million	• Capital expenditure of C$1.9 billion-C$2.0 billion • Dividends of C$360 million-C$380 million

Other Modifiers

None of the modifiers have any impact on the rating.

Ratings Score Snapshot

Corporate Credit Rating: A-/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: 'a-'

- Likelihood of government support: High

Related Criteria And Research

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Jan 2, 2014
- Corporate Methodology, Nov. 19, 2013

- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

Fortis Inc.
S&P Research Update
October 2014

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Research Update:

Outlook On Fortis Inc. And Subsidiaries Revised To Stable From Negative On Conversion Of Convertible Debentures

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Research Update:

Outlook On Fortis Inc. And Subsidiaries Revised To Stable From Negative On Conversion Of Convertible Debentures

Overview

- On Oct. 28, 2014, Fortis Inc. announced the receipt of the final installment, C$1.2 billion, of the C$1.8 billion convertible debentures that it used to finance the UNS Energy Corp. transaction.
- In addition, holders of more than 99% of C$1.79 billion in convertible debentures have elected to convert the debt into Fortis common shares.
- The conversion will reduce the company's debt load and lifts the adjusted funds from operations-to-debt metric above the downgrade threshold.
- As a result, we are revising our outlook on Fortis and its Canadian and Caribbean subsidiaries to stable from negative.
- We are also affirming our ratings on the companies, including our 'A-' long-term corporate credit rating on Fortis.

Rating Action

On Oct. 28, 2014, Standard & Poor's Ratings Services revised its outlook on St. John's, Nfld.-based holding company Fortis Inc. and subsidiaries FortisAlberta Inc., Maritime Electric Co. Ltd., and Caribbean Utilities Co. Ltd. to stable from negative. At the same time, Standard & Poor's affirmed its ratings on the companies, including its 'A-' long-term corporate credit rating on Fortis.

The outlook revision follows Fortis' announcement of the receipt of the final installment, C$1.2 billion, of the C$1.8 billion convertible debentures that it used to finance the UNS Energy Corp. acquisition. In addition, the vast majority of the convertible debentures are converting into Fortis common shares giving key credit metrics a boost.

The outlook revision on the subsidiaries reflects the application of our group rating methodology.

Rationale

On Dec. 11, 2013, Fortis acquired UNS for approximately US$4.5 billion, including US$2.5 billion in cash and assumed debt of US$2.0 billion. Fortis decided to partially finance the cash portion through C$1.8 billion of convertible debentures. With the vast majority of the convertible debentures now converting into Fortis common equity, this reduces the company's debt load and boosts the adjusted funds from operations (AFFO)-to-debt credit metric above our downgrade threshold during our current and forecast outlook period.

In our view, Fortis' "excellent" business risk profile continues to benefit from its stable, low-risk, and regulated utility portfolio. Regulation typically involves a cost-of-service methodology that provides an allowed regulated rate of return. We believe the utilities have relatively low levels of commodity and volume risk exposure, further reducing cash-flow volatility. Fortis' regulated companies have monopolies as service providers in their service areas. They are exposed to limited bypass risk and are relatively insulated from typical market forces, which we view as a credit strength for Fortis.

Another major credit strength for the company is the regulatory, geographic, and market diversification of its subsidiaries and their cash flows. There continues to be some concentration in British Columbia, where about 50% of the rate base is located. In our view, the addition of Tucson Electric Power (TEP) from Fortis' acquisition of UNS will reduce this concentration and provide further diversification to cash flows. This diversification effect partially offsets the impact of TEP's "strong" business risk profile, which is weaker than Fortis's excellent profile, reflecting our view that TEP is exposed to generation and environmental risks, as well as concentration risk arising from operating in only one market. We believe that although adding TEP would marginally weaken Fortis' business risk profile, it is likely to remain excellent. We also believe that the proportion of somewhat higher-risk cash flows from UNS would not be significant enough to cause any weakening in the company's business risk profile.

The unregulated businesses make a relatively small consolidated contribution to the group, at approximately 15%. The size and quality of these cash flows will improve with the Waneta project's completion. We believe this project has limited hydrology and price risk, no dispatch risk, and strong counterparties in British Columbia Hydro & Power Authority and Fortis BC.

From a financial perspective, we expect Fortis' cash flows from the regulated utilities to remain very stable, which we believe offsets the company's high leverage. Regulated utility cash flow is primarily composed of a return of capital (depreciation) and a return on capital, both of which continue to experience limited volatility. Consolidated leverage is a function of the regulatory capital structure of the underlying utilities that generally follows levels regulation allows. We have assumed rate-base growth leads to corresponding growth in cash flow.

We believe that the UNS addition will improve Fortis' financial metrics modestly. We forecast the AFFO-to-total debt ratio for Fortis in the 11%-12% range for 2014 and 12%-13% range for 2015 and 2016, within our assessment of a "significant" financial risk profile category.

Our base-case scenario assumes the following:
- Fortis will maintain its regulatory capital structure at utility

subsidiaries, earn its allowed returns on equity, and issue no additional debt at the holding company level
- The company will generate EBITDA of approximately C$1.60 billion in 2014 and C$2.25 billion in 2015 with a full year of UNS contributions
- The C$900 million Waneta hydroelectric project will be completed on time and on budget in 2015

Based on these assumptions, we arrive at consolidated AFFO-to-debt of about 11% in 2014, rising to 12%-13% in 2015 and 2016.

Liquidity

Fortis' liquidity is "adequate" as our criteria define the term. At the holding company level, we expect liquidity sources to exceed uses by more than 1.1x and sources less uses to be positive, even in the event of a 10% decline in EBITDA in the next six months. In our view, the company has sound relationships with banks and generally satisfactory standing in credit markets.

Principal liquidity sources include the following:
- Projected FFO of C$1.49 billion-C$1.53 billion in 2015
- Unused committed revolving facilities total approximately C$2.5 billion as of June 30, 2014

Principal liquidity uses include the following:
- Debt maturities of approximately C$103 million in 2015
- Capital expenditures of about C$1.8 billion in 2015
- Dividends of approximately C$436 million

Outlook

The stable outlook reflects Standard & Poor's assessment of the underlying operational and financial stability of Fortis' operating companies. We expect these operating companies to continue generate stable and predictable cash flow, a key credit strength, which mitigates the relatively weak financial measures for the ratings.

Downside scenario

We could lower the ratings on Fortis if the company's AFFO-to-debt were to fall and stay below 9%. This could happen if Fortis were to employ more leverage or if its larger subsidiaries encountered major financial or operational difficulties or adverse regulatory decisions. Alternatively, investment in assets with materially higher business risks and cash flow variability could also lead to a downgrade.

Upside scenario

A positive outlook or upgrade during our two-year forecast horizon would require Fortis to improve its credit metrics on a sustained basis, specifically AFFO-to-debt above 14%. However, we believe this is unlikely given the company's expansion program.

Ratings Score Snapshot

Corporate Credit Rating: A-/Stable/--

Business risk: Excellent
- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Significant
- Cash flow/Leverage: Significant

Anchor: a-

Modifiers
- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Jan. 2, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Outlook Revised to Stable

	To	From
Fortis Inc.		
Caribbean Utilities Co. Ltd.		
FortisAlberta Inc.		

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 Corporate credit rating                A-/Stable/--             A-/Negative/--

Maritime Electric Co. Ltd.
 Corporate credit rating                BBB+/Stable/--
BBB+/Negative/--

Ratings Affirmed

Maritime Electric Co. Ltd.
 Senior secured debt                    A
  Recovery rating                       1+

Fortis Inc.
Caribbean Utilities Co. Ltd.
FortisAlberta Inc.
 Senior unsecured debt                  A-

Fortis Inc.
 Preferred stock
  Global scale                          BBB
  Canada scale                          P-2
 Preference stock
  Global scale                          BBB
  Canada scale                          P-2
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Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Fortis Inc.
DBRS Credit Rating Report
December 2014

Rating Report

Fortis Inc.

DBRS

Insight beyond the rating.

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A (low)	Confirmed	Stable
Unsecured Debentures	A (low)	Confirmed	Stable
Preferred Shares	Pfd-2 (low)	Confirmed	Stable

Rating Update

On December 23, 2014, DBRS Limited (DBRS) removed the A (low) Issuer Rating, A (low) Unsecured Debentures and Pfd-2 (low) Preferred Shares ratings of Fortis Inc. (Fortis, the Parent or the Company) from Under Review with Developing Implications and confirmed the ratings as listed above with Stable trends. This action followed the completion of the Company's acquisition of UNS Energy Corporation (UNS) (the Acquisition) and the conversion of $1.8 billion of convertible debentures into common equity in late October 2014.

DBRS believes that the Acquisition has slightly increased Fortis' business risk profile, as the business risk of UNS is viewed as modestly higher than Fortis' average business risk, partially offset by an improvement of diversified sources of cash flow. With the Acquisition, approximately 93% of 2014 non-consolidated earnings will be generated from regulated utilities (90% in 2013), with the remaining earnings coming from hotel properties and long-term contracted non-regulated generation. DBRS has assessed the regulatory regime in Arizona and is of the view that it is modestly weaker when compared with other jurisdictions in Canada where Fortis currently conducts its business, reflecting regulatory lag in Arizona. However, DBRS does recognize that the regulatory framework in Arizona has improved lately. In DBRS's view, the overall business risk profile of Fortis' investment portfolio should remain in the A (low) range following the completion of the Acquisition.

Fortis' financing of the USD 2.5 billion Acquisition was consistent with DBRS's expectation. Fortis issued $1.8 billion in convertible debentures, approximately $600 million in preferred shares and the remaining portion in debt. Most of the convertible debentures were converted into common equity in late October 2014. As a result, the financial risk profile on a non-consolidated basis remains consistent with DBRS's expectation, with all pro forma non-consolidated credit ratios improving from 2013. Fortis' non-consolidated debt in the capital structure would remain within DBRS's 20% guideline for holding company notching while all other key credit metrics would solidly remain within the current rating range.

Fortis is required to commit only a modest amount of equity to the $900 million (on a 100% basis) hydro Waneta Expansion Project in 2015 (the WEP). This equity requirement is within Fortis' financing capability and would not have any material impact on its financial profile. The WEP is expected to be completed on schedule and within budget in spring 2015. Upon completion of the WEP, DBRS expects incremental cash flow to Fortis to further support its financial metrics.

Financial Information

Fortis Inc. (Non-consolidated)	Pro Forma		Year end December 31		
	2015	Sep. 2014	2013	2012	2011
Total debt (adjusted)/Capital 1	19.1%	21.2%	21.6%	18.1%	15.7%
Total debt/Capital	15.5%	16.3%	18.1%	13.3%	13.5%
CAFD/Interest expense	8.67	7.73	8.32	5.57	4.57
CAFD/(Interest + Preferred dividends)	4.19	4.36	3.45	2.56	2.25
CAFD/Total debt	39.2%	33.9%	25.1%	27.6%	26.6%
(Cash flow-Preferred dividend)/Total debt	34.3%	30.5%	20.8%	21.8%	20.6%

1 DBRS treats preferred shares within 20% of common equity as equity, any amount above 20% as debt.

Issuer Description

Fortis Inc. is a holding company for a number of regulated electric and natural gas utilities, including wholly owned FortisBC Energy companies (formerly Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc.), Newfoundland Power Inc., FortisAlberta Inc., FortisBC Inc., Maritime Electric Company, Limited, FortisOntario Inc., Fortis Turks and Caicos, and Central Hudson Energy Group as well as majority ownership of Caribbean Utilities Company (approximately 60%). On August 15, 2014, Fortis completed the acquisition of UNS Energy Corporation, an integrated utility company headquartered in Tucson, Arizona.

Non-regulated operations include Fortis Properties, as well as non-regulated generation in Belize, Ontario and upper New York State.

Rating Considerations

Strengths

1. Strong and stable dividends and cash income
Cash income and dividends have been strong, largely supported by stable earnings and cash flow from low-risk, regulated entities and long-term power contracts. Regulated operations account for approximately 93% of non-consolidated earnings and approximately 90% of non-consolidated cash flow in 2014 (on a pro forma basis, including full contribution from the Central Hudson Energy Group (CH Energy) acquisition in June 2013 and the UNS acquisition in August 2014).

2. Diversified sources of cash flow
Fortis' business risk profile is supported by a diversified source of cash flow through its ownership of regulated natural gas and electricity utilities in British Columbia (BC), and electric utilities in five Canadian provinces and three Caribbean countries. The completion of the CH Energy and UNS acquisitions further diversified Fortis' sources of cash flow. In addition, the WEP (expected be in service in spring 2015), if completed on schedule, should further improve Fortis' cash flow diversification.

3. 100% ownership of most subsidiaries
Fortis owns 100% of most of its operating entities. This provides Fortis, within the boundaries of regulatory oversight, with some discretionary powers over the manner in which cash flows are paid to it by its operating companies.

4. Solid non-consolidated financial profile
Based on pro forma, Fortis' non-consolidated financial profile remains solid following the Acquisition, with all non-consolidated credit metrics remaining within the current rating category.

Challenges

1. Acquisition risk
Fortis' acquisition strategy has been reasonable with respect to maintaining its business risk profile and financial risk profile within the current rating range. However, there is no assurance that its future acquisitions and the financing of future acquisitions could not materially deviate from its current acquisition strategy. Should that be the case, it could increase the Company's overall business and/or financial risk levels.

2. Structural subordination to debt at the subsidiaries
Fortis is a holding company whose debt is structurally subordinated to the debt obligations of its operating companies. This accounts for the lower debt rating of Fortis relative to the debt ratings of some of its major regulated subsidiaries.

3. Strong ring-fencing at its wholly owned utilities
Fortis faces strong ring-fencings imposed on FortisBC Energy Inc. and FortisBC Energy (Vancouver Island) Inc., with respect to their capital structure and dividend payouts. In addition, it is common for utilities to maintain their capital structure in line with the regulatory capital structure. As a result, dividend payouts to Fortis could be affected should these utilities have large capital expenditure programs.

4. Large capital expenditures for the WEP
The WEP is a hydroelectric project in British Columbia that is 51% owned by Fortis. The Company's share of capital expenditures is approximately $450 million. The project is expected to be in service in Q2 2015.

Completion of the UNS Acquisition

On August 15, 2014, Fortis completed the acquisition of UNS Energy Corporation (UNS) for a total consideration of approximately USD 4.5 billion, including the assumption of USD 2.0 billion of debt on closing.

The Acquired Assets

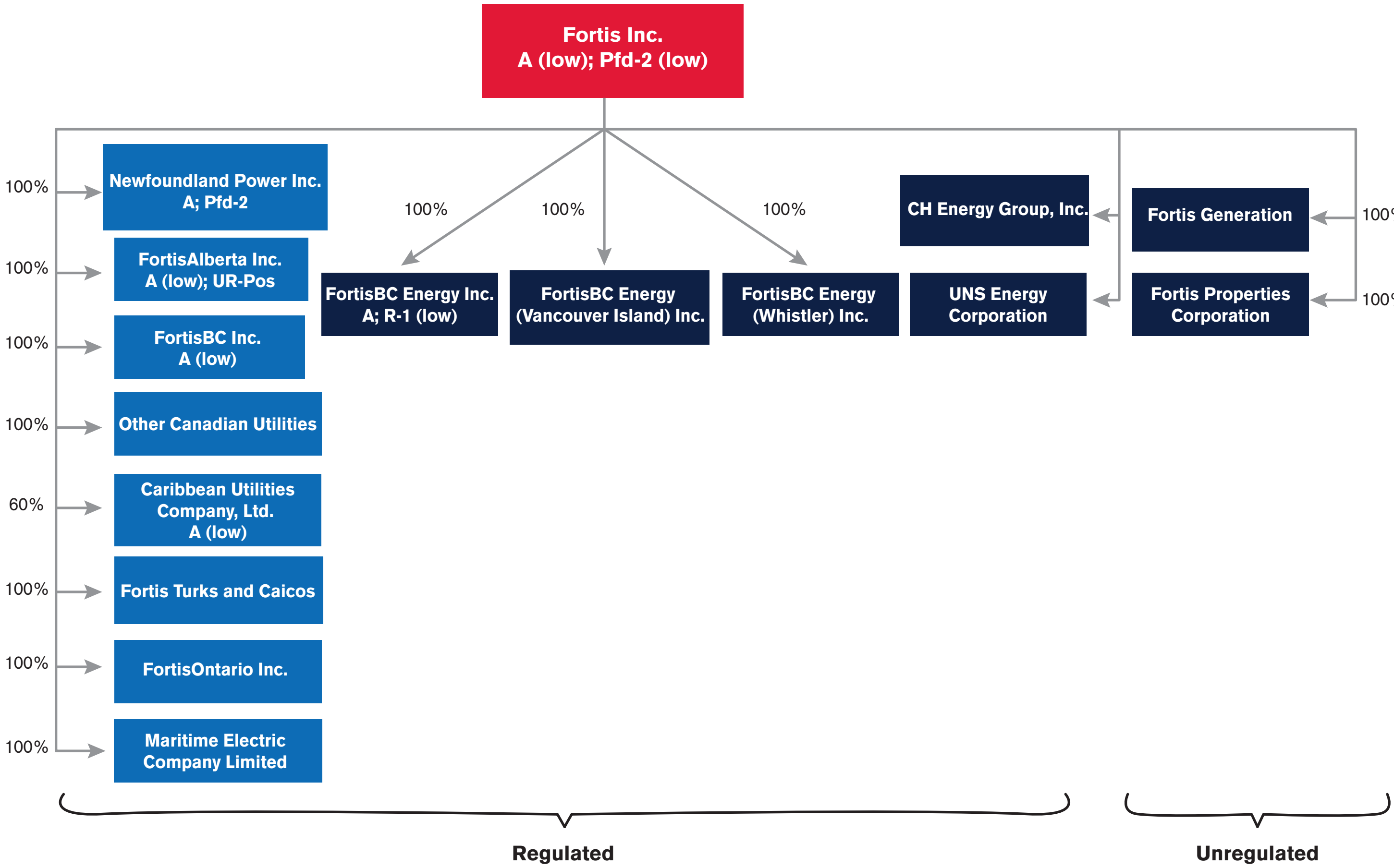
UNS's principal businesses comprise of three regulated subsidiaries: (1) Tucson Electric Power (TEP), a regulated electric utility that generates, transmits and distributes electricity to approximately 415,000 retail electric customers in southeastern Arizona. TEP accounted for approximately 85% of UNS's consolidated total assets at September 30, 2014; (2) UNS Electric, Inc. (UNS Electric), a regulated electric utility that serves approximately 93,000 retail electric customers in northern Arizona's Mohave and Santa Cruz counties. UNS Electric accounted for approximately 9% of UNS total assets at September 30, 2014; and (3) UNS Gas, Inc. (UNS Gas), a gas distribution company that serves approximately 149,000 retail gas customers in northern and southeastern Arizona. UNS Gas accounted for 6% of UNS's consolidated total assets at September 30, 2014.

Waneta Expansion Project (WEP)

The WEP continues to be on time and on budget, and is expected to be in operation in Q2 2015. The WEP, a 335 megawatt (MW) expansion of the hydroelectric generating facility on the Pend d'Oreille River in British Columbia, is the largest capital project of Fortis currently underway. The project's cost is estimated to be approximately $900 million (on a 100% basis), 51% of which Fortis will be responsible for because of its ownership interest (remainder owned by Columbia Power Corporation (32.5%) and Columbia Basin Trust (16.5%)). By September 30, 2014, approximately $648 million (on a 100% basis) had been spent in total on the project. As a result of the financing of the project, the non-consolidated metrics have been under pressure during the construction but are expected to improve once the project is in service.

Although the WEP is non-regulated, its output will be included in the Canal Plant Agreement (an agreement between British Columbia Hydro & Power Authority (BC Hydro; rated AA (high)), FortisBC Inc. (rated A (low)) and three other parties governing 1,565 MW of capacity) and will receive fixed energy and capacity entitlements based on long-term average water flows. In the long-term energy purchase agreement with BC Hydro, approximately 630 gigawatt hours and associated capacity required to deliver such energy have been contracted. The remaining capacity, approximately 234 MW, is expected to be sold to FortisBC Inc. under a long-term capacity purchase agreement.

Simplified Corporate Structure*



* The above chart only includes Fortis' major regulated and non-regulated subsidiaries, which directly or indirectly contribute dividends to Fortis. Additionally, pursuant to Order G-21-14, the FortisBC Energy Utilities (FEU), which include FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc. will be amalgamating on December 31, 2014. The amalgamated entity will be known as FortisBC Energy Inc.

Simplified Corporate Structure (CONTINUED)

As of September 30, 2014

Name	Operations	Customers	Rate Base (CAD millions)	Allowed ROE for 2014	2013 Net Income (CAD millions)	Deemed Equity	Regulatory Authority
FortisBC Holdings Inc.	Holding company				127		
FortisBC Energy Inc.	Natural gas distribution	850,000	2,765	8.75%	104	38.5%	BCUC
FortisBC Energy (Vancouver Island)	Natural gas distribution	103,000	N/A	9.25%	N/A	41.5%	BCUC
FortisBC Energy (Whistler)	Natural gas distribution	3,000	N/A	9.50%	N/A	41.5%	BCUC
UNS Energy Corporation	Holding company						
TEP	Integrated utility	415,000	N/A	10.00%	N/A	43.5%	ACC
UNS Electric	Integrated utility	93,000	N/A	9.50%	N/A	52.6%	ACC
UNS Gas	Natural Gas distribution	149,000	N/A	9.75%	N/A	50.8%	ACC
Central Hudson	Transmission and distribution utility	377,000	N/A	10.00%	23 4	48.0%	PSC
FortisAlberta	Electricity distribution	526,000	N/A	8.75%	94	41.0%	AUC
FortisBC	Integrated utility	165,000	1,192 *	9.15%	50	40.0%	BCUC
Newfoundland Power	Electricity distribution	256,000	N/A	8.3-9.3%	49	45.0%	PUB
Other Canadian Utilities	-	142,000	N/A	8.93-9.85% 1	26	40.0%	N/A
Fortis Properties	Real estate	N/A	N/A	N/A	18	N/A	N/A
Caribbean Utilities	Integrated utility	27,560	N/A	7.0-9.0% 2	23	N/A	ERA
Fortis Turks and Caicos	Integrated utility	13,000		15.0-17.5% 3	N/A	N/A	Government
Fortis Generation	Power generation	N/A	N/A	N/A	39	N/A	N/A

* As requested in the 2014 application

1 Maritime Power 9.75%; Niagara Power 8.93%; Algoma Power 9.85% 2 Regulated rate of return on assets (“ROA”) 3 Amount provided under licence is for FortisTCI and Atlantic. Amount provided under licence for TCU is 15%. 4 Earnings of Central Hudson 2013 are from June 27, 2013, the date of acquisition, reporting currency is US dollar.

Non-Consolidated Earnings & Cash Flows

Earnings Breakdown: Non-Consolidated (Unaudited)

	12 months	Year end December 31		
(CA$ millions)	Sep. 2014	2013	2012	2011
Newfoundland Power	38.5	49.4	36.6	33.7
Maritime Electric	11.7	16.5	12.6	12.5
FortisOntario - Regulated	11.6	9.9	11.4	9.5
FortisAlberta	95.2	93.4	96.6	75.5
FortisBC Electric	47.8	50.4	49.9	48.6
FortisBC Energy	128.4	127.9	138.1	139.1
Regulated - Canadian	**333.2**	**347.4**	**345.2**	**318.9**
Central Hudson	43.8	22.7	-	-
UNS	37.3	-	-	-
Regulated - United States	**81.1**	**22.7**	**-**	**-**
Fortis Energy Bermuda (CUC, PPC, AEP) *	27.5	22.7	19.4	19.8
Fortis Cayman (Belize Electricity)	(0.0)	(0.0)	-	(0.0)
Regulated - United States	**27.5**	**22.7**	**19.4**	**19.8**
Fortis Generation	**22.7**	**19.3**	**16.6**	**18.0**
Fortis Properties (to be sold in 2015)	19.8	20.9	22.5	22.6
Griffith (includes CHEC, Sold in March 2014)	3.8	(5.1)	-	-
Non-Utility	**23.6**	**15.8**	**22.5**	**22.6**
Total equity income	**487.9**	**427.9**	**403.7**	**379.2**
Interest income + Management fee 1	46.1	61.2	36.5	34.1
Total Equity and Investment Income (cash)	**534.1**	**489.0**	**440.2**	**413.3**
Operating expense	70.3	47.2	35.7	11.9
Interest expense	72.2	40.6	39.7	44.3
Expense related to Convertible Debentures	67.0	-	-	-
Taxes	(34.7)	(8.5)	2.9	(6.5)
Preferred dividends	55.8	57.2	46.7	45.4
Net Earnings	**303.5**	**352.5**	**315.2**	**318.2**
Cash income/Interest expense	7.40	12.05	11.10	9.34

* CUC - Caribbean Utilities Company; PPC - formerly P.P.C Limited; AEP - formerly Atlantic Equipment and Power Limited CHEC: Central Hudson Enterprises Corporation, a non-regulated subsidiary of Central Hudson Energy Group in fuel delivery business

1 Includes $22 million extraordinary gain associated with the sale of Exploits Partnership in Q1 2013.

Non-consolidated Earnings Summary

- Overall, Fortis has benefited from very predictable and diversified earnings, underpinned by its portfolio of investments (mostly 100% owned) in regulated utilities in Canada, the United States and Caribbean countries.
- Regulated utilities and investment income account for over 93% of Fortis's non-consolidated earnings for year-to-date 2014. This was a meaningful increase from 90% in 2013 because of the contributions from the acquisition of CH Energy (June 2013) and UNS (August 2014). The growth in regulated earnings were also attributable to increases in customer base and higher rate bases among the utilities, particularly in Newfoundland and Alberta since 2012.
- Non-regulated generation comprises Fortis' generation assets located in Ontario, Belize, British Columbia and upstate New York (combined capacity of 103 MW, mainly hydroelectric). Over 80% of the capacity is under long-term contracts.
- Fortis Properties' contribution decreased slightly in 2014 because of weak performance at the Hospitality Division and higher depreciation from capital asset additions. In September 2014, Fortis announced a strategic review for the Fortis Properties business. The strategic options include sale of all or a portion of the assets, shares of Fortis Properties or an initial public offering.

Non-Consolidated Earnings & Cash Flows (CONTINUED)

2015 Non-Consolidated Earnings Outlook

- Regulated and contracted earnings are expected to increase meaningfully, reflecting (1) the 2014 acquisition of UNS and growing rate bases for regulated utilities in Canada, and (2) the completion of the WEP in Q2 2015, which benefits from a long-term power contract with BC Hydro.

Capital Structure and Liquidity

Fortis Inc. (Non-Consolidated)

	Pro Forma (Pro Forma is based on Fortis and DBRS)		Actual Year end December 31		
($ millions)	2015	Sep. 2014	2013	2012	2011
Cash available for distributions CAFD	**650**	**558**	**337**	**221**	**202**
Total debt ($300 million increase in 2014)	1,660	1,645	1,345	800	759
Preferred shares ($600 million increase in 2014)	1,820	1,820	1,229	1,108	912
Common equity ($1.8 billion increase in 2014)	7,212	6,621	4,849	4,093	3,953
Total capital	**10,692**	**10,086**	**7,423**	**6,001**	**5,624**
Preferred shares treated as equity (20% of common)	1,442	1,324	970	819	791
Preferred shares treated as debt	378	496	259	289	121
Total debt (adjusted)	**2,038**	**2,141**	**1,604**	**1,089**	**880**
Key Ratios (non-consolidated)					
Total debt (adjusted)/Capital	19.1%	21.2%	21.6%	18.1%	15.7%
Total debt/Capital	15.5%	16.3%	18.1%	13.3%	13.5%
CAFD/Interest expense	8.67	7.73	8.32	5.57	4.57
CAFD/(Interest + Preferred dividends)	4.19	4.36	3.45	2.56	2.25
CAFD/Total debt	39.2%	33.9%	25.1%	27.6%	26.6%
(Cash flow-Preferred dividend)/Total debt	34.3%	30.5%	20.8%	21.8%	20.6%

Pro Forma Analysis

DBRS has performed a pro forma analysis on the non-consolidated capital structure, based on its nine months ending September 30, 2014, results and assuming that the $1.8 billion Convertible Debentures were converted into common equity by September 30, 2014.

- The non-consolidated leverage remained stable, although it was slightly above the 20% threshold that DBRS uses in its notching guidelines for a holding company relative to its subsidiaries. However, based on the pro forma analysis for 2015, DBRS expects the non-consolidated leverage level will be fall below the 20% threshold.
- All other credit metrics improved, reflecting cash distributions from the Acquisition.
- Following the completion of the Acquisition, the WEP is the only project that requires investment from the Parent. This amount is manageable, given Fortis' strong credit profile. DBRS expects Fortis to continue prudently carrying out the financing of the remaining portion of the WEP.

Capital Structure and Liquidity (CONTINUED)

Liquidity

Credit Facilities as at November 1, 2014

(CA$ millions)	Parent & other	Regulated Subsidiaries	Non-regulated Subsidiaries	Total
Total credit facilities	2,900	1,986	13	4,899
Drawing on credit facilities (L-T) 1	(300)	(224)	0	(524)
Letters of credit	(1)	(175)	0	(176)
Credit facilities available	**2,599**	**1,587**	**13**	**4,199**

1 As of September 30, 2014, credit facility borrowings classified as long term included $98 million in current installments of long-term debt on the consolidated balance sheet.

Non-Consolidated

- As at November 30, 2014, Fortis and its subsidiaries had consolidated credit facilities of approximately $4.9 billion, of which $2.6 billion was undrawn (DBRS estimate).

Capex Profile

Consolidated Capex Breakdown	Dec. 31, 2014		Sep. 30, 2014		Dec. 31, 2013	
(CA$ millions)	Forecast	(%)	Actual	(%)	Actual	(%)
Canadian Regulated Utilities	977	54%	607	69%	861	73%
US Regulated Utilities	572	31%	129	15%	57	5%
Caribbean Regulated Utilities	61	3%	42	5%	52	5%
Total Regulated Utilities	**1,610**	**88%**	**778**	**89%**	**970**	**83%**
Non-Regulated Fortis Generation	131	7%	70	8%	146	12%
Non-Regulated Non-utility	83	5%	27	3%	59	5%
Total Capex	**1,824**	**100%**	**875**	**100%**	**1,175**	**100%**

- The consolidated gross capex is expected to be approximately $1.8 billion in 2014, largely driven by $450 million forecast capex from UNS. Based on the capex forecast, approximately 90% of capex will be invested in regulated utilities, which are low risk and should produce good growth in rate bases. These utilities are self-financed.
- The portion that requires financing from Fortis is the WEP (the Non-Regulated Fortis Generation line in the above table).

Description of Operations

Fortis' main subsidiaries and investments are as follows:

FortisBC Holdings Inc. (100% owned) is a holding company for the following utilities:

(1) ***FortisBC Energy Inc. (FEI)*** is the largest natural gas distributor in British Columbia, serving residential, commercial and industrial customers in an area extending from Vancouver to the Fraser Valley and the interior of British Columbia.

(2) ***FortisBC Energy (Vancouver Island) Inc. (FEVI)*** owns a combined distribution and transmission system, serving residential, commercial and industrial customers along the Sunshine Coast and in Victoria and various communities on Vancouver Island.

(3) ***FortisBC Energy (Whistler) Inc. (FEW)*** owns and operates a propane distribution system in Whistler, British Columbia, and provides service to residential and commercial customers.
Pursuant to Order G-21-14, the FortisBC Energy Utilities (FEU) will be amalgamating on December 31, 2014, and common rates will be adopted across the service areas (excluding Fort Nelson) of the amalgamated companies, effective on January 1, 2015.

FortisAlberta Inc. (100% owned) is a regulated electricity distributor with a franchise area that includes central and southern Alberta, the suburbs surrounding Edmonton, Calgary, Red Deer, Lethbridge and Medicine Hat.

FortisBC Inc. (100% owned) is a vertically integrated regulated utility operating in south-central British Columbia. Its generation assets include four hydroelectric generating plants (totalling 223 MW) on the Kootenay River in south-central British Columbia.

Newfoundland Power Inc. (NP) (100% owned) is the principal distributor of electricity on the island portion of Newfoundland and Labrador. Fortis also owns 25% of NP's preferred shares.

CH Energy Group, Inc. (100% owned) entails Central Hudson Gas & Electric Corporation, a regulated transmission and distribution utility that serves 376,000 electric and gas customers in New York State's Mid- Hudson River Valley.

UNS Energy Corporation. (100% owned) is a vertically integrated utility services holding company headquartered in Tucson, Arizona, engaged in the regulated electric generation and energy delivery business, serving approximately 657,000 electricity and gas customers in Arizona.

Caribbean Utilities Company, Ltd. (approximately 60% owned) (CUC) is a fully integrated electricity utility on Grand Cayman, Cayman Islands, with an installed generating capacity of 150 MW.

Other Subsidiaries

FortisOntario Inc. (FortisOntario) is an integrated electric utility providing services to customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario also owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies.

Maritime Electric Company Limited (Maritime Electric) is the principal distributor of electricity on Prince Edward Island. It also maintains on-island generating facilities with a combined capacity of 150 MW. Maritime Electric is indirectly owned by Fortis through FortisWest.

Fortis Properties Corporation owns and operates 23 hotels in eight Canadian provinces and approximately 2.7 million square feet of commercial real estate, primarily in Atlantic Canada.

Fortis Turks and Caicos serves approximately 85% of electricity consumers on the Turks and Caicos Islands, pursuant to 50-year licences that expire in 2036 and 2037. The Company has a combined diesel-fired generating capacity of 76 MW.

Belize Electric Company Limited is a non-regulated 51 MW hydro generation operation in Belize. All output is sold to Belize Electricity Limited under 50-year power purchase agreements expiring in 2055 and 2060. The USD 53 million 19 MW hydroelectric generating facility at Vaca in Belize was commissioned in March 2010.

Fortis Inc. (Consolidated)

Balance Sheet

USGAAP	Sep. 30	Dec. 31	Dec. 31		Sep. 30	Dec. 31	Dec. 31
(CA $ millions)	**2014**	**2013**	**2012**		**2014**	**2013**	**2012**
Assets				**Liabilities & Equity**			
Cash & equivalents	458	72	154	S.T. borrowings	1,564	160	136
Accounts receivable	782	732	587	Current portion L.T.D.	1,109	787	124
Inventories	347	143	133	Accounts payable	1,284	957	966
Current regulatory assets	225	150	185	Regulatory liabilities	209	140	72
Prepaid expenses & others	1,431	199	34	Others	9	40	10
Total Current Assets	**3,243**	**1,296**	**1,093**	**Total Current Liab.**	**4,175**	**2,084**	**1,308**
Net fixed assets	16,929	12,267	10,249	Long-term debt	9,584	6,841	6,211
Deferred income taxes	28	7	-	Deferred income taxes	1,773	1,078	702
Goodwill	3,652	2,075	1,568	Regulatory liabilities	1,331	902	681
Intangibles	458	345	325	Other L-T liabilities	886	627	638
Regulatory assets	2,019	1,672	1,515	Minority interest	405	375	310
Investments & others	411	246	200	Convertible Securities	1,800	-	-
				Preferred shares	1,820	1,229	1,108
				Common equities	4,966	4,772	3,992
Total Assets	**26,740**	**17,908**	**14,950**	**Total Liab. & SE**	**26,740**	**17,908**	**14,950**

Earnings Profile

Fortis Inc. (Consolidated)	Sep. 30	Sep. 30	12 months Sep. 30	Year end December 31			
(CA$ millions)	**2014**	**2013**	**2014**	**2013**	**2012**	**2011**	**2010**
Revenues	3,708	2,818	4,937	4,047	3,654	3,738	3,657
EBITDA	1,210	1,007	1,596	1,393	1,264	1,191	1,149
EBIT	732	608	976	852	794	775	739
Gross interest expense	406	284	511	389	366	363	378
Net Income before non-recurring items	241	277	354	390	362	357	313
Net income as reported	246	297	359	410	362	357	313

Consolidated Financial Highlights

(CA$ millions)	Sep. 30	Sep. 30	12 months Sep. 30	Year end December 31			
	2014	**2013**	**2014**	**2013**	**2012**	**2011**	**2010**
Total debt	12,257	7,658	12,257	7,788	6,471	6,383	6,023
Preferred shares	1,820	1,229	1,820	1,229	1,108	912	912
Total equity	7,137	5,144	7,137	5,219	4,398	4,126	3,556
Total assets	26,740	17,570	26,740	17,908	14,950	14,214	12,909
EBITDA	1,210	1,007	1,596	1,393	1,264	1,191	1,149
EBIT	732	608	976	852	794	775	739
Gross interest expenses	406	284	511	389	366	363	378
Cash flow from operations	782	656	1,056	930	860	790	725
Debt/Capital [1]	61.7%	56.5%	61.7%	56.5%	56.5%	57.0%	59.6%
Debt/EBITDA	5.06	3.80	7.68	5.59	5.12	5.36	5.24
Cash flow/Debt	8.0%	11.0%	8.1%	11.6%	12.7%	12.1%	11.6%
EBIT interest coverage	1.80	2.14	1.91	2.19	2.17	2.13	1.96
EBIT/(gross interest expense + preferred dividends)	1.63	1.85	1.73	1.91	1.93	1.89	1.82
Regulated asset/Total assets (%)	NA	NA	88.0%	89.8%	89.6%	86.6%	92.2%
Regulated EBITDA/Total EBITDA (%)	95.6%	93.0%	95.3%	93.4%	93.3%	91.4%	91.3%
Regulated Assets	23,532	15,772	23,532	16,081	13,389	12,315	11,901
Regulated EBITDA	1,157	937	1,521	1,301	1,179	1,088	1,049

1 DBRS treats preferred shares within 20% of common equity as equity, any amount above 20% as debt.

Rating History

	Current	2013	2012	2011	2010	2009
Issuer Rating	A (low)	A (low)	A (low)	NR	NR	NR
Unsecured Debentures	A (low)	A (low)	A (low)	A (low)	A (low)	BBB (high)
Preferred Shares	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-3 (high)

Previous Report

- Fortis Inc., Rating Report, February 12, 2014.

Notes:
All figures are in Canadian dollars unless otherwise noted.

Fortis Inc.
S&P Credit Rating Report
April 2015

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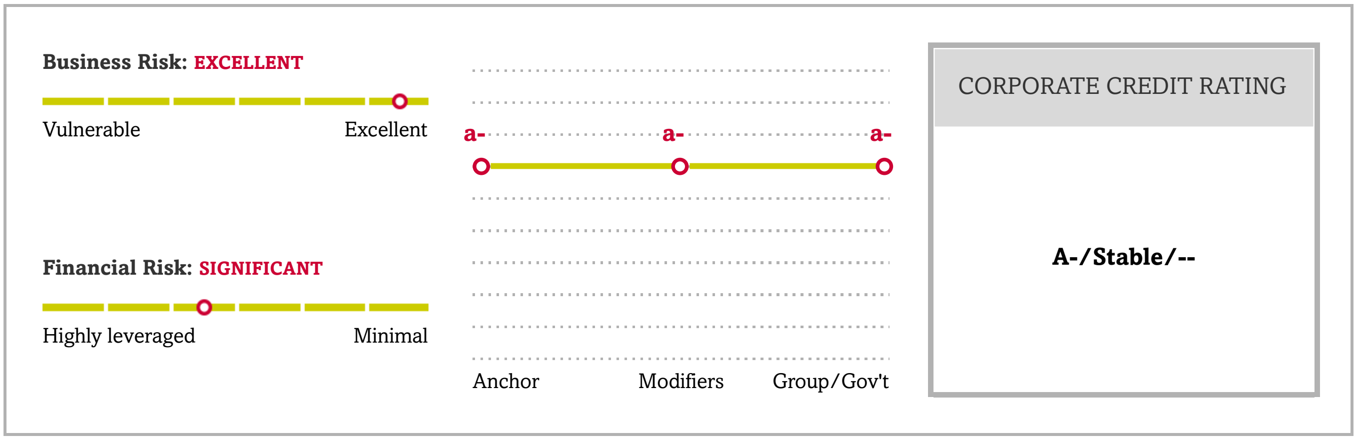
Fortis Inc.



Rationale

Business Risk	Financial Risk
• Low-risk regulated assets, with limited commodity price and volume risks • Diversified portfolio of regulated utilities operating as monopoly service providers • Minimal unregulated business and divesting of noncore real estate business	• Stable regulated cash flow • Highly leveraged and downward pressure on credit metrics as a result of large capital programs over the next several years

Outlook

The stable outlook reflects Standard & Poor's Ratings Services' assessment of the underlying operational and financial stability of Fortis Inc.'s operating companies. We expect these operating companies to continue generating stable and predictable cash flow, a key credit strength.

Downside scenario

We could lower the ratings on Fortis if the company's adjusted funds from operations (AFFO)-to-debt were to fall and stay below 9%. This could happen if Fortis were to employ more leverage or if its larger subsidiaries encountered major financial or operational difficulties or adverse regulatory decisions. Investment in assets with materially higher regulatory risks or cash-flow variability could also lead to a downgrade.

Upside scenario

A positive outlook or upgrade during our two-year outlook horizon would require Fortis to improve and sustain its credit metrics, specifically AFFO-to-debt above 14%.

Standard & Poor's Base-Case Scenario

Assumptions	Key Metrics
• Fortis will continue to focus on regulated business • It will not experience any adverse material regulatory decisions • The company will not acquire regulated assets with materially higher regulatory risk resulting in loss of access to the low-volatility table • The Waneta expansion project will contribute about C$23 million in annual earnings	See table below

	2014A	2015E	2016E
AFFO/debt	10.4%	10-12%	10%-12%
Debt/EBITDA	6.4x	5x-6x	5x-6x

AFFO--Adjusted funds from operations. A--Actual. E--Estimate.

Company Description

Fortis is a leader in the North American electric and gas utility business, with total assets of more than C$26 billion and fiscal 2014 revenue of C$5.4 billion. Its regulated utilities account for approximately 94% of total assets and serve more than 3 million customers across Canada, the U.S., and the Caribbean. Fortis owns unregulated hydroelectric generation assets in Canada, Belize, and Upstate New York.

Business Risk

Fortis' business risk profile is "excellent". In our view, the company continues to benefit from its stable, low-risk, and regulated utility portfolio. Regulation typically involves a cost-of-service methodology that provides an allowed regulated rate of return. The utilities have relatively low levels of volume risk exposure, further reducing cash flow volatility. Fortis' regulated subsidiaries have monopolies as service providers in their respective service areas. They are exposed to limited commodity input price risk as electricity input cost remains a pass-through in many of the company's service territories and are relatively insulated from typical market forces, which we view as a credit strength.

In our view, another key credit strength is the regulatory, geographic, and market diversification of the subsidiaries and their cash flows. Before the acquisition of Central Hudson Gas and Electric Corp. (CHGE) and UniSource Energy Services (UNS), Canadian operations accounted for about 84% of Fortis' operating income, most of which was in British Columbia, making up about 50% of the company's total cash flows. With the acquisition of CHGE and UNS, we now expect U.S. operations to account for approximately 37% of Fortis' operating income and British Columbia accounting for about 30% of total cash flows, reducing the company's exposure in a single jurisdiction.

The diversification effect partially offsets the impact of Fortis' exposure to weaker business risk profiles in some of its subsidiaries such as Tucson Electric Power Co. (TEP), a UNS subsidiary; and Fortis Turks and Caicos Inc. (FTCI), which have a "strong" and "satisfactory" business risk profile, respectively. However, we believe this will only marginally weaken Fortis' overall business risk profile.

The unregulated businesses make up a small part of Fortis' overall cash flows, at approximately 6%. The size and quality of these cash flows will improve with the Waneta project's completion. This project has limited hydrology and price risk, no dispatch risk, and strong counterparties in British Columbia Hydro & Power Authority and Fortis BC. In addition, Fortis has announced it is divesting its noncore real-estate business and will continue focusing on the regulated business.

S&P Base-Case Operating Scenario

- Fortis will continue to focus on regulated business
- Its subsidiaries will continue to earn close to its allowed return on equity and will not experience any adverse material regulatory decisions
- The company will not acquire assets with a materially higher regulatory risk, resulting in the loss of access to the low-volatility cash flow table

Peer comparison

Table 1

Fortis Inc. -- Peer Comparison

Industry Sector: Electric Utility				
	Fortis Inc.	**Hydro One Inc.**	**CU Inc.**	**ATCO Ltd.**
Rating as of April 30, 2015	A-/Stable/--	A/Stable/A-1	A/Stable/A-1	A/Stable/--
	--Average of past three fiscal years--			
(Mil. C$)				
Revenues	4,367.3	6,116.7	2,043.3	4,425.0
EBITDA	1,502.8	2,077.8	1,017.3	1,769.2
Funds from operations (FFO)	980.7	1,421.7	723.7	1,253.3
Net income from continuing operations	375.3	765.7	369.7	404.3
Cash flow from operations	887.4	1,232.4	671.3	1,198.3
Capital expenditures	1,206.7	1,339.3	1,792.0	2,187.3
Free operating cash flow	(319.3)	(107.0)	(1,120.7)	(989.0)
Discretionary cash flow	(537.9)	(389.6)	(1,130.6)	(1,195.5)
Cash and short-term investments	38.0	71.7	16.9	154.6
Debt	10,227.1	11,123.5	5,696.5	7,301.5
Equity	6,273.2	7,235.8	3,619.0	5,098.7
Adjusted ratios				
EBITDA margin (%)	34.4	34.0	49.8	40.0
Return on capital (%)	5.9	7.6	7.7	9.8
EBITDA interest coverage (x)	3.0	3.6	3.5	4.3
FFO cash interest coverage (x)	3.3	4.7	3.7	5.2
Debt/EBITDA (x)	6.8	5.4	5.6	4.1
FFO/debt (%)	9.6	12.8	12.7	17.2

Table 1

Fortis Inc. -- Peer Comparison (cont.)				
Cash flow from operations/debt (%)	8.7	11.1	11.8	16.4
Free operating cash flow/debt (%)	(3.1)	(1.0)	(19.7)	(13.5)
Discretionary cash flow/debt (%)	(5.3)	(3.5)	(19.8)	(16.4)

Financial Risk

We expect Fortis' cash flows from the regulated utilities to remain very stable, a factor we believe is a key credit strength that offsets the company's high leverage. Regulated utility cash flow is primarily composed of a return of capital (depreciation) and a return on capital, both of which continue to experience limited volatility. Consolidated leverage is a function of the underlying utilities' regulatory capital structure that generally follows levels allowed by regulation. We have assumed that growth in rate base leads to corresponding growth in cash flow.

Due to the business' nature, Fortis needs capital investments to maintain service reliability and accommodate growth. This results in downward pressure on the company's credit metrics. We forecast AFFO-to-total debt of 10%-12% from 2015-2017, which is consistent with our "significant" financial risk assessment.

S&P Base-Case Cash Flow And Capital Structure Scenario

- The Waneta project starts as planned in second-quarter 2015
- Consolidated capital expenditures of C$1.9 billion-C$2.2 billion in 2015 and C$1.6 billion-C$1.8 billion in 2016
- Dividend payments of approximately C$460 million in 2015
- AFFO-to-debt of 10%-12% from 2015-2017

Financial summary

Table 2

Fortis Inc. -- Financial Summary					
Industry Sector: Electric Utility					
	--Fiscal year ended Dec. 31--				
(Mil. C$)	**2014**	**2013**	**2012**	**2011**	**2010**
Rating history	A-/Stable/--	A-/Negative/--	A-/Stable/--	A-/Stable/--	A-/Stable/--
Revenues	5,401.0	4,047.0	3,654.0	3,738.0	3,664.0
EBITDA	1,760.5	1,432.5	1,315.5	1,249.5	1,188.0
Funds from operations (FFO)	1,116.4	960.1	865.7	765.0	733.7
Net income from continuing operations	374.0	390.0	362.0	357.0	330.0
Cash flow from operations	919.4	828.6	914.2	852.0	708.2
Capital expenditures	1,560.0	1,058.0	1,002.0	1,019.0	947.0
Free operating cash flow	(640.6)	(229.4)	(87.8)	(167.0)	(238.8)
Dividends paid	235.0	219.5	201.5	183.0	224.5
Discretionary cash flow	(875.6)	(448.9)	(289.3)	(350.0)	(463.3)
Debt	13,727.1	9,204.1	7,750.0	7,616.6	6,809.9

Table 2

Fortis Inc. -- Financial Summary (cont.)					
Preferred stock	910.0	614.5	554.0	456.0	456.0
Equity	8,202.0	5,761.5	4,856.0	4,487.0	3,728.5
Debt and equity	21,929.1	14,965.6	12,606.0	12,103.6	10,538.4
Adjusted ratios					
EBITDA margin (%)	32.6	35.4	36.0	33.4	32.4
EBITDA interest coverage (x)	2.8	3.2	3.2	3.0	3.1
FFO cash interest coverage (x)	3.2	3.4	3.4	3.3	3.1
Debt/EBITDA (x)	7.8	6.4	5.9	6.1	5.7
FFO/debt (%)	8.1	10.4	11.2	10.0	10.8
Cash flow from operations/debt (%)	6.7	9.0	11.8	11.2	10.4
Free operating cash flow/debt (%)	(4.7)	(2.5)	(1.1)	(2.2)	(3.5)
Discretionary cash flow/debt (%)	(6.4)	(4.9)	(3.7)	(4.6)	(6.8)
Net cash flow/capex (%)	56.5	70.0	66.3	57.1	53.8
Return on capital (%)	5.5	6.1	6.4	6.9	7.2
Return on common equity (%)	4.7	6.9	7.4	7.8	7.9
Common dividend payout ratio (unadjusted; %)	96.5	78.4	73.3	69.8	85.6

Liquidity

Fortis's liquidity is "adequate." At the holding company level, liquidity sources are likely to exceed uses by more than 1.1x, even in the event of a 10% decline in EBITDA. In our view, the company has sound relationships with its banks and generally satisfactory standing in credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• FFO of about C$1.5 billion in 2015 • Cash and cash equivalent of about C$230 million in 2015 • Unused committed revolving credit facilities of about C$2.2 billion as of Dec. 31, 2014	• Capital expenditures of C$1.9 billion-C$2.2 billion in 2015 • Debt maturities of about C$500 million in 2015 • Dividends of about C$460 million in 2015

Debt maturities

Table 3

Fortis Inc. -- Long-Term Debt Maturities As Of December 2014	
Year	**(Mil. C$)**
2015	505
2016	747
2017	103
2018	741
2019	201
Thereafter	8,204

Other Modifiers

None of the modifiers have any impact on the rating.

Ratings Score Snapshot

Corporate Credit Rating

A-/Stable/--

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Excellent

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : a-

Reconciliation

Table 4

Reconciliation Of Fortis Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. C$)

	--Fiscal year ended Dec. 31, 2014--									
Fortis Inc. reported amounts	**Debt**	**Shareholders' equity**	**Revenues**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	11,534.0	8,691.0	5,401.0	1,711.0	1,023.0	547.0	1,711.0	982.0	266.0	1,587.0
Standard & Poor's adjustments										
Interest expense (reported)	N/A	N/A	N/A	N/A	N/A	N/A	(547.0)	N/A	N/A	N/A
Interest income (reported)	N/A	N/A	N/A	N/A	N/A	N/A	13.0	N/A	N/A	N/A

Table 4

Reconciliation Of Fortis Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. C$) (cont.)

Current tax expense (reported)	N/A	N/A	N/A	N/A	N/A	N/A	(43.0)	N/A	N/A	N/A
Operating leases	85.8	N/A	N/A	8.5	3.9	3.9	4.6	4.6	N/A	N/A
Intermediate hybrids reported as equity	910.0	(910.0)	N/A	N/A	N/A	N/A	N/A	(31.0)	(31.0)	N/A
Postretirement benefit obligations/deferred compensation	566.6	N/A	N/A	38.0	38.0	40.0	1.7	(9.3)	N/A	N/A
Surplus cash	(172.5)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capitalized interest	N/A	N/A	N/A	N/A	N/A	27.0	(27.0)	(27.0)	N/A	(27.0)
Share-based compensation expense	N/A	N/A	N/A	3.0	N/A	N/A	3.0	N/A	N/A	N/A
Asset retirement obligations	675.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-operating income (expense)	N/A	N/A	N/A	N/A	25.0	N/A	N/A	N/A	N/A	N/A
Noncontrolling interest/minority interest	N/A	421.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt -- accrued interest not included in reported debt	128.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total adjustments	2,193.1	(489.0)	0.0	49.5	66.9	70.9	(594.6)	(62.6)	(31.0)	(27.0)

Standard & Poor's adjusted amounts	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Dividends paid	Capital expenditures
Adjusted	13,727.1	8,202.0	5,401.0	1,760.5	1,089.9	617.9	1,116.4	919.4	235.0	1,560.0

N/A--Not applicable.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of April 30, 2015)

Fortis Inc.	
Corporate Credit Rating	A-/Stable/--
Preference Stock *Canada National Scale Preferred Share*	P-2
Preference Stock	BBB
Preferred Stock *Canada National Scale Preferred Share*	P-2
Preferred Stock	BBB
Senior Unsecured	A-
Corporate Credit Ratings History	
28-Oct-2014	A-/Stable/--
13-Dec-2013	A-/Negative/--
23-May-2012	A-/Stable/--
22-Feb-2012	A-/Watch Neg/--
Related Entities	
Caribbean Utilities Co. Ltd.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured	A-
FortisAlberta Inc.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured	A-
Fortis TCI Ltd.	
Issuer Credit Rating	BBB/Stable/--
Maritime Electric Co. Ltd.	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	A

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Fortis Inc.
DBRS Credit Rating Report
January 2016

Rating Report

Fortis Inc.

DBRS

Insight beyond the rating.

Ratings

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Debt	Rating	Rating Action	Trend
Issuer Rating	A (low)	Confirmed	Stable
Unsecured Debentures	A (low)	Confirmed	Stable
Preferred Shares	Pfd-2 (low)	Confirmed	Stable

Rating Update

On December 29, 2015, DBRS Limited (DBRS) confirmed the A (low) Issuer Rating, A (low) Unsecured Debentures rating and Pfd-2 (low) Preferred Shares rating of Fortis Inc. (Fortis, the Parent or the Company) with Stable trends. This action is based on DBRS's view of the Company's financial performance to date in 2015 (YTD 2015). The confirmations reflect Fortis' improved business risk profile following the completion of the Waneta Expansion hydro generation project (Waneta Expansion), no material changes in its regulated subsidiaries and its reasonable consolidated and non-consolidated financial profiles.

On April 1, 2015, the Company completed construction of the $900 million, 335 megawatt (MW) Waneta Expansion ahead of schedule and on budget. Fortis has a 51% controlling ownership interest in the Waneta Expansion, with Columbia Power Corporation and Columbia Basin Trust holding the remaining 49% interest. The Waneta Expansion contributed $17 million in earnings to the Corporation YTD 2015. The Waneta Expansion's output will be included in the Canal Plant Agreement (an agreement between British Columbia Hydro & Power Authority (BC Hydro; rated AA (high)), FortisBC Inc. (FBC; rated A (low)) and three other parties governing 1,565 MW of capacity) and will receive fixed energy and capacity entitlements based on long-term average water flows. In the long-term energy purchase agreement with BC Hydro, approximately 630 gigawatt hours and associated capacity required to deliver such energy have been contracted. The remaining capacity, approximately 234 MW, will be sold to FBC under a long-term capacity purchase agreement. The completion of this project removed Fortis from risks associated with constructions such as cost overruns and delays. In addition, the completion of the $365 million sale of hotel assets in October 2015, which completed the divestitures of all Fortis Properties' commercial real estate and hotel assets, reduced Fortis' exposure to this higher-risk, non-regulated business.

Fortis' regulated utilities' risk profiles remained solid. Higher earnings contributions were received from all of its utilities in YTD 2015 except FortisBC Energy Inc. (FEI), which experienced a slight reduction in earnings due to the timing of regulatory flow-through deferred amounts and a decrease in the allowed return on equity (ROE) and equity component of the capital structure as a result of the amalgamation of FEI, FortisBC Energy (Vancouver Island) Inc., FortisBC Energy (Whistler) Inc. and Terasen Gas Holdings Inc. The quality of the regulatory frameworks in all jurisdictions remained generally supportive and reasonable, and is not expected to have material changes in the short to medium term (see Significant Regulatory Proceedings). DBRS notes that in Alberta, FortisAlberta Inc. (FAI) had a lower allowed ROE and lower deemed equity in 2015 (retroactive to 2014 and 2013) as a result of a regulatory decision in March 2015. However, the impact of this on FAI's cash flow is expected to be very modest.

Financial Information

Key Credit Ratios	Pro Forma DBRS estimate	12 months Sept. 30	Year ended December 31		
	2015	2015	2014	2013	2012
Consolidated debt-to-capital		58.2%	58.5%	56.5%	56.5%
Consolidated cash flow-to-debt		14.8%	10.7%	11.5%	13.0%
Consolidated EBIT-to-interest (x)		2.36	2.04	2.07	2.07
Non-consolidated debt-to-capital	21.9%	25.4%	26.1%	21.6%	18.1%
Non-consolidated cash flow-to-interest (x)	4.45	3.42	4.83	6.22	4.72
Non-consolidated fixed-charges coverage (x)	2.18	1.70	2.31	2.63	2.12

Issuer Description

Fortis is a leader in the North American electric and gas utility business, with total assets of more than $28.6 billion and revenue of over $6.7 billion (12 months to September 30, 2015). Its regulated utilities account for approximately 94% of total assets and serve more than three million customers across Canada, in the United States and the Caribbean. Fortis also owns non-regulated generation assets (mostly hydroelectric) in Canada (British Columbia and Ontario) and Belize.

Rating Update (CONTINUED)

Fortis maintained reasonable consolidated and non-consolidated ratios in YTD 2015 and remained consistent with the current rating. These ratios are expected to improve by the end of 2015 and in the medium term since (1) $230 million non-consolidated debt was reduced after September 30, 2015, with proceeds from the sale of Fortis Properties; (2) all regulated utilities are expected to maintain their leverage in line with the regulatory capital structure in their respective jurisdictions; and (3) Fortis' equity injection to its utilities is expected to be modest and manageable over the next few years.

Rating Considerations

Strengths

1. Strong and stable dividends from low-risk regulated utilities

Cash income and dividends have been strong and continued to grow in 2015. Dividends have been supported by stable earnings and cash flow from low-risk, regulated utilities and long-term power contracts. Regulated operations accounted for approximately 93% of the Company's non-consolidated earnings for the 12 months to September 30, 2015 (trailing 12 months 2015).

2. Diversified sources of cash flow

Fortis' business risk profile is supported by a diversified source of cash flow through its ownership of regulated natural gas and electricity utilities in British Columbia (B.C.) and electric utilities in five other Canadian provinces, two jurisdictions in the United States (New York and Arizona) and three Caribbean countries. DBRS notes that Fortis' cash flow diversification improved significantly for the trailing 12 month 2015 because of the completion of the UNS Energy Corporation (UNS) acquisition.

3. 100% ownership of most of its regulated subsidiaries

Fortis owns 100% of most of its low-risk regulated utilities. Within the boundaries of regulatory oversight, this provides Fortis with some discretionary powers over the manner in which dividends are paid by its operating companies.

4. Reasonable consolidated and non-consolidated financial profile

Fortis maintained reasonable consolidated ratios and solid non-consolidated ratios in 2015 that were consistent with the "A" rating category. DBRS notes that Fortis' non-consolidated debt-to-capital ratio (adjusted for the debt-equivalent preferred shares) remained modestly higher than the 20% level for the trailing 12 month2015. However, this level was still acceptable for the current rating given its ownership of low-risk regulated assets and diversified cash flows. The non-consolidated debt-to-capital is expected to be at approximately 22% by the end of 2015.

Challenges

1. Acquisition risk

Fortis has made some material acquisitions/project constructions in the last few years (CH in 2014, UNS in 2015 and the Waneta Extension project, which was completed in Q2 2015). Although Fortis' business risk profile has improved with these acquisitions, and the Company's financing strategy has been reasonable, there is no assurance that its future acquisitions and the financing of such future acquisitions could not materially deviate from its current acquisition strategy. Should that be the case, it could increase the Company's overall business and/or financial risk levels.

2. Structural subordination

Fortis is a holding company, and its debt is structurally subordinated to the debt issued by its operating companies. DBRS notes that this risk is mitigated by the fact that Fortis owns a diverse portfolio of largely regulated assets located in many jurisdictions in North America and the Caribbean region.

3. Strong ring-fencing at its wholly owned utilities

Fortis faces strong ring-fencings imposed on FEI with respect to its capital structure and dividend payouts. In addition, it is common for most of Fortis' subsidiary utilities to maintain their capital structure in line with the regulatory capital structure. As a result, dividend payouts to Fortis are subject to its utilities' maintaining their regulated capital structures. In addition, dividends to Fortis could be affected should these utilities have large capital expenditure programs.

4. Regulatory risk at the utility level

Fortis' regulated utilities are subject to regulatory risk associated with regulatory lags regarding the recovery of capital investments and costs, and potential lower ROEs, political intervention and rate freezes. DBRS recognizes that although currently the Company's utilities operate in good regulatory frameworks in Canada and reasonable regulatory frame works in New York, Arizona and the Caribbean, there is no assurance that these regulations will not change in the future, and such changes may have a material impact on the ability of these utilities to pay dividends to Fortis.

Non-Consolidated Earnings & Cash Flows

Non-Consolidated Earnings

	12 months	Year end December 31		
(Unaudited) (CA$ millions)	**Sep-15**	**2014**	**2013**	**2012**
Eastern Canadian 1	76	60	58	61
FortisAlberta	125	103	94	96
FortisBC Electric	54	46	50	50
FortisBC Energy	124	127	127	138
Regulated - Canadian	**379**	**336**	**329**	**345**
Central Hudson	47	37	23	-
UNS	192	60	-	-
Regulated - United States	**239**	**97**	**23**	**-**
Caribbean Utilities	31	27	23	19
Belize Electricity	-	-	-	-
Regulated - Caribbean	**31**	**27**	**23**	**19**
Fortis Generation *	**38**	**20**	**19**	**17**
Fortis Properties (sold in June / October 2015)	19	23	18	22
Griffith	-	-	-	-
Non-Utility	**19**	**23**	**18**	**22**
Total equity income	**706**	**503**	**412**	**403**
Interest income + Management fee	29	31	26	24
Total Equity and Investment Income	**735**	**534**	**438**	**427**
Operating expense (net)	28	33	11	12
Gross interest expense	109	80	59	54
Capitalized and amortization of deferred charges	-	23	(11)	(7)
Depreciation	2	2	2	2
Taxes	(46)	(60)	(18)	(5)
Preferred dividends	78	62	57	47
Net Non-Consolidated Income	**564**	**417**	**327**	**317**

1 See discription of operations.
* Fortis U.S. Energy and FOG sold in 2015.

Non-Consolidated Earnings Summary

- Overall, Fortis has benefited from very predictable and diversified earnings, underpinned by its portfolio of investments in regulated utilities in Canada, the United States and Caribbean countries. Regulated utilities and investment income accounted for over 93% of Fortis' non-consolidated earnings for the trailing 12 months 2015.
- The acquisitions of CH Energy (June 2013) and UNS (August 2014) significantly strengthened the Company's regulated earnings. In addition, growth in Canadian regulated earnings can also be attributable to increases in customer bases and higher rate bases among the Canadian utilities, particularly in Newfoundland and Labrador and Alberta.
  - Higher earnings in FortisAlberta in the trailing 12 months 2015 reflected the collection of capital tracker in 2015 (invested in previous years).
- Non-regulated generation assets (mainly hydroelectric) are located in Ontario, Belize, and B.C. Most generation output is sold under long-term contracts following the sale of hydroelectric assets in Upstate New York in June 2015.
- The completion of the Waneta Expansion in April 2015 substantially increased non-regulated earnings for the trailing 12 months 2015. Output generated by the Waneta Expension is sold under long-term contracts with BC Hydro and FBC.
- The sale of hotel assets in October 2015 completed the divestitures of Fortis' commercial real estate and hotel assets.
- Going forward, regulated earnings are expected to account for between 93% and 95% of total earnings.

Non-Consolidated Capital Structure and Ratios

Non-consolidated Capital Structures

	12 months Sept. 30	For the year ended Dec. 31		
	2015	**2014**	**2013**	**2012**
Current portion of long-term debt *	230	0	160	0
Long-term debt + Facilities	2,331	2,386	1,185	800
Preferred shares	1,820	1,820	1,229	1,108
Common equity	7,226	6,715	4,781	4,000

Non-consolidated Cash Flow & Ratios	**Pro forma 2015 DBRS estimate**				
Cash flow	445	401	419	378	267
Cash flow/non-consolidated debt	21.4%	15.6%	17.6%	28.1%	33.4%
Cash flow/interest on non-consolidated debt (x)	4.45	3.42	4.83	6.22	4.72
Cash flow/(interest and preferred dividends)(x)	2.18	1.70	2.31	2.63	2.12
Non-consolidated debt-to-capital 1	21.9%	25.4%	26.1%	21.6%	18.1%

1 DBRS treats preferred shares within 20% of common equity as equity, and any amount above 20% as debt.
* The amount outstanding at September 30, 2015, was paid off in October with proceeds from the sale of real estate and hotel properties.

- Non-consolidated leverage improved slightly from the 2014 level, although it remained modestly above the 20% threshold that DBRS uses in its notching guidelines for a holding company relative to its subsidiaries. However, the forecast 2015 non-consolidated leverage ratio should improve further, reflecting lower non-consolidated debt levels following the payment of $230 million after September 30, 2015, with the proceeds from the sale of Fortis Properties.
- All non-consolidated metrics remained consistent with the current rating category given that the Company has a low-risk, diverse investment portfolio with stability in its cash flow.
- Weaker credit metrics in 2014 reflected higher non-consolidated debt caused by the UNS acquisition, which was closed in August 2014. However, the ratios in 2014 remained consistent with the current rating category.
- The pro forma 2015 credit metrics should not materially change from the 2014 level, with modestly stronger cash flow-to-debt and lower debt-to-capital ratios as a result of lower non-consolidated debt levels and higher cash dividends (mainly because of distributions from Waneta). However, cash flow interest and fixed charges coverage will be slightly weaker than 2014 since interest expenses and preferred dividends in 2014 were lower (additional debt and preferred shares were issued during the year to finance the UNS acquisition).

Credit Facilities

	Fortis Inc.	Regulated	Non-regulated	Sept. 30	Dec. 31
(CA$ millions)	**(Parent & Other)**	**Subsidiaries**	**Subsidiaries**	**2015**	**2014**
Total credit facilities	1,297	2,013	13	3,323	3,754
- Short-term borrowings		(397)	0	(397)	(330)
- Facilities 1	(602)	0	0	(602)	(839)
Letters of credit outstanding	(34)	(71)	0	(105)	(192)
Credit facilities available	661	1,545	13	2,219	2,393

1 Excludes long-term debt due within 12 months.

Non-Consolidated

- As at June 30, 2015, Fortis' liquidity remained sufficient to finance its working capital, which is expected to be modest given that (1) there is no long-term debt (issued by Fortis) due until 2019 and (2) there are no major capital projects currently being undertaken by Fortis following the completion of the Waneta Expansion.

Capex Profile

Consolidated Capex Breakdown

(CA$ millions)	2014 (Actual)	2015 (Estimate)
Canadian Regulated Utilities	977	1,101
US Regulated Utilities	572	881
Caribbean Regulated Utilities	61	140
Total Regulated Utilities	1,610	2,122
Non-Regulated Fortis Generation	131	52
Non-Regulated Non-utility	83	33
Total Capex	**1,824**	**2,207**

- Following the completion of the Waneta Extension project in Q2 2015, capex for non-regulated capital projects are expected to be minimal.
- All capex in 2016 and 2017 at the regulated utility level are expected to be financed by the utilities, with modest equity contributions to be required from Fortis. As a result, DBRS does not expect Fortis to seek material external funds to inject into its regulated subsidiaries.

Regulation Update

Regulated Investments

As of September 30, 2015	Allowed ROE	Deemed Equity	Test year	Assets ($ million)	Customers
FEI	8.75%	38.5%	Forward-looking	$5,955	970,000
FortisBC Electric	9.15%	40.0%	Forward-looking	$2,106	167,000
FortisAlberta	8.30%	40.0%	Forward-looking	$3,751	530,000
Central Hudson	9.00%	48.0%	Forward-looking	$3,100	377,000
UNS Energy	9.5%-10%	43.5%-52.6%	Historical	$8,700	663,000
Newfoundland Power	8.80%	45.0%	Forward-looking	$1,448	260,000
Maritime Electric	9.75%	40.0%	Forward-looking	$400	78,000
Caribbean Utilities *	7.25%-9.25% *	n/a	Forward-looking	$800	28,000
Fortis Turks and Caicos	n/a	n/a	n/a	$400	14,000

* CUC uses return on rate base; CUC's assets represent on a 100% basis.

Significant Regulatory Proceedings

Utility	Application/Proceeding	Filing Date	Expected Decision
TEP	GRA for 2017	Fourth quarter 2015	To be determined
FEI	2016 Cost of Capital Application	Fourth quarter 2016	To be determined
FortisAlberta	2016 Annual Rate Application	Third Quarter 2015	Four quarter 2015
	2016/2017 Capital Tracker	Second quarter 2015	First quarter 2016
	2016/2017 GCOC Proceeding	Not applicable	To be determined
Newfoundland Power	GRA for 2016/2017	Fourth quarter 2015	To be determined
Maritime Electric	GRA for 2016	Fourth quarter 2015	To be determined

UNS Energy Corporation

In November 2015, Tucson Electric Power (TEP), UNS's largest utility, filed a General Rate Application (GRA) with the Arizona Corporation Commission, requesting new retail rates to be effective January 1, 2017, using June 30, 2015, as a historical test year. The key provisions of the rate request include (1) a base retail rate increase of USD 110 million (12.0%) compared with adjusted test year revenue; (2) a 7.34% return on the rate base of USD 2.1 billion, which includes approximately USD 73 million of post-test year adjustments for utility capital assets that are expected to be in service by December 31, 2016; (3) a common equity component of capital structure of approximately 50%; (4) rate design changes that would reduce the reliance on volumetric sales to recover fixed costs; and (5) a new net metering tariff.

Regulation Update

Central Hudson Gas & Electric Corporation

The two-year rate freeze period ended June 30, 2015. During this period, Central Hudson invested approximately USD 225 million in energy infrastructure. In June 2015, the New York State Public Service Commission issued a Rate Order for Central Hudson covering a three-year period, with new electricity and natural gas delivery rates effective July 1, 2015. The approved Rate Order allows Central Hudson to earn an allowed ROE of 9.0% and a 48.0% common equity component of capital structure. The Rate Order includes capital investments of approximately USD 490 million during the three-year period.

FortisBC Energy Inc. and FortisBC Inc.

In September 2015, FEI and FBC filed applications for approval of 2016 rates under the PBR plan. The 2016 applications include a forecast mid-year rate base of approximately $3,691 million and $1,287 million for FEI and FBC, respectively, and a request for approval of customer rate increases for 2016 of 2.22% and 1.98%, respectively. In October 2015, FEI and FBC filed evidentiary updates to the applications, which updated the 2016 customer rate increases to 2.74% for FEI and 3.12% for FBC. In October 2015, as required by the regulator, FEI filed its application to review the 2016 benchmark allowed ROE and common equity component of capital structure.

FortisAlberta Inc.

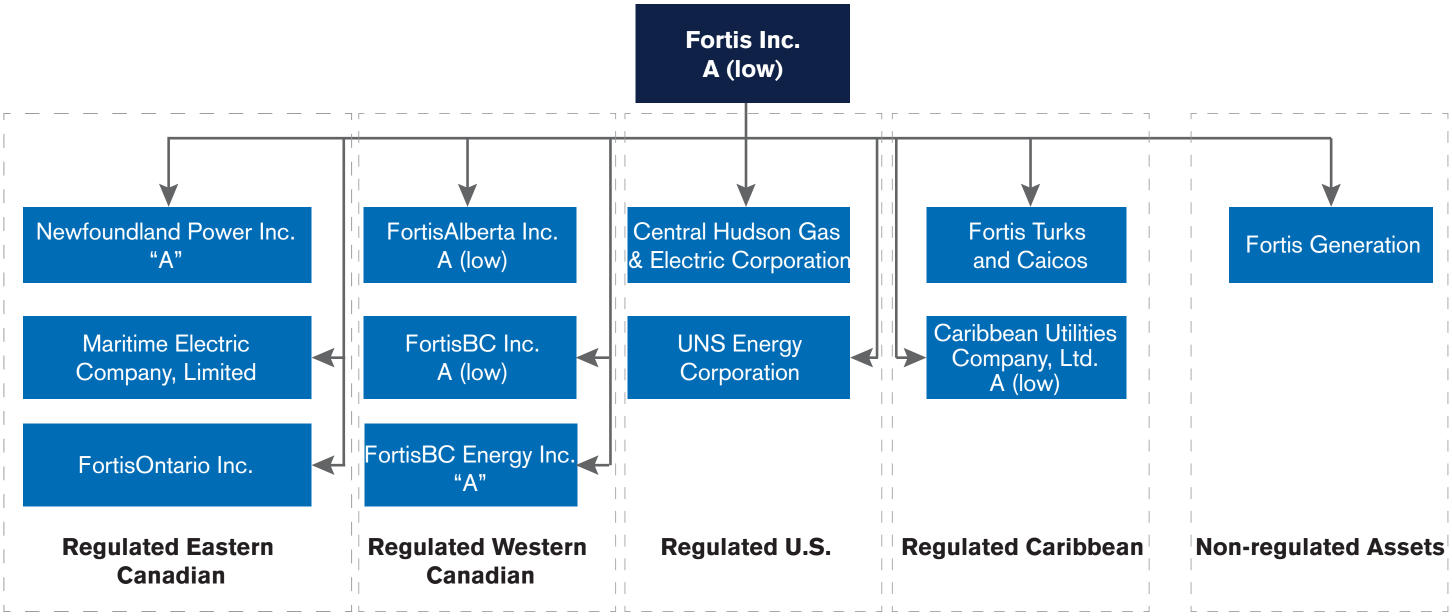
In September 2015, FAI filed its 2016 Annual Rates Application. The rates and riders, proposed to be effective on an interim basis for January 1, 2016, include an increase of approximately 6.2% to the distribution component of customer rates. This increase reflects (1) a combined inflation and productivity factor of 0.9%; (2) a K factor placeholder of $72 million, which is 100% of the depreciation and return associated with the 2016 forecast capital tracker expenditures as filed for in the capital tracker applications, as discussed previously; and (3) $17 million for adjustments to 2013, 2014 and 2015 capital tracker revenue as filed for in the capital tracker compliance filing related to the 2015 capital tracker decision. A decision on this filing is expected in the fourth quarter of 2015.

Eastern Canadian Electric Utilities

In October 2015, Newfoundland Power Inc. (NP) filed a 2016/2017 GRA with the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) to set customer rates effective July 1, 2016. The utility is proposing an overall average increase in electricity rates of 3.1%. This proposed increase results from a full review of NP's costs, including cost of capital. The application is currently under review by the PUB, and a hearing is expected in the first half of 2016.

In October 2015, Maritime Electric Company Ltd. filed a GRA with the Island Regulatory and Appeals Commission to set customer rates effective March 1, 2016, on expiry of the Prince Edward Island Energy Accord. The utility is proposing an overall average increase in electricity rates of 2.5%.

Description of Operations



Note: Fortis Inc. holds an approximately 60% controlling ownership interest in Caribbean Utilities Company, Ltd.

Regulated Western Canadian

FortisBC Energy Inc. (FEI) (100% owned). FEI is the resulting corporation from the amalgamation on December 31, 2014, of FEI, FortisBC Energy (Vancouver Island) Inc., FortisBC Energy (Whistler) Inc. and Terasen Gas Holdings Inc. FEI provides transmission and distribution services to customers and on the customers' behalf, sourcing natural gas supplies from Northern B.C. and through the Company's Southern Crossing Pipeline from Alberta.

FortisBC Inc. (100% owned) (FBC) is a vertically integrated regulated utility operating in South-Central B.C. Its generation assets include four hydroelectric generating plants (totalling 223 MW) on the Kootenay River. FBC serves approximately 167,000 direct and indirect customers.

FortisAlberta Inc. (100% owned) (FAI) is a regulated electricity distributor with a franchise area that includes Central and Southern Alberta, the suburbs surrounding Edmonton, Calgary, Red Deer, Lethbridge and Medicine Hat.

Regulated Eastern Canadian

Newfoundland Power Inc. (NP) (100% owned) is the principal distributor of electricity on the island portion of Newfoundland and Labrador. Fortis also owns 25% of NP's preferred shares.

Maritime Electric Company Ltd (Maritime Electric) is the principal distributor of electricity on Prince Edward Island. It also maintains on-island generating facilities with a combined capacity of 150 MW. Maritime Electric is indirectly owned by Fortis through FortisWest.

FortisOntario Inc. (FortisOntario) is an integrated electric utility providing services to customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario also owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies.

Regulated U.S.

CH Energy Group, Inc. (100% owned) entails Central Hudson Gas & Electric Corporation, a regulated transmission and distribution utility that serves 377,000 electric and gas customers (2014) in New York State's Mid-Hudson River Valley. Fortis acquired this company in 2013.

UNS Energy Corporation (100% owned) (UNS) is a vertically integrated utility services holding company headquartered in Tucson, Arizona, and is engaged in the regulated electric generation and energy delivery business. UNS was acquired by Fortis in 2014.

Regulated Caribbean

Caribbean Utilities Company, Ltd. (approximately 60% owned) (CUC) is a fully integrated electricity utility on Grand Cayman, Cayman Islands, with an installed generating capacity of 150 MW. CUC is in the process of constructing 39.7 MW of additional generation capacity.

Fortis Turks and Caicos serves approximately 85% of electricity consumers on the Turks and Caicos Islands, pursuant to 50-year licences that will expire in 2036 and 2037. The Company has a combined diesel-fired generating capacity of 76 MW.

Description of Operations

Non-regulated Operations

Fortis Generation	Plants	Fuel	Capacity (MW)
Belize	3	Hydro	51
British Columbia	1	Hydro	16
Ontario	7	Hydro, thermal	13
Total	**11**		**80**

- **Belize**: All output is sold to Belize Electricity Limited under 50-year power purchase agreements expiring in 2055 and 2060.
- **British Columbia**: FBC owns the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, B.C. All of the output of Walden is sold to BC Hydro under a long-term contract that cannot be terminated prior to 2024.
- Non-regulated generation operations in B.C. also include the Company's 51% controlling ownership interest in the Waneta Partnership (335 MW, not shown in the table).
- **Ontario**: FortisOntario owns a 5-MW gas-powered cogeneration plant in Cornwall. All thermal energy output of this plant is sold to external third parties, while the electricity output is sold to Cornwall Electric.

Fortis Inc. Consolidated Earnings

	9 months Sept. 30		12 months Sept. 30	Year ended December 31		
(CA$ millions)	2015	2014	2015	2014	2013	2012
Revenues	5,019	3,708	6,712	5,401	4,047	3,654
EBITDA	1,730	1,210	2,231	1,711	1,393	1,264
EBIT	1,078	732	1,369	1,023	852	794
Gross interest expense	425	357	579	502	412	384
Net income before non-recurring items	511	226	732	456	395	372
Non-recurring items	140	20	135	(77)	15	(10)
Net income as reported	651	246	867	379	410	362

Fortis Inc. Consolidated Cash Flow Statements

	9 months Sept. 30		12 months Sept. 30	Year ended December 31		
(CA$ millions)	2015	2014	2015	2014	2013	2012
Cash flow from operations	1,321	762	1,822	1,263	915	860
Dividends to common shareholders	(171)	(146)	(219)	(194)	(181)	(170)
Dividends to non-controlling interests	(8)	(6)	(12)	(10)	(11)	(9)
Dividends to preferred shareholders	(58)	(42)	(78)	(62)	(56)	(46)
Capital expenditures	(1,638)	(832)	(2,462)	(1,656)	(1,121)	(1,062)
Gross free cash flow	**(554)**	**(264)**	**(949)**	**(659)**	**(454)**	**(427)**
Change in working capital	8	(134)	(62)	(204)	(31)	116
Net free cash flow	**(546)**	**(398)**	**(1,011)**	**(863)**	**(485)**	**(311)**
Business acquisitions	(31)	(2,648)	(31)	(2,648)	(1,055)	(21)
Asset sales and divestitures	557	107	559	109	20	3
Cash flow to be financed	**(20)**	**(2,939)**	**(483)**	**(3,402)**	**(1,520)**	**(329)**
Net change in equity	44	611	1,247	1,814	659	130
Net change in preferred shares	0	587	(1)	586	117	194
Net change in debt	127	2,100	(746)	1,227	658	85
Others/DBRS adjustments	(34)	27	(128)	(67)	7	(13)
Change in cash	**117**	**386**	**(111)**	**158**	**(79)**	**67**
Consolidated Key Ratios						
Total debt-to-capital 1	58.2%	61.7%	58.2%	58.5%	56.5%	56.5%
Total debt-to-EBITDA (x)	5.31	7.60	5.49	6.74	5.59	5.12
Cash flow-to-total debt	14.4%	8.3%	14.9%	11.0%	11.7%	13.3%
EBIT interest coverage (x)	2.54	2.05	2.36	2.04	2.07	2.07
Fixed charges coverage (x)	2.13	1.76	1.99	1.74	1.73	1.76

1 DBRS treats preferred shares within 20% of common equity as equity, and any amount above 20% as debt.

Fortis Inc., Consolidated Balance Sheet

	Sept. 30	Dec. 31			Sept. 30	Dec. 31	
	2015	2014	2013		2015	2014	2013
Assets (CA$ million)				**Liabilities & Equity**			
Cash & equivalents	347	230	72	S.T. borrowings	397	330	160
Accounts receivable	796	900	732	Current portion L.T.D.	568	713	787
Inventories	349	321	143	Accounts payable	1,386	1,440	957
Current regulatory assets	235	295	150	Regulatory liabilities	235	192	140
Prepaid expenses & others	610	217	199	Others	14	9	40
Total Current Assets	**2,337**	**1,963**	**1,296**	**Total Current Liab.**	**2,600**	**2,684**	**2,084**
Net fixed assets	18,933	17,816	12,267	Long-term debt	11,290	10,491	6,841
Regulatory assets	2,364	2,230	1,672	Deferred income taxes	2,069	1,837	1,078
Goodwill	4,075	3,732	2,075	Regulatory liabilities	1,403	1,363	902
Intangibles	546	488	345	Other L-T liabilities	1,167	1,141	627
Deferred taxes & others	382	399	253	Minority interest	474	421	375
				Preferred shares	1,820	1,820	1,229
				Common equities	7,814	6,871	4,772
Total Assets	**28,637**	**26,628**	**17,908**	**Total Liab. & SE**	**28,637**	**26,628**	**17,908**

Rating History

	Current	2014	2013	2012	2011	2010
Issuer Rating	A (low)	A (low)	A (low)	A (low)	NR	NR
Unsecured Debentures	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)
Preferred Shares	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)

Previous Report

- Fortis Inc., Rating Report, December 31, 2014.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on **www.dbrs.com**.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

Fortis Inc.
S&P Research Update
February 2016

STANDARD & POOR'S
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Research Update:

Fortis Inc. Outlook Revised To Negative On Proposed ITC Holdings Corp. Acquisition; Affirmed At 'A-'

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Table Of Contents

Research Update:

Fortis Inc. Outlook Revised To Negative On Proposed ITC Holdings Corp. Acquisition; Affirmed At 'A-'

Overview

- On Feb. 9, 2016, Fortis Inc. announced the US$11.3 billion proposed acquisition of ITC Holdings Corp. (ITC), a U.S.-based electricity transmission operator.
- We are revising our outlook on St. John's, Nfld.-based holding company Fortis Inc. and its subsidiaries FortisAlberta Inc., Maritime Electric Co. Ltd., and Caribbean Utilities Co. Ltd. to negative from stable.
- We are also affirming our long-term corporate credit ratings on Fortis and its subsidiaries.
- In addition, we are downgrading Fortis' senior unsecured debentures to 'BBB+' from 'A-'.
- We are revising our competitive position score to strong from excellent.
- The negative outlook reflects the execution risks associated with the transaction including selling up to 19.9% of ITC to one or more infrastructure-focused minority investors.
- The negative outlook also reflects the limited cushion in the credit metrics for any post-merger integration or operational issues.

Rating Action

On Feb. 9, 2016, Standard & Poor's Ratings Services revised its outlook on St. John's, Nfld.-based holding company Fortis Inc. to negative from stable following the company's proposed acquisition of ITC Holdings Corp., a U.S.-based electricity transmission operator. At the same time, Standard & Poor's revised its outlook on Fortis subsidiaries FortisAlberta Inc., Maritime Electric Co. Ltd., and Caribbean Utilities Co. Ltd. to negative from stable.

In addition, Standard & Poor's revised Fortis' competitive position score to strong from excellent. Standard & Poor's affirmed its 'A-' long-term corporate credit rating on Fortis and its subsidiaries FortisAlberta and Caribbean Utilities, and affirmed its 'BBB+' long-term corporate credit rating on Maritime Electric.

Finally, Standard & Poor's lowered its senior unsecured debenture rating on Fortis to 'BBB+' from 'A-'.

Rationale

We believe that the addition of ITC will support Fortis' already excellent business risk profile. We continue to assess Fortis' country risk as very low risk due to the majority of the company's operating cash flows generated in Canada and the U.S. Similarly, industry risk is unchanged at very low as the majority of cash flows continue to be from regulated utility businesses.

Given the acquisitions that Fortis has undertaken in the past number of years, we have observed that its return of capital has been in decline. This is a factor we look for when assessing the volatility of profitability, which in itself is a factor that affects the company's competitive position score. As a consequence, we have modified our view of the company's competitive position to strong from excellent. Although the new competitive position score weakens the business risk profile, it is not enough for us to change our overall assessment as excellent.

ITC, through its subsidiaries International Transmission Co., Michigan Electric Transmission Co., ITC Great Plains LLC, and ITC Midwest LLC, operates in multiple states across the U.S. ITC is subject to regulation primarily by the Federal Energy Regulatory Commission, a regulatory body with a long track record of presiding over transmission-related regulatory matters, enabling the company to benefit from a stable regulatory environment.

From a financial risk perspective, we forecast adjusted funds from operations (AFFO)-to-total debt for Fortis on a consolidated basis, on closing of the transaction, at about 10% in 2016 and 10%-11% in 2017, consistent with the significant financial risk profile. When assessing Fortis' cash flows, we used the low volatility table primarily to reflect that the vast majority of the regulated cash flow from Fortis' operations is at the lower end of the utility risk spectrum in transmission and distribution.

The transaction financing plan benefits from a significant amount of equity in the form of a share exchange. However, a key element of the transaction is the sale of up to 19.9% of ITC to infrastructure-focused funds. Although we believe that the company will be successful in finding purchasers, at this point no firm commitments have been made and we believe that this introduces a certain degree of execution risk; hence, our negative outlook on the company. In addition, given a downgrade trigger of 10%, we believe that there is limited cushion in the credit metrics for any post-merger integration or operational issues.

The negative outlook on FortisAlberta, Maritime Electric, and Caribbean Utilities reflects the negative outlook on Fortis and the application of our group rating methodology.

Combining our business risk and financial risk assessments, we arrive at an 'a-' anchor score for Fortis. With our group rating methodology, we believe that the group credit profile is also 'a-', which is consistent with the consolidated rating on Fortis Inc. We assess ITC as a strategically important entity to the group. We believe ITC is important to Fortis' long-term strategy, unlikely to be sold in the near term, and likely to receive support from the parent should it fall into financial difficulty.

Part of Fortis' financing plan for the ITC acquisition includes issuance of debt at Fortis Inc. This debt is structurally subordinated to the debt that exists at each of the operating entities. The addition of ITC further concentrates cash flow available to Fortis. Furthermore, the priority liabilities at the subsidiary level to total assets are greater than 20%. Based on these factors, the debt at the Fortis Inc. level is rated one-notch below the corporate credit rating as per our criteria.

Our base-case assumptions include:
- The acquisition will close by end of 2016
- Fortis will receive all required regulatory approval for the transaction
- Fortis will not experience any adverse regulatory decisions from the various regulatory regimes to which it is exposed

Based on these assumptions, we arrive at the following credit measure:
- Consolidated AFFO-to-debt of about 10% in 2016, rising to about 10%-11% in 2017.

Liquidity

Our assessment of Fortis' liquidity is adequate. We expect liquidity sources to exceed uses by more than 1.1x over the next 12 months. In the event of a 10% drop in the company's EBTIDA, we also expect there are sufficient liquidity sources to cover uses. In our view, the company has sound relationships with banks and generally satisfactory standing in the credit markets. In the unlikely event of a liquidity distress, we expect the company to scale back on its capital spending in order to preserve the credit metrics.

Principal liquidity sources include:
- Cash and cash equivalent of about C$255 million in 2016
- FFO of about C$2.3 billion in 2016 (on closing of the acquisition)
- Available committed revolving credit facilities of about C$3.5 billion (including that of ITC)
- Secured bridge financing of about US$2.0 billion for the acquisition
- Share issuance of about US$3.4 billion to ITC Holdings Corp. shareholders for the acquisition

Principal liquidity uses include:
- Acquisition of ITC Holdings Corp. equity of about US$7.1 billion including transaction cost
- Capital expenditures of about C$2.8 billion in 2016 (including that of ITC)
- Debt maturities of about C$380 million in 2016
- Dividends of about C$350 million in 2016

Outlook

The negative outlook reflects the execution and integration risk associated with the ITC acquisition including the sale of up to 19.9% of ITC to one or more infrastructure-focused minority investors. In addition, the outlook reflects that credit metrics have a limited cushion in the two-year outlook period. With the acquisition of ITC, we expect the company will reach 11% AFFO to debt in 2019. However, until then metrics will be about 10%, which leaves little cushion for any operational or post-merger integration errors.

Downside scenario

We could take a negative rating action on Fortis by applying a negative comparable rating modifier if the company's AFFO-to-debt were to fall below 10%, at the low end of the significant financial risk profile during our two-year outlook period. This could happen as a result of cost overruns from the post-merger integration efforts with ITC, material adverse regulatory decisions, or if Fortis encounters operational difficulties.

Upside scenario

We could revise the outlook to stable if AFFO-to-debt remains consistently above 10% once the transaction has closed and if the acquisition uncertainties have been resolved.

Ratings Score Snapshot

Corporate Credit Rating: A-/Negative/--

Business risk: Excellent
- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant
- Cash flow/Leverage: Significant

Anchor: 'a-'

Modifiers
- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: neutral (no impact)

Stand-alone credit profile: 'a-'

Group credit profile: 'a-'

Status within group: Parent

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Criteria: Ratios and Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Country Risk Assessment Methodology and Assumptions, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Outlook Revised/Ratings Affirmed		
	To	From
Fortis Inc.		
FortisAlberta Inc.		
Caribbean Utilities Co. Ltd.		
Corporate Credit Rating	A-/Negative/--	A-/Stable/--
Maritime Electric Co. Ltd.		
Corporate Credit Rating	BBB+/Negative/--	BBB+/Stable/--
Downgraded		
	To	From
Fortis Inc.		
Senior unsecured debt	BBB+	A-
Ratings Affirmed		
Maritime Electric Co. Ltd.		
Senior secured	A	
Recovery Rating	1+	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Fortis Inc.
Moody's Credit Opinion
September 2016

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
26 September 2016

New Issue

Rate this Research

RATINGS

Fortis Inc.

Domicile	St. John's, Newfoundland, Canada
Long Term Rating	Baa3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Fortis Inc.

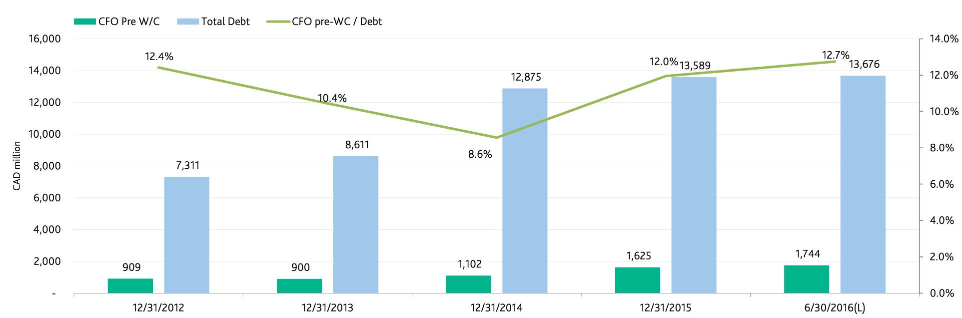
Diversified regulated utility holding company

Summary Rating Rationale

Fortis's Baa3 rating reflects the company's strong business risk profile driven by a very high proportion of cash flow generated by a portfolio of regulated utilities. This highly diversified group of regulated utilities operates in credit supportive jurisdictions. As a result of the very low business risk, financial metrics are predictable and are generally a function of the characteristics of the underlying utilities and holding company debt. Offsetting the strong business risk profile, the company has weak consolidated financial metrics. High holding company leverage of about 40% leads to 2 notches of structural subordination for Fortis Inc. The company has a very extensive track record of growth through acquisitions, although we expect these acquisitions to be disciplined and we do not expect M&A activity to lead to a downgrade. The ratings and forecasts reflect our expectation that the company will close its USD11.3 billion acquisition of ITC Holdings in 2016, and be funded with a mixture of Fortis shares (about 50%), Fortis Inc debt (30%) and a third party investor acquiring a 19.9% stake for about 20%.

Less than 5% of cash flow comes from generation and gas storage businesses and is largely contracted

Exhibit 1
Historical CFO Pre W/C, Total Debt and CFO Pre W/C to Debt



Source: Moody's Financial Metrics™

Credit Strengths

» Strong business risk profile driven by a portfolio of low risk regulated utilities that account for more than 95% of cash flow.

» Highly diverse group of utilities operating in credit supportive jurisdictions

» Predictable financial metrics

Credit Challenges

» Very High levels of consolidated leverage

» High levels of holding company debt leading to notching for structural subordination

» Extensive track record of growth driven acquisitions

Rating Outlook

The stable outlook reflects our expectation that Fortis will execute its plan to acquire an 80% interest in ITC Holdings in 2016 and CFO pre-W/C to debt will be in the 11-12% range following the acquisition. It also reflects our assumption that its portfolio of utilities continues to operate in credit supportive environments.

Factors that Could Lead to an Upgrade

We could upgrade the company if CFO pre-W/C-to-debt is sustained above 13%. An upgrade is also possible if the company materially reduces its holding company debt. Although not expected in the foreseeable future, Fortis could also be upgraded if some of its largest subsidiaries were upgraded.

Factors that Could Lead to a Downgrade

Fortis could be downgraded if holding company debt is sustained above 40% and CFO pre-W/C-to-debt, below 11%. Fortis could also be downgraded with downgrades of some of its largest subsidiaries or material investments into higher risk businesses.

Key Indicators

Exhibit 2

Fortis Inc.

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	6/30/2016(L)
CFO pre-WC + Interest / Interest	3.3x	3.0x	2.9x	3.7x	3.8x
CFO pre-WC / Debt	12.4%	10.4%	8.6%	12.0%	12.7%
CFO pre-WC – Dividends / Debt	9.7%	7.9%	6.7%	9.8%	10.3%
Debt / Capitalization	56.8%	55.8%	56.7%	54.2%	54.2%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Detailed Rating Considerations

Strong business risk profile driven by a portfolio of low risk regulated utilities

Fortis Inc. has a very strong business risk profile a key credit strength. More than 95% of its cash flow comes from a diverse portfolio of low risk investment grade regulated utilities with an average rating of A3. Moody's rates subsidiaries that account for about 90% of Fortis Inc's 2017 consolidated FFO, including the acquisition of ITC. The unrated cash flows are a combination of smaller regulated utilities and contracted power and gas storage assets.

The unregulated business held by Fortis Inc consists of Waneta, a power generation project in British Columbia, Belize and the recently acquired Aitken Creek gas storage that is largely contracted to FortisBC Energy Inc. Virtually all of the unregulated generation capacity at these entities is hydro.

Highly diverse group of utilities operating in credit supportive jurisdictions

Fortis has a highly diversified portfolio of utilities operating in what are largely credit supportive environments, a key credit driver.

Following its acquisition Fortis's largest subsidiary will be ITC Holdings, a FERC regulated electricity transmission utility that has very low business risk that we expect to contribute about 29% of Fortis's FFO on a proportionately consolidated basis. This is closely followed by UNS energy with 26% of FFO and FortisBC Gas (13%)and FortisAlberta (10%) rounding out the other utilities with more than a 10% contribution to FFO. The other 7 regulated utilities account for about 20% with the largest contributing 6% of FFO and the smallest 1% of FFO. The failure of any one utility in isolation would be unlikely to lead to a Fortis Inc. default.

The company's regulated assets are about 80% electric which are primarily T&D, with generally low levels of generation. Regulated gas assets are about 15% with the remainder unregulated. The company's generation exposure is centered on UNS, where generation accounts for slightly less than 50% of rate base. FortisBC Inc. and NewFoundland Power are vertically integrated but hydro production dominates. Generation accounts for about 15% of rate base for each, excluding capital leases at FBC. Caribbean Utilities Company Ltd. relies heavily on diesel generation, however it is a very small component of the Fortis family.

Exhibit 3
Summary of rated regulated utilities owned by Fortis Inc.

Utility	Rating	% of 2017 proportionally consolidated FFO [1]	Type	Region	Regulator	Generation
ITC Utilities (4 operating companies)	A3/Stable	29%	Electricity	Midwest and Central-South United States	FERC	No
UNS Energy (3 operating companies)	A3/Stable	25%	Gas and Electricity	Arizona	Arizona Corporation Commission	Yes
FortisBC Energy Inc.	A3/Stable	13%	Gas	British Columbia	BC Utilities Commission	No
FortisAlberta Inc.	Baa1/Stable	10%	Electricity	Alberta	Alberta Utilities Commission	No
Central Hudson Gas & Electric Corporation	A2/Stable	6%	Gas and Electricity	New York State	NY State Public Service Commission	Yes
FortisBC Inc.	Baa1/Stable	4%	Electricity	British Columbia	BC Utilities Commission	Yes
Newfoundland Power Inc.	Baa1/Stable	4%	Electricity	Newfoundland	Newfoundland and Labrador Board of Commissioners of Public Utilities	Yes

[1] Excluding corporate income/expenses.
Source: Moody's; companies' financial statements

Predictable Financial Metrics

Fortis's strong business risk profile generates predictable cash flow and debt levels leading to predictable financial metrics over time a key credit positive. Fortis's financial metrics are largely the result of the financial metrics at its underlying utilities and holding company leverage. Individual utility financial metrics are generally a function of rate base, equity thickness, allowed return on equity and depreciation rates. Earnings and cash flow volatility can often be attributed to the timing and outcome of rate cases, changes in levels of allowed returns and depreciation rates, and movements in some regulated assets and liabilities.

Very High Levels of Leverage

The levered acquisition of ITC places some downward pressure on financial metrics and we expect consolidated CFO pre-W/C to debt in the 11-12% range in 2017 and 2018, which places it among the most levered of its investment grade peers. Weaker forecast 2016 financial metrics will understate the company's financial strength since they will include 100% of the debt associated with the acquisition of ITC and only a partial year of cash flow. As a result of the very high consolidated leverage we view Fortis's consolidated profile as more consistent with a Baa1 rating as opposed to the A3 indicated by the grid.

We place greater emphasis on proportionately consolidated metrics at the company given its full consolidation of partially owned entities including ITC, Caribbean Utilities Co Ltd and Waneta, an unlevered contracted generating facility. However the difference between the consolidated financial metrics and proportionately consolidated metrics is expected to remain small with an impact of less than half a percent on CFO pre-W/C to debt in 2017. On a proportionate consolidation basis CFO pre W/C to debt in 2017 and

2018 is also expected in the 11-12% range. We do not expect to include in Fortis's debt a planned shareholder loan to a third party investor in conjunction with the acquisition of ITC.

Absent any M&A activity, given the company's single digit growth profile, we expect the company to remain free cash flow negative. Significantly, we expect the company's forecast retained cash flow to capex to be greater than its deemed average capital structure established by its regulators, driving a modest improvement in the company's financial metrics.

The company intends to increase its distributions, however the increase is somewhat mitigated by the company's DRIP program and modest growth in rate base following the ITC acquisition. Fortis Inc. has a very long track record of increasing its distributions and we believe management would be reluctant to stop increasing distributions.

Following the ITC acquisition the company's debt to book capitalization ratio will remain largely unchanged, however this understates the amount of leverage the company has as it includes about C$12bn in goodwill post acquisition. Debt to rate base is a far better measure and at 90-95% post-acquisition it provides a better indicator of the high amount of leverage the company is employing.

Fortis Inc continues to have some foreign exchange exposure, with the intent to denominate virtually all of its holding company debt in USD, despite the fact that about 1/3 of the company's cash flow is denominated in Canadian dollars. Offsetting this exposure, holding company expenses with the exception of interests expenses are largely denominated in Canadian dollars.

High Levels of Holding Company Debt Lead to Notching for Structural Subordination

Following the acquisition of ITC Holdings we expect holding company debt will be about 40%, leading to us to incorporate two notches of structural subordination into Fortis's rating. The high levels of consolidated leverage and holding company debt outweigh the benefits associated with the substantial diversification. While some of the utilities have specific ring fence like provisions restricting the movement of cash, we view the strength of the various provisions differently, and many utilities do not have any ring-fencing like provisions. Fortis's largest utility ITC is not expected to have any provisions in place and UNS does not have any either, a credit positive for Fortis. We believe it is highly improbable that Fortis would increase leverage at any of its utilities above the levels established by the regulator.

Aggressive Acquisition Strategy

Fortis has a long track record of growth through M&A and further debt financed acquisitions remain a risk. ITC represents the third US acquisition in 4 years and these acquisitions have more than doubled the size of the company. Given the frequency of M&A activity it cannot be considered an event risk but an ongoing part of the business. In our view this reduces the probability of sustained long term deleveraging. Mitigating some of the risk associated with acquisitions, the company's approach to managing utilities has generally led to successful integration efforts of acquired utilities.

The company does not have any stated business mix targets, but would likely take a look at any large or strategic utility that is available for sale. The company may also expand its unregulated business, however we expect any investments to be low risk and largely contracted.

We believe an investment grade rating is an important component of the company's financial policy and we think that management actions, including M&A activity will continue to support an investment grade rating

Liquidity Analysis

Fortis has an adequate liquidity profile underpinned by stable operating cash flows generated by its operating subsidiaries and existing access to the capital markets. For the twelve months ended June 2016, Fortis and its subsidiaries generated negative free cash flow of $558 million as a result of $1,680 million CFO, $1,904 million capital expenditures and $334 million dividends (all numbers are Moody's adjusted). We expect that following acquisition of ITC consolidated free cash flow will remain negative with $2.7-2.8 billion cash flows from operations, $2.8-2.9 capital expenditures and $600-700 million dividends in 2017. However, we anticipate that the company's available credit facilities will provide adequate protection.

As of 30 June 2016, the company reported $296 million of consolidated cash and cash equivalents, a $1 billion ($265 million unused capacity) committed credit facility at Fortis Inc maturing in 2021 and about $2.3 billion committed credit facilities at subsidiaries expiring in 2019-2021, of which approximately $1.7 billion was available. In July 2016, Fortis increased the size of its corporate credit facility by $300 million. Its credit facility contains a covenant limiting consolidated debt to capitalization to 70%. As of 30 June 2016, the ratio was well under this limit at 56%. Fortis does not have material debt maturities until 2019.

As a part of the ITC acquisition financing Fortis signed a USD2.0 billion the debt bridge facility and a USD1.7 equity bridge facility. These non-revolving term senior unsecured credit facilities are repayable in full on the first anniversary of their advance.

Corporate Profile

Headquartered in St. John's, Newfoundland and Labrador, FTS is a diversified utility holding company which owns regulated electric and gas utilities operating in Canada, the US and Caribbean region. FTS has a 2016 midyear regulated rate base of approximately $17.3 billion and serves about 2 and 1.2 million of electric and gas utility customers, respectively. FTS also operates power generating assets in British Columbia and Belize.

FTS's main operating subsidiaries are: Tucson Electric Power Company (TEP: A3 stable), vertically integrated regulated electric utility serving over 414,000 customers in southern Arizona; FortisBC Energy Inc. (FEI: A3 stable), the largest gas local distribution company (LDC) in British Columbia (BC) serving about 985,000 customers; Central Hudson Gas & Electric Corporation (CHG&E: A2 stable), regulated electric and natural gas T&D utility, serving approximately 300,000 electric and 78,000 natural gas customers in the mid-Hudson valley region of New York State, and FortisBC Inc. (FBC: Baa1 stable), vertically integrated regulated hydro-electric utility headquartered in Kelowna, BC.

Following a completion of the acquisition of ITC FTS will expand its operation in the US with more than 60% of 2017 pro forma funds from operation (FFO) generated from the US segment and improve its business profile by decreasing a share of non-regulated business in 2017 pro forma FFO to below 5%.

Rating Methodology and Scorecard Factors

Exhibit 4
Fortis Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 6/30/2016		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Aa	Aa	Aa	Aa
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.4x	Baa	3.5x - 3.8x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	11.2%	Baa	11% - 13%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	8.9%	Baa	9% - 10%	Baa
d) Debt / Capitalization (3 Year Avg)	55.4%	Baa	53% - 55%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching	-2	-2	-2	-2
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned				Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 6/30/2016(L).
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 5

Category	Moody's Rating
FORTIS INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured -Dom Curr	Baa3
FORTISBC ENERGY INC.	
Outlook	Stable
Senior Secured -Dom Curr	A1
Senior Unsecured -Dom Curr	A3
TUCSON ELECTRIC POWER COMPANY	
Outlook	Stable
Issuer Rating	A3
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
FORTISALBERTA INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa1
FORTISBC INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa1
NEWFOUNDLAND POWER INC.	

Outlook	Stable
Issuer Rating -Dom Curr	Baa1
First Mortgage Bonds -Dom Curr	A2
UNS ELECTRIC, INC.	
Outlook	Stable
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
CENTRAL HUDSON GAS & ELECTRIC CORPORATION	
Outlook	Stable
Issuer Rating	A2
Senior Unsecured	A2
UNS ENERGY CORPORATION	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
UNS GAS, INC.	
Outlook	Stable
Senior Unsecured	A3

Source: Moody's Investors Service

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MOODY'S
INVESTORS SERVICE

Fortis Inc.
S&P Rating Report
May 2017

S&P Global
Ratings

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Fortis Inc.

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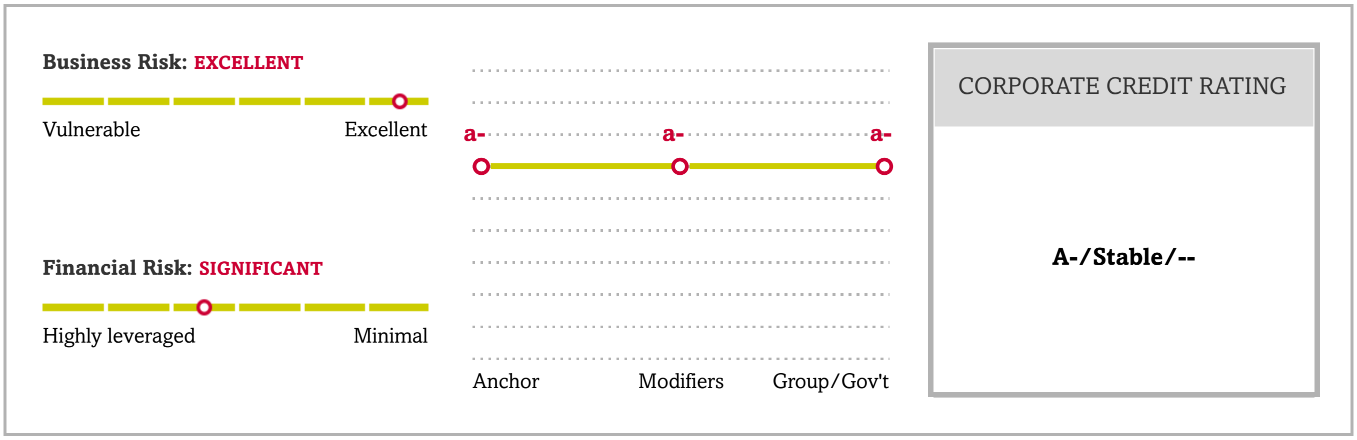

Rationale

Business Risk: Excellent	Financial Risk: Significant
• Low-risk and regulated assets, with limited commodity price and volume risks • Diversified portfolio of regulated utilities operating as monopoly service providers • Minimal unregulated operations	• Stable regulated cash flow • Highly leveraged and limited cushion in credit metrics • Downward pressure on credit metrics with large capital programs over the next several years

Outlook: Stable

The stable outlook reflects S&P Global Ratings' view of Fortis Inc.'s stable and predictable cash flow, underpinned by the company's regulated operations with generally supportive regulatory frameworks. During our two-year outlook period, we expect Fortis to focus on its regulated businesses. In addition, we expect the company will focus on measured organic growth opportunities rather than growth via acquisition, leading to continued strengthening in credit metrics. Although credit metrics were weak in 2016 due to the timing of the acquisition's closing, we expect these to improve during our outlook period, with adjusted funds from operations (AFFO)-to-debt at 10.5%-11.0%.

Downside scenario

We could take a negative rating action on Fortis if the company's AFFO-to-debt were to fall below 10% during our outlook period with no prospect for improvements. This could happen because of material adverse regulatory decisions, significant debt-funded acquisitions, or operational difficulties that lead to unexpected cost increases.

Upside scenario

We could take a positive rating action if Fortis improves its financial position, with AFFO-to-debt approaching 15% with no increase in business risk. However, based on our financial forecast, the company's capital programs, and the regulated nature of Fortis' cash flow, we believe the prospect of a positive rating action is unlikely during our outlook horizon.

Our Base-Case Scenario

Assumptions

- Fortis will continue to focus on regulated business
- The company will not experience any adverse material regulatory decisions
- It will not acquire unregulated assets or regulated assets with materially higher regulatory risk

Key Metrics

	2016A	2017E	2018E
AFFO/debt	6.95%	10-11%	10%-11%
Debt-to-EBITDA	9.99x	6x-7x	6x-7x

A--Actual. E--Estimate.

Company Description

Fortis is a leader in the North American regulated electric and gas utility business, with total assets of approximately C$48 billion and fiscal 2016 revenue of C$6.8 billion. The company serves over 3.2 million of utility customers in five Canadian provinces, nine U.S. states, and three Caribbean countries.

Business Risk: Excellent

Our view of Fortis's business risk has not changed. The company continues to benefit from its stable, low-risk, and regulated utility portfolio. Regulation typically involves a cost-of-service methodology that provides an allowed regulated rate of return. The utilities have relatively low levels of commodity and volume risk, further reducing cash flow volatility. Fortis's regulated subsidiaries are generally monopolistic service providers in their respectively service areas and are exposed to limited commodity input price risk and are relatively insulated from typical market forces, which we view as a credit strength for the company.

In our view, another key credit strength is the regulatory, geographic, and market diversification of Fortis' subsidiaries and their cash flows. With the acquisition of ITC Holdings Corp., Fortis now generates about 60% of its regulated cash flow from U.S. operations, about 35% within Canada, and 5% in the Caribbean regions. Furthermore, the company operates in 14 different jurisdictions most of which have provided a supportive framework that underpins the company's stable cash flow stream.

Further supporting our view of the business risk is Fortis' continual focus on its regulated utilities operations. The utility had divested many of its noncore and unregulated assets over the past several years, including hotels and properties and unregulated power assets.

Our Base-Case Operating Scenario

- Fortis will continue to focus on regulated business
- The company's subsidiaries will continue to earn close to its allowed return on equity and will not experience any adverse material regulatory decisions
- Fortis will not acquire assets with a materially higher regulatory risk

Peer comparison

Table 1

Fortis Inc. -- Peer Comparison

Industry Sector: Electric

	Fortis Inc.	**Emera Inc.**	**Duke Energy Corp.**	**Southern Co.**	**DTE Energy Co.**
Rating as of May 4, 2017	A-/Stable/--	BBB+/Negative/--	A-/Stable/A-2	A-/Negative/A-2	BBB+/Stable/A-2
	--Average of past three fiscal years--				
Currency (mil.)	**C$**		**US$**		
Revenues	6,322.0	3,346.1	23,370.4	18,617.3	10,976.8
EBITDA	2,206.8	1,125.4	9,656.8	7,611.7	2,567.7
Funds from operations (FFO)	1,501.8	709.0	7,754.9	5,837.7	1,945.5
Net income from cont. oper.	613.0	371.8	2,605.0	2,315.0	833.3
Cash flow from operations	1,441.4	830.9	7,374.7	5,851.8	1,862.4
Capital expenditures	1,879.0	602.6	6,660.8	10,380.3	2,013.1
Free operating cash flow	(437.6)	228.3	713.9	(4,528.5)	(150.7)

Table 1

Fortis Inc. -- Peer Comparison (cont.)

Industry Sector: Electric

	Fortis Inc.	Emera Inc.	Duke Energy Corp.	Southern Co.	DTE Energy Co.
Discretionary cash flow	(751.2)	(18.7)	(1,561.4)	(6,569.5)	(668.3)
Cash and short-term investments	247.0	566.2	1,097.0	1,370.3	59.0
Debt	17,775.6	8,629.3	49,613.7	36,993.3	11,027.8
Equity	11,094.5	4,564.3	40,570.3	23,689.5	9,459.1
Adjusted ratios					
EBITDA margin (%)	34.9	33.6	41.3	40.9	23.4
Return on capital (%)	5.2	6.5	6.0	7.5	7.2
EBITDA interest coverage (x)	3.3	3.1	4.2	5.3	4.0
FFO cash interest coverage (x)	3.5	3.5	5.7	7.2	5.9
Debt/EBITDA (x)	8.1	7.7	5.1	4.9	4.3
FFO/debt (%)	8.4	8.2	15.6	15.8	17.6
Cash flow from operations/debt (%)	8.1	9.6	14.9	15.8	16.9
Free operating cash flow/debt (%)	(2.5)	2.6	1.4	(12.2)	(1.4)
Discretionary cash flow/debt (%)	(4.2)	(0.2)	(3.1)	(17.8)	(6.1)

Financial Risk: Significant

Our view of Fortis' financial risk also has not changed. We assess the company's financial measures against our most permissive leverage benchmarks because virtually all of its cash flow is generated from the low end of the utility risk spectrum in electricity transmission and distribution under highly supportive regulatory frameworks.

Due to the nature of the business, Fortis needs continual capital investment to maintain service reliability and accommodate growth. As a result, capital programs will continue to pressure the company's credit metrics.

The acquisition of ITC Holdings has removed much of the cushion in Fortis' credit metrics and leaves little room for operational or unexpected event risk. In the near-to-medium term, we expect the company to focus on strengthening its financial and credit metrics and not engage in material debt-funded acquisitions. Although Fortis only owns about 80% of ITC, we fully consolidate ITC's cash flow and debt when assessing Fortis' consolidated credit metrics. During our outlook forecast, we forecast an AFFO-to-adjusted debt ratio of 10%-11% from 2017 to 2019.

Our Base-Case Cash Flow And Capital Structure Scenario

- A Canada-U.S. exchange rate of about C$1.36 and C$1.30 for 2017 and 2018, respectively
- Capital expenditure of about C$3.0 billion and C$3.1 billion in 2017 and 2018, respectively
- Dividend payments total of about C$580 million and C$630 million in 2017 and 2018, respectively

Financial summary

Table 2

Fortis Inc. -- Financial Summary

Industry Sector: Electric					
	--Fiscal year ended Dec. 31--				
	2016	2015	2014	2013	2012
Rating history	A-/Stable/--	A-/Stable/--	A-/Stable/--	A-/Negative/--	A-/Stable/--
(Mil. C$)					
Revenues	6,838.0	6,727.0	5,401.0	4,047.0	3,654.0
EBITDA	2,514.5	2,345.5	1,760.5	1,432.5	1,315.5
Funds from operations (FFO)	1,745.4	1,643.5	1,116.4	960.1	865.7
Net income from continuing operations	660.0	805.0	374.0	390.0	362.0
Cash flow from operations	1,787.4	1,617.5	919.4	828.6	914.2
Capital expenditures	1,883.0	2,045.0	1,560.0	1,058.0	1,002.0
Free operating cash flow	(95.6)	(427.5)	(640.6)	(229.4)	(87.8)
Dividends paid	405.0	301.0	235.0	219.5	201.5
Discretionary cash flow	(500.6)	(728.5)	(875.6)	(448.9)	(289.3)
Debt	25,127.0	14,472.7	13,727.1	9,204.1	7,750.0
Preferred stock	811.5	910.0	910.0	614.5	554.0
Equity	15,638.5	9,443.0	8,202.0	5,761.5	4,856.0
Debt and equity	40,765.5	23,915.7	21,929.1	14,965.6	12,606.0
Adjusted ratios					
EBITDA margin (%)	36.8	34.9	32.6	35.4	36.0
EBITDA interest coverage (x)	3.4	3.6	2.8	3.2	3.2
FFO cash interest coverage (x)	3.7	3.9	3.0	3.2	3.2
Debt/EBITDA (x)	10.0	6.2	7.8	6.4	5.9
FFO/debt (%)	6.9	11.4	8.1	10.4	11.2
Cash flow from operations/debt (%)	7.1	11.2	6.7	9.0	11.8
Free operating cash flow/debt (%)	(0.4)	(3.0)	(4.7)	(2.5)	(1.1)
Discretionary cash flow/debt (%)	(2.0)	(5.0)	(6.4)	(4.9)	(3.7)
Net cash flow/capital expenditures (%)	71.2	65.6	56.5	70.0	66.3
Return on capital (%)	4.5	6.0	5.5	6.1	6.4
Return on common equity (%)	4.9	9.1	4.7	6.9	7.4
Common dividend payout ratio (unadjusted; %)	91.3	54.9	96.5	78.4	73.3

Liquidity: Adequate

We assess Fortis' liquidity to be adequate. We expect liquidity sources to exceed uses by more than 1.2x over the next 12 months. In the event of a 10% drop in the company's EBITDA, we also expect liquidity sources will cover uses. In our view, Fortis has well-established relationships with banks and generally good standing in the credit markets. In the unlikely event of a liquidity distress, we expect the company to scale back on its capital spending in order to preserve the credit metrics.

Principal Liquidity Sources	Principal Liquidity Uses
• Cash and cash equivalent of C$270 million as of Dec. 31, 2016 • FFO of about C$2.7 billion over the next 12 months • Available committed revolving credit facilities of about C$3.6 billion in that time • Proceeds of about C$500 million from equity issuance in March 2017	• Capital expenditures of about C$3 billion over the next 12 months • Debt maturities of about C$1 billion over the next 12 months, including commercial paper and short-term debt • Dividends of about C$600 million in that time, including cash distribution on preferred shares

Debt maturities

Table 3

Fortis Inc. -- Debt Maturities As Of December 2016

Year	(Mil. C$)
2017	1,406
2018	931
2019	679
2020	725
2021	1,756
Thereafter	16,877

Other Modifiers

None of the modifiers have any impact on the rating.

Ratings Score Snapshot

Corporate Credit Rating

A-/Stable/--

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)

- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : a-

- **Group credit profile:** a-

Reconciliation

Table 4

Reconciliation Of Fortis Inc. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. C$)

	--Fiscal year ended Dec. 31, 2016--								
Fortis Inc. reported amounts	**Debt**	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	22,759	14,597	2,466	1,483	639	2,466	1,884	441	1,912
S&P Global Ratings' adjustments									
Interest expense (reported)	N/A	N/A	N/A	N/A	N/A	(639)	N/A	N/A	N/A
Interest income (reported)	N/A	N/A	N/A	N/A	N/A	7	N/A	N/A	N/A
Current tax expense (reported)	N/A	N/A	N/A	N/A	N/A	(47)	N/A	N/A	N/A
Operating leases	94	N/A	13	7	7	6	6	N/A	N/A
Intermediate hybrids reported as equity	812	(812)	N/A	N/A	36	(36)	(36)	(36)	N/A
Postretirement benefit obligations/deferred compensation	587	N/A	34	34	33	16	(37)	N/A	N/A
Surplus cash	(202)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capitalized interest	N/A	N/A	N/A	N/A	29	(29)	(29)	N/A	(29)
Share-based compensation expense	N/A	N/A	2	N/A	N/A	2	N/A	N/A	N/A
Asset retirement obligations	860	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-operating income (expense)	N/A	N/A	N/A	53	N/A	N/A	N/A	N/A	N/A
Noncontrolling interest/minority interest	N/A	1,853	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt -- accrued interest not included in reported debt	218	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total adjustments	2,368	1,042	49	94	105	(721)	(97)	(36)	(29)

Table 4

Reconciliation Of Fortis Inc. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. C$) (cont.)									
S&P Global Ratings' adjusted amounts	**Debt**	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Adjusted	25,127	15,639	2,515	1,577	744	1,745	1,787	405	1,883

N/A--Not applicable.

Related Criteria And Research

Related Criteria

- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of May 4, 2017)	
Fortis Inc.	
Corporate Credit Rating	A-/Stable/--
Preference Stock *Canada National Scale Preferred Share*	P-2
Preference Stock	BBB
Preferred Stock *Canada National Scale Preferred Share*	P-2
Preferred Stock	BBB

Ratings Detail (As Of May 4, 2017) (cont.)	
Senior Unsecured	BBB+
Corporate Credit Ratings History	
18-Oct-2016	A-/Stable/--
09-Feb-2016	A-/Negative/--
28-Oct-2014	A-/Stable/--
13-Dec-2013	A-/Negative/--
23-May-2012	A-/Stable/--
Related Entities	
Caribbean Utilities Co. Ltd.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured	A-
Central Hudson Gas & Electric Corp.	
Issuer Credit Rating	A-/Stable/NR
Senior Unsecured	A-
FortisAlberta Inc.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured	A-
Fortis TCI Ltd.	
Issuer Credit Rating	BBB/Stable/--
International Transmission Co.	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
ITC Great Plains LLC	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
ITC Holdings Corp.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
ITC Midwest LLC	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
Maritime Electric Co. Ltd.	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	A
Michigan Electric Transmission Co.	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
Tucson Electric Power Co.	
Issuer Credit Rating	A-/Stable/NR
Senior Unsecured	A-

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and

Ratings Detail (As Of May 4, 2017) (cont.)

debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Fortis Inc.
DBRS Credit Rating Report
May 2017

Rating Report

Fortis Inc.

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DBRS
Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	BBB (high)	Confirmed	Stable
Unsecured Debentures	BBB (high)	Confirmed	Stable
Preferred Shares	Pfd-3 (high)	Confirmed	Stable

Rating Update

On May 3, 2017, DBRS Limited (DBRS) confirmed the following ratings of Fortis Inc. (Fortis or the Company): the Issuer Rating at BBB (high), the Unsecured Debentures rating at BBB (high) and the Preferred Shares rating at Pfd-3 (high). All trends are Stable. The confirmations reflect DBRS's view that (1) the business risk profile improved following the acquisition of ITC Holdings Corp. (ITC; the Acquisition) and has remained stable since the Acquisition and (2) the Company's consolidated metrics, although weaker than pre-Acquisition levels, remained strong for the current ratings. The Stable trends reflect the fact that the Company's non-consolidated metrics, which significantly weakened immediately following the Acquisition, are expected to improve modestly over the medium term as a result of full-year cash flow contributions from ITC.

Based on DBRS's review of the Company's 2016 financial performance, particularly the performance of ITC since the Acquisition and the good progress made toward its full integration into Fortis's system, DBRS maintains the view that the acquisition of ITC modestly improves Fortis's business risk profile. With the addition of ITC, Federal Energy Regulatory Commission (FERC) transmission assets account for approximately 29% of identifiable regulated assets (excluding goodwill). ITC also provides Fortis with opportunities to grow its transmission assets over the next few years with a number of FERC-approved projects. Fortis's consolidated capital expenditures, mostly in the regulated business, are estimated to be approximately $3.0 billion in 2017, which should prompt solid growth in the regulated rate base. Finally, the Acquisition will significantly increase the size and scale of Fortis's operations and diversify the base cash flow to Fortis. Total post-Acquisition assets increased to approximately $48 billion (97% regulated) from approximately $30 billion (94% regulated) pre-Acquisition. The total consolidated mid-year rate base, which excludes the Waneta Expansion, increased to approximately $23.5 billion as at December 31, 2016, post-acquisition of ITC from approximately $16.5 billion as at September 30, 2016. This makes Fortis one of the largest holding companies of regulated assets in North America.

From a consolidated financial profile perspective, most key credit metrics remained strong for the current ratings as at the end of 2016, except for the lower consolidated cash flow-to-debt, which reflected a partial-year cash flow contribution from ITC. All of the Company's 2017 consolidated metrics, on a pro forma basis, will benefit from a full-year cash contribution from ITC; as such, they are all expected to remain supportive of the current ratings. Based on DBRS's rating approach to holding companies, DBRS recognizes that Fortis is a holding company of large, diverse and stable cash flow-generating regulated assets.

Continued on P.2

Financial Information

	3 months March 31		Year ended December 31		
Key Credit Ratios	**2017**	**2016**	**2016**	**2015**	**2014**
Consolidated cash flow-to-debt	12.9%	15.1%	8.3%	14.1%	10.3%
Consolidated debt-to-capital	57.8%	56.7%	59.2%	57.7%	58.5%
Consolidated EBIT-to-interest (x)	2.69	2.36	2.10	2.45	1.96
Non-consolidated cash flow-to-debt	n.a	n.a	10.5%	17.9%	17.8%
Non-consolidated debt-to-capital	n.a	n.a	29.8%	23.5%	26.0%
Non-consolidated fixed-charges coverage (x)	n.a	n.a	2.57	1.92	2.31

Issuer Description

Fortis is a leader in the North American electric and gas utility business, with total assets of approximately $48.0 billion as at March 31, 2017, and revenue of approximately $6.8 billion in 2016. Its regulated utilities account for approximately 97% of total assets and serve utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries. Fortis also owns non-regulated generation assets (mostly hydroelectric under long-term contracts) in Canada (British Columbia and Ontario) and Belize.

Rating Update (CONTINUED)

This partially mitigates the structural subordination issue. However, the incremental debt resulting from the Acquisition far outweighs the incremental cash flow to Fortis. As a result, non-consolidated metrics in 2016 weakened compared with 2015 levels, with the debt-to-capital ratio increasing to nearly 30.0% from 23.5% in 2015 and the cash flow-to-debt ratio declining to just over 10% from 18% in 2015 (partly reflecting 1.5 months of cash distributions from ITC). DBRS expects the non-consolidated cash flow-to-debt ratio to improve over the medium term as Fortis will benefit from a full-year of cash contributions from ITC and stronger cash flows from all other regulated subsidiaries. DBRS expects Fortis to maintain its non-consolidated debt-to-capital at below 30% and non-consolidated cash flow-to-debt at around 15% on a sustainable basis. DBRS notes that the Company's post-Acquisition common equity of approximately $500 million was issued in March 2017, with the proceeds being used to repay short-term borrowings, which supports its credit metrics. DBRS recognizes that all capital expenditures over the medium term will occur at regulated utilities and will be mostly financed by the Company's subsidiaries.

Rating Considerations

Strengths

1. Strong and stable dividends from low-risk regulated utilities

Cash income and dividends have been strong and continued to grow in 2017. Dividends have been supported by stable earnings and cash flow from low-risk regulated utilities. Regulated operations accounted for majority of the Company's non-consolidated earnings in 2016. The quality of cash flow after the acquisition of ITC is expected to improve because of relatively more stable and predictable transmission-based earnings and cash flows.

2. Large size and diversified sources of cash flow

Fortis is one of the largest companies in the North American utility industry with approximately $48 billion (97% regulated) in assets as at March 31, 2017. Fortis's business risk profile is further supported by a diversified source of cash flow through its ownership of regulated natural gas and electricity utilities in five Canadian provinces, nine states in the United States and three Caribbean countries. DBRS notes that Fortis's cash flow diversification has improved significantly since the completion of the acquisition of CH Energy in 2013, UNS Energy Corporation (UNS) in 2014 and ITC in 2016.

3. 100% ownership of (and controlling interest in) most of its regulated subsidiaries

Fortis owns 100% of, or a controlling interest in, most of its low-risk regulated utilities. Within the boundaries of regulatory oversight, this provides Fortis with some discretionary power over the manner in which dividends are paid by its operating companies.

4. Strong consolidated metrics

Fortis continues to maintain a reasonably healthy balance sheet. Although consolidated credit metrics are weaker than pre-Acquisition levels, they remain reasonable for the current ratings, with a consolidated debt-to-capital ratio of 59.2% and EBIT interest coverage of 2.2 times in 2016. DBRS notes that the Company's consolidated cash flow-to-debt declined significantly in 2016 as a result of a partial-year cash contribution from ITC but expected to improve meaningfully in 2017.

Challenges

1. Structural subordination

Fortis is a holding company, and its debt is structurally subordinated to the debt issued by its operating companies. DBRS notes that this risk is partially mitigated by the size and scales of its low-risk regulated subsidiary operations and geographical diversification in many jurisdictions in both North America and the Caribbean region.

2. Strong ring-fencing at its wholly owned utilities

Fortis faces strong ring-fencing imposed on FortisBC Energy Inc. (FEI; rated "A" with a Stable trend) with respect to its capital structure and dividend payouts. In addition, it is common for most of Fortis's subsidiary utilities to maintain their capital structure in line with the regulatory capital structure. As a result, dividend payouts to Fortis are subject to its utilities maintaining their regulated capital structures. In addition, dividends to Fortis could be affected should these utilities have large capital expenditure programs.

3. Regulatory risk at the utilities level

Fortis's regulated utilities are subject to regulatory risk associated with regulatory lags regarding the recovery of capital investments and costs, potentially lower return on equity (ROE), political intervention and rate freezes. DBRS recognizes that although the Company's utilities currently operate in good regulatory frameworks in Canada and reasonable regulatory frameworks in the United States and Caribbean, there is no assurance that these regulations will not change in the future, and such changes may have a material impact on the ability of these utilities to pay dividends to Fortis.

Non-Consolidated Adjusted Earnings*

Earnings Breakdown: Non-Consolidated	Year end December 31 2016	2015	2014
(Unaudited)			
(CA$ millions)			
Eastern Canadian	64	62	60
FortisAlberta	121	129	103
FortisBC Electric	54	50	46
FortisBC Energy	151	140	127
Regulated — Canadian	**390**	**381**	**336**
ITC	81	-	-
Central Hudson	70	58	37
UNS Energy	217	195	60
Regulated — United States	**368**	**253**	**97**
Regulated — Caribbeans	**46**	**34**	**27**
Energy Infrastructure	66	45	20
Fortis Properties (Non-Utility sold in June/October 2015)	-	13	23
Non-Regulated	**66**	**58**	**43**
Total equity income	**870**	**726**	**503**
Interest and other income	9	22	36
Total Equity and Investment Income	**879**	**748**	**539**
Operating expense (net of management fees)	29	26	38
Gross interest expense	122	97	97
Capitalized and amortization of deferred charges	1	(3)	(15)
Depreciation	4	2	2
Taxes	(73)	(40)	(39)
Preferred dividends	75	77	62
Net Not-Consolidated Income	**721**	**589**	**394**

* Earnings adjusted to reflect the impact of the following items: (1) acquisition-related expenses and fees; (2) gains on sales of non-core assets; (3) accelarated vesting of stock compensation awards at ITC; (4) FERC ordered transmission refunds at UNS; and (5) other non-recurring items.

Non-Consolidated Earnings Summary

- Overall, Fortis has benefited from stable and diversified earnings underpinned by a large and diversified portfolio of investments in regulated utilities mostly in Canada and the United States. Regulated utilities and investment income accounted for majority of Fortis's non-consolidated earnings in 2016. Going forward, regulated earnings are expected to account for between 93% and 95% of total earnings (excluding corporate expenses).
- The acquisition of CH Energy (June 2013), UNS (August 2014) and ITC (October 2016) further strengthened the Company's regulated earnings.
- Non-regulated generation assets (mainly hydroelectric) are located in Ontario, British Columbia and Belize. Most generation output is sold under long-term contracts, reducing the Company's earnings exposure to power price volatility.

Non-Consolidated Cash Flow, Capital Structure and Ratios

Non-Consolidated Capital Structures	For the year ended December 31		
(CA$ millions)	2016	2015	2014
Current portion of long-term debt	500	0	0
Long-term debt + facilities	5,379	2,318	2,378
Preferred shares	1,623	1,820	1,820
Common equity	12,352	7,340	6,715
Non-Consolidated Cash Flow & Ratios			
Cash flow	616	414	424
Cash flow/non-consolidated debt	10.5%	17.9%	17.8%
Cash flow/interest on non-consolidated debt (times)	4.77	4.13	4.83
Cash flow/(interest and preferred dividends)(times)	2.57	1.92	2.31
Non-consolidated debt-to-capital 1	29.8%	23.5%	26.0%

1 DBRS treats preferred shares within 20% of common equity as equity, any amount above 20% as debt.

Summary

- Weaker credit metrics in 2016 reflected higher non-consolidated debt caused by the ITC acquisition, which closed in October 2016. Non-consolidated leverage increased to 29.8%, which was significantly higher than the 20.0% threshold that DBRS uses in its notching guidelines for a holding company relative to its subsidiaries.
- The cash flow-to-debt ratio declined materially in 2016, reflecting a substantial increase in debt levels as a result of acquisition debt. However, the cash flow only reflected a partial-year contribution from ITC. In DBRS's view, all of Fortis's non-consolidated metrics remained supportive of the current ratings given that the Company has a large, low-risk, diverse investment portfolio and a high degree of cash flow stability.
- DBRS expects the non-consolidated metrics in 2017 to improve meaningfully reflecting a full-year cash contribution from ITC and the $500 million equity issuance in Q1 2017 to repay short-term debt.

Liquidity and Long-Term Debt Maturities

(CA$ millions)	Fortis Inc. (Parent & Other)	Regulated Subsidiaries	Mar. 31, 2017	Dec. 31, 2016
Total credit facilities	1,385	4,061	5,446	5,976
- Short-term borrowings	(2)	(543)	(545)	(1,155)
- Long-term debt	(390)	(640)	(1,030)	(973)
Letters of credit outstanding	(51)	(68)	(119)	(119)
Credit Facilities Available	**942**	**2,810**	**3,752**	**3,729**

Non-Consolidated

- As at March 31, 2017, Fortis's liquidity remained sufficient to finance its working capital, which is expected to be modest given that (1) there is no long-term debt issued by Fortis due until 2019 and (2) there are no major capital projects currently being undertaken by Fortis following the completion of the Waneta Expansion in 2015.

Capex Profile	Year end December 31		
(CA$ million)	2017*	2016	2015
Canadian Regulated Utilities	1,150	946	850
U.S. Regulated Utilities	1,700	980	1,190
Caribbean Regulated Utilities	99	106	137
Total Regulated Utilities	**2,949**	**2,032**	**2,177**
Non-Regulated	18	29	66
Total Capex	**2,967**	**2,061**	**2,243**

* Forecasted by Fortis.

- Following the completion of the Waneta Expansion in 2015 and sale of the properties assets in 2016, capital expenditures for non-regulated capital projects are expected to be minimal in 2017.
- All capital expenditures in 2017 at the regulated utilities level are expected to be financed by the subsidiaries utilities, with modest equity contributions required from Fortis. As a result, DBRS does not expect Fortis to seek material external funds to inject into its regulated subsidiaries.

Regulation Update

ITC Holdings Corp.

- ITC is regulated by FERC and operates under COS. The common equity component of the capital structure for ITC was 60% for 2015 and 2016. In September 2016, FERC issued an order affirming the presiding Administrative Law Judge's (ALJ) initial decision for the Initial Refund Period and setting the base ROE for the Initial Refund Period at 10.32%, with a maximum ROE of 11.35%. In June 2016, the presiding ALJ issued an initial decision for the Second Refund Period, recommending a base ROE of 9.70%, with a maximum ROE of 10.68%. A decision from FERC for the Second Refund Period is expected in late 2017 or early 2018.
- During Q1 2017, ITC provided a refund of US$121 million, including interest, for the Initial Refund Period. This refund is subject to final true-up pursuant to the refund process which is expected to be completed during Q2 2017. The estimate range of the refunds for the Second Refund Period is between US$103 million and US$140 million.

UNS Energy Corporation

- UNS Energy is regulated by the Arizona Corporation Commission (ACC) and operates under COS.
- In February 2017 Tucson Electric Power (TEP), UNS's largest utility, received a rate order from the ACC that took effect February 27, 2017. The rate order allows a 7.04% return on original cost rate base, including a cost of equity of 9.75% and an embedded cost of long-term debt of 4.32%, and a deemed equity component of 50.0% .
- UNS Electric's allowed ROE was set at 9.50% with a deemed equity component of 52.8% effective August 1, 2016.
- UNS Gas's allowed ROE was set at 9.75% with a deemed equity component of 50.8% effective May 1, 2012.

Central Hudson Gas & Electric Corp.

- Central Hudson Gas & Electric Corp (Central Hudson) is regulated by the New York Public Service Commission (PSC). In June 2015, the PSC issued a Rate Order for Central Hudson covering a three-year period of electricity and natural gas delivery rates effective July 1, 2015. The approved Rate Order allows Central Hudson to earn an allowed ROE of 9.0% with a 48.0% common equity component of capital structure. Central Hudson is also subject to an earnings-sharing mechanism, which shares with customers equally the excess earnings over the allowed ROE between 50 basis points (bps) and 100 bps. Earnings that are 100 bps over the allowed ROE are shared primarily with the customer.

FortisBC Energy Inc. and FortisBC Inc

- FEI and FortisBC Inc. (FortisBC; rated A (low) with a Stable trend) are regulated by the British Columbia Utilities Commission (BCUC). FEI and FortisBC are subject to Multi-Year Performance Based Ratemaking (PBR) Plans for 2014 through 2019. The PBR Plans, as approved by the BCUC, incorporate incentive mechanisms for improving operating and capital expenditure efficiencies. In October 2015, FEI filed its application to review the 2016 benchmark allowed ROE and common equity component of capital structure. In August 2016, the BCUC issued its decision on the Generic Cost of Capital (GCOC) Proceeding, which maintained the ROE and common equity component of capital structure at 8.75% and 38.50%, respectively, effective January 1, 2016. FortisBC's allowed ROE of 9.15% with a 40.0% common equity component of capital structure, effective January 1, 2013, also remained unchanged, effective January 1, 2016.

FortisAlberta Inc.

- FortisAlberta Inc. (FAB; rated A (low) with a Stable trend by DBRS) is regulated by the Alberta Utilities Commission (AUC). FAB is subject to Multi-Year PBR Plans from 2013 through 2017. In October 2016, AUC issued its decision on FAB's 2016 and 2017 GCOC Proceeding, leaving the allowed ROE unchanged at 8.3% in 2016 but increasing to 8.5% in 2017 and the deemed equity component of capital structure at 37.0%, down from 40%, effective January 1, 2016.

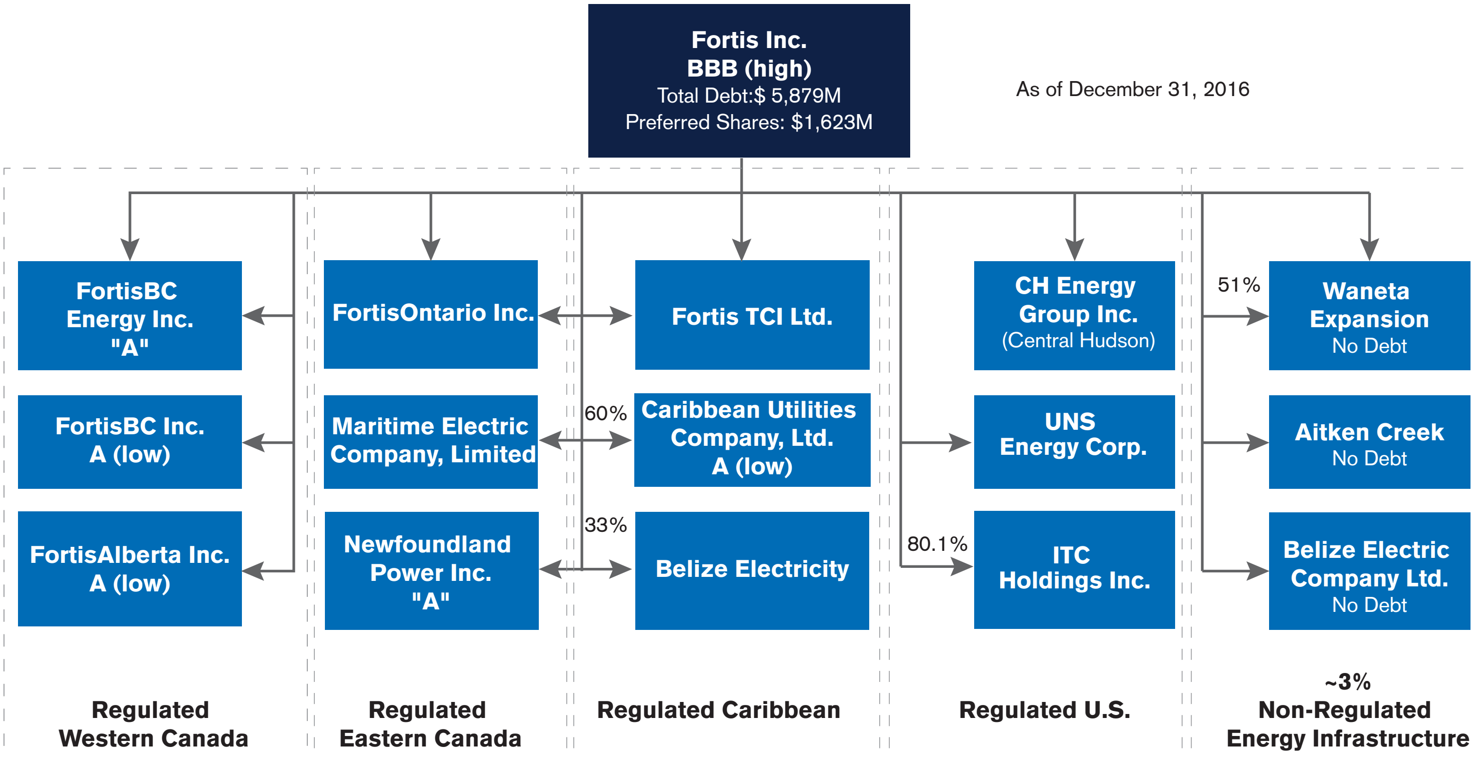
Eastern Canadian Electric Utilities

- In June 2016, Newfoundland and Labrador's Board of Commissioners of Public Utilities (PUB) issued an order on Newfoundland Power's 2016/2017 General Rate Application with new customer rates effective July 1, 2016. The order, which established the cost of capital for 2016-2018, set the allowed ROE at 8.50% effective January 1, 2016, down from the 8.80% that has been in effect since January 1, 2013, on a 45% common equity component of capital structure.
- In October 2015, Maritime Electric Company, Ltd. (Maritime Electric) filed a GRA with the Island Regulatory and Appeals Commission to set customer rates effective March 1, 2016, upon the expiry of the Prince Edward Island Energy Accord. In March 2016, The Island Regulatory and Appeals Commission set the allowed ROE at 9.35%, effective March 1, 2016, for a three-year period and maintained the targeted minimal capital structure at 40.0%.

Caribbean Regulated Electric Utilities

- Caribbean Utilities Company, Ltd. (CUC; rated A (low) with a Stable trend) is regulated by the Utility Regulation and Competition Office. CUC is allowed to earn a Return on Rate Base (RORB) within a particular target. For 2016 and 2017, the target RORB range was set at 6.75% to 8.75%.
- Fortis Turks and Caicos' electricity rates are set by the government of the Turks and Caicos Islands using a historical test year, to provide an allowed Return on Assets between 15.0% and 17.5%.

Description of Operations



Regulated Western Canadian

FEI (100% owned): FEI provides transmission and distribution services to approximately 994,000 customers and on the customers' behalf, sourcing natural gas supplies from Northern British Columbia and through the Company's Southern Crossing Pipeline from Alberta.

FortisBC (100% owned): FortisBC is a vertically integrated regulated utility operating in South-Central British Columbia. Its generation assets include four hydroelectric generating plants (combined capacity of 225 megawatts (MW)) on the Kootenay River. FortisBC serves approximately 170,000 direct and indirect customers.

FAB (100% owned): FAB is a regulated electricity distributor with a franchise area that includes Central and Southern Alberta, the suburbs surrounding Edmonton, Calgary, Red Deer, Lethbridge and Medicine Hat.

Regulated Eastern Canadian

NP (100% owned): NP is the principal distributor of electricity on the island portion of Newfoundland and Labrador. Fortis also owns a portion of NP's preferred shares.

Maritime Electric (100% owned): Maritime Electric is the principal distributor of electricity on Prince Edward Island. It also maintains on-island generating facilities with a combined capacity of 145 MW. Maritime Electric is indirectly owned by Fortis through FortisWest Inc.

FortisOntario Inc. (FortisOntario): FortisOntario is an integrated electric utility providing services to customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario also owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies.

Regulated United States

ITC Holdings Inc. (approximately 80% owned): ITC owns and operates high-voltage transmission facilities in Michigan's Lower Peninsula, and portion of Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma, serving a combined peak load exceeding 26,000 megawatts along approximately 25,000 kilometers of transmission line.

CH Energy Group, Inc. (100% owned): This company entails Central Hudson Gas & Electric, a regulated transmission and distribution utility that serves approximately 300,000 electric and 79,000 gas customers in the state of New York's Mid-Hudson River Valley. Fortis acquired this company in 2013.

UNS Energy (100% owned): UNS is a vertically integrated utility services holding company headquartered in Tucson, Arizona, and is engaged in the regulated electric generation and energy delivery business through its primary subsidiaries Tucson Electric Power, UNS Electric and UNS Gas serving approximately 515,000 retail electricity customers and approximately 154,000 retail gas customers. UNS was acquired by Fortis in 2014.

Description of Operations (CONTINUED)

Regulated Caribbean

CUC (approximately 60% owned): CUC is a fully integrated electricity utility on Grand Cayman, Cayman Islands, with an installed generating capacity of 161 MW.

Fortis Turks and Caicos (100% owned): This company serves approximately 85% of electricity consumers on the Turks and Caicos Islands, pursuant to two 50-year licences that will expire in 2036 and 2037, respectively. The company has a combined diesel-fired generating capacity of 82 MW.

Belize Electricity Ltd. (BEL) (33% owned): Fortis Inc. holds a 33% equity investment in BEL. BEL is an integrated electric utility and principal distributor of electricity in Belize.

Non-Regulated Operations

Fortis Generation	Plants	Fuel	Generating Capacity (MW)
Belize	3	Hydro	51
British Columbia	1	Hydro	335
Ontario	1	Gas	5
Total	**5**		**391**

- **Belize:** Belize Electric Company Limited owns three hydroelectric generating facilities with a combined capacity of 51 MW held through the Company's indirectly owned subsidiary, Belize Electric Company Limited. All of the output is sold to BEL under 50-year power purchase agreements expiring in 2055 and 2060.
- **British Columbia:** Fortis Inc. has a 51% controlling ownership interest in Waneta Expansion Limited Partnership. All of the output of the Waneta Expansion is sold to British Columbia Hydro and Power Authority (rated AA (high) with a Stable trend by DBRS) and FortisBC Inc. under 40-year contracts.
- **Ontario:** FortisOntario owns a 5 MW gas-powered cogeneration plant in Cornwall. All thermal energy output of this plant is sold to external third parties, while the electricity output is sold to Cornwall Electric.
- **Aitken Creek:** In April 2016, Fortis acquired Aitken Creek Gas Storage ULC, an underground natural gas storage facility (capacity of 77 billion cubic feet) in British Columbia.

Fortis Inc.
Consolidated Earnings

(CA$ millions)	3 months March 31		Year ended December 31		
	2017	**2016**	**2016**	**2015**	**2014**
Revenues	2,274	1,772	6,838	6,757	5,401
EBITDA	938	591	2,466	2,292	1,711
EBIT	641	357	1,483	1,419	1,023
Gross interest expense	238	151	707	580	523
Net earnings as reported	337	188	713	840	390
Net earnings to common equity shareholders	294	162	585	728	317
Non-recurring items	(13)	28	136	(139)	77
Adjusted net earnings to common equity shareholders	281	190	721	589	394

Consolidated Cash Flow Statements

	3 months March 31		Year ended December 31		
(CA$ millions)	**2017**	**2016**	**2016**	**2015**	**2014**
Cash Flow from Operations	**712**	**451**	**1,879**	**1,721**	**1,186**
Dividends to common shareholders	(98)	(77)	(316)	(232)	(194)
Dividends to non-controlling interests	(17)	(9)	(53)	(23)	(10)
Dividends to preferred shareholders	(16)	(19)	(72)	(77)	(62)
Capital expenditures	(696)	(415)	(2,011)	(2,184)	(1,656)
Gross Free Cash Flow	**(115)**	**(69)**	**(573)**	**(795)**	**(736)**
Working capital/LT regulatory assets+liab.	(171)	32	5	(48)	(204)
Net Free Cash Flow	**(286)**	**(37)**	**(568)**	**(843)**	**(940)**
Business acquisitions	0	0	(4,841)	(70)	(2,648)
Asset sales and other investing activities	(23)	2	(39)	886	105
Cash Flow to be Financed	**(309)**	**(35)**	**(5,448)**	**(27)**	**(3,483)**
Net change in equity	515	19	1,406	60	1,814
Net change in preferred shares	0	0	(200)	0	586
Net change in debt	(176)	20	4,285	(74)	1,227
Others/FX exchanges	(1)	(14)	(16)	53	14
Change in Cash	**29**	**(10)**	**27**	**12**	**158**

Consolidated Key Ratios

Total debt-to-capital 1	57.8%	56.7%	59.2%	57.7%	58.5%
Total debt-to-EBITDA (times)	5.98	5.01	9.23	5.32	6.74
Cash flow-to-total debt	12.7%	15.2%	8.3%	14.1%	10.3%
EBIT interest coverage (times)	2.69	2.36	2.10	2.45	1.96
Fixed charges coverage (times)	2.46	2.01	1.83	2.06	1.68

1 DBRS treats preferred shares within 20% of common equity as equity, any amount above 20% as debt.

Fortis Inc. (Consolidated)

Balance Sheet

(CA$ millions)

Assets	Mar. 31 2017	Dec. 31 2016	Dec. 31 2015	Liabilities & Equity	Mar. 31 2017	Dec. 31 2016	Dec. 31 2015
Cash & equivalents	298	269	242	S.T. borrowings	545	1,155	511
Accounts receivable	1,133	1,127	964	Current portion L.T.D.	1,166	327	410
Inventories	320	372	337	Accounts payable	1,966	1,970	1,419
Current regulatory assets	325	313	246	Regulatory liabilities	479	492	298
Prepaid expenses	76	85	68	Others	-	-	-
Total Current Assets	**2,152**	**2,166**	**1,857**	**Total Current Liab.**	**4,156**	**3,944**	**2,638**
Net fixed assets	29,598	29,337	19,595	Long-term debt	20,728	21,277	11,271
Regulatory assets	2,595	2,620	2,286	Deferred income taxes	3,323	3,263	2,050
Goodwill	12,261	12,364	4,173	Regulatory liabilities	1,548	1,691	1,340
Intangibles	1,015	1,011	541	Other LT liabilities	1,232	1,279	1,152
Other assets	428	406	352	Minority interest	1,851	1,853	473
				Preferred shares	1,623	1,623	1,820
				Common equities	13,588	12,974	8,060
Total Assets	**48,049**	**47,904**	**28,804**	**Total Liab. & SE**	**48,049**	**47,904**	**28,804**

Rating History

	Current	2016	2015	2014	2013	2012
Issuer Rating	BBB (high)	BBB (high)	A (low)	A (low)	A (low)	A (low)
Unsecured Debentures	BBB (high)	BBB (high)	A (low)	A (low)	A (low)	A (low)
Preferred Shares	Pfd-3 (high)	Pfd-3 (high)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)

Previous Report

- Fortis Inc.: Rating Report, January 6, 2016.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited is not an NRSRO and ratings assigned by it are non-NRSRO ratings. For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/225752/highlights.pdf.

Fortis Inc.
Moody's Issuer Profile
June 2017

MOODY'S
INVESTORS SERVICE

ISSUER PROFILE
21 June 2017

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Fortis Inc.

Key Facts and Statistics – Q1 Mar 2017

Company Overview

Fortis, Inc. (Fortis) is a Canada-based diversified utility holding company that owns regulated electric and gas utilities operations in Canada, the US and the Caribbean. Its regulated business is mainly operated through subsidiaries ITC Holdings Corp. (ITC), Tucson Electric Power Company (TEP), Central Hudson Gas & Electric Corporation (Central Hudson), FortisBC Energy Inc. (FortisBC Energy), FortisBC Inc. (FortisBC Electric), FortisAlberta Inc. (FortisAlberta) and other smaller electric utilities in eastern Canada and in the Caribbean. Fortis also maintains non-regulated hydroelectric power-generating assets in British Columbia and Belize as well as a natural gas storage facility in British Columbia.

As of 31 December 2016, Fortis reported total assets of CAD48 billion, of which regulated utilities assets (81% electric and 16% gas) accounted for 97% and non-regulated energy infrastructure 3%. In the 12 months ending 31 March 2017 (LTM Mar 2017), the company generated total revenue of CAD7.3 billion.

Fortis was established in 1885 as St. John's Electric Light Company in Newfoundland and Labrador, Canada. In 1924, it changed its name to Newfoundland Light and Power Company (NLPC). In 1987, Fortis, a new holding company was established, and NLPC became its wholly owned subsidiary. The company's common stock is listed on the Toronto and New York stock exchanges (ticker: FTS). As of 31 March 2017, Royal Bank of Canada, owning 8% of the company's total share capital, was its largest shareholder.

Source: Company reports (annual report Dec 2016, annual information form Dec 2016), Moody's Financial Metrics, Moody's Investors Service research, company data

Business Description

Fortis is a diversified utility holding company that owns regulated electricity and gas utilities operating in Canada, the US and the Caribbean. It serves utility customers in 17 jurisdictions across North America, including five Canadian provinces and nine US states, and three Caribbean countries. As of 31 December 2016, the company maintained approximately 66% of its assets outside Canada, including 60% in the US.

In 1885, St. John's Electric Light Company was established in Newfoundland and Labrador, Canada. The company changed its name to NLPC in 1924. In 1948, NLPC became a pure electricity company and listed its shares the following year. In 1966, NLPC merged with Union Electric Light and Power Company, and United Towns Electric Company Limited. In 1987, it became a wholly owned subsidiary of Fortis, a newly formed holding company. NLPC exchanged all its shares with those of Fortis in a ratio of 1:1.

In 1989, Fortis entered the non-regulated sector by acquiring Water Street Investments Inc., a real estate company, and formed Fortis Properties Corporation (Fortis Properties). The same year, it acquired Newfoundland Building Savings and Investment Limited, a Canadian savings and mortgage firm, later renaming it Fortis Trust Corporation (Fortis Trust). In June 2001, all Fortis Trust's deposits and loans were sold to Scotiabank. In June 2015, Fortis divested the commercial real estate assets of Fortis Properties to a subsidiary of Slate Office REIT for CAD430 million. In October 2015, it disposed of the hotel assets of Fortis Properties to a private investor group for CAD365 million. Divesting these two businesses reflected Fortis's strategy of focusing on its core utility business.

In 1990, Fortis acquired a 33% interest in Maritime Electric Company, Limited (Maritime Electric), increasing its stake to 100% in 1994. In 1996, it acquired a 50% stake in Canadian Niagara Power Company, Limited (Canadian Niagara Power), and purchased the remaining 50% in 2002. In 1999, the company expanded its operations internationally by taking a 68% stake in Belize Electricity Limited (Belize Electricity) and purchasing generating assets in New York State. In August 2015, as a part of an expropriation settlement with the Government of Belize associated with Fortis's 70% interest in Belize Electricity, Fortis received $35 million in cash and an approximate 33% common equity investment in Belize Electricity. In March 2000, Fortis acquired a 20% interest in Caribbean Utilities Company Ltd (CUC). Fortis purchased the balance of its investment in CUC in 2006 and at 31 December 2016 held a 60% controlling interest.

In October 2002, Fortis acquired Cornwall Electric and its wholly owned subsidiary Cornwall District Heating Company, Limited (CDH District Heating). In December 2002, it sold CDH District Heating to Canadian Niagara Power. In April 2003, Fortis restructured its utility operations in Ontario, merging Canadian Niagara Power with FortisOntario Inc. and calling the newly merged entity FortisOntario Inc. (FortisOntario).

In May 2004, Fortis acquired Aquila, Inc.'s utilities in Alberta and British Columbia for approximately CAD1.5 billion, renaming them FortisAlberta and FortisBC respectively. In August 2006 it acquired P.P.C. Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd., an electricity distributor based in the Turks and Caicos Islands, for approximately $90 million. In May 2007, the company expanded its presence in British Columbia by acquiring Terasen Gas for CAD3.7 billion. It renamed the company FortisBC Holdings Inc. in 2011.

In June 2013, Fortis entered the US regulated electricity and gas distribution business by acquiring CH Energy Group for $1.5 billion. In August 2014, it bought UNS Energy, a vertically integrated utility services holding company, for $4.5 billion. The acquisition expanded Fortis's geographic diversification of regulated assets in the US. In October 2016, Fortis and an affiliate of GIC Private Limited (GIC) acquired all the outstanding common shares of ITC Holdings Corp. (ITC), the largest independent electricity transmission company in the US, for $11.8 billion. Fortis holds an 80.1% stake in ITC, while an affiliate of GIC owns the remaining 19.9% interest.

As of 31 December 2016, Fortis operated 10 utility companies in Canada, the US and the Caribbean, serving 3.2 million customers (2 million electric utility and 1.2 million gas utility customers). It operates through two key divisions: regulated utility operations, and its non-regulated energy infrastructure business. The regulated utilities business is further segmented into Regulated – US; Regulated – Canada; and Regulated – Caribbean Electric.

Regulated – US: Accounting for 49.1% of the company's revenue in LTM Mar 2017, this segment comprises the operations of Fortis subsidiaries ITC, UNS Energy and Central Hudson.

» **ITC**: ITC owns and operates high-voltage transmission lines serving a system peak load of more than 26,000 megawatts (MW) spanning approximately 25,000 km in the US Midwest region. It operates through subsidiaries International Transmission Company; Michigan Electric Transmission Company, LLC; ITC Midwest LLC; and ITC Great Plains, LLC, combined as ITC Holdings Corp. (ITC).

» **UNS Energy**: UNS Energy operates through subsidiaries Tucson Electric Power Company (TEP), UNS Electric, Inc. (UNS Electric) and UNS Gas, Inc. (UNS Gas). TEP generates, transmits and distributes electricity to retail customers in southeastern Arizona, including the greater Tucson metropolitan area in Pima County and parts of Cochise County. TEP also sells wholesale electricity to other entities in the western US. UNS Electric generates, transmits and distributes electricity to retail customers in Arizona's Mohave and Santa Cruz counties. TEP and UNS Electric have a combined generation capacity of 2,994 MW, including 54 MW of solar capacity. UNS Gas serves retail customers in Arizona's Mohave, Yavapai, Coconino, Navajo and Santa Cruz counties.

» **Central Hudson**: Central Hudson is a regulated transmission and distribution (T&D) utility serving eight counties in New York State's Mid-Hudson River Valley. It has a gas-fired and hydroelectric generating capacity of 64 MW.

Regulated – Canada: Accounting for 43.9% of the company's revenue in LTM Mar 2017, this segment comprises the operations of Fortis subsidiaries FortisBC Energy Inc. (FortisBC Energy), FortisAlberta Inc. (FortisAlberta), FortisBC Electric and Eastern Canadian.

» **FortisBC Energy**: Fortis BC Energy distributes natural gas in the Mainland, Vancouver Island and Whistler regions of British Columbia, serving more than 135 communities. It also provides T&D services to customers, and supplies natural gas from northeastern British Columbia and through FortisBC Energy's southern crossing pipeline, from Alberta.

» **FortisAlberta**: FortisAlberta owns and operates the electricity distribution network in parts of southern and central Alberta.

» **FortisBC Electric**: FortisBC Electric includes the integrated electric utility operations of FortisBC Inc. in the southern interior of British Columbia. It owns four hydroelectric generating facilities with a combined capacity of 225 MW. It also provides operating, maintenance and management services to third-party hydroelectric generating facilities in British Columbia.

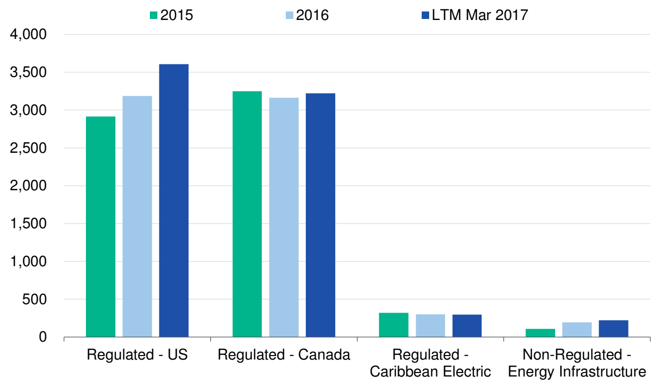
» **Eastern Canadian**: Eastern Canadian consists of Newfoundland Power Inc. (Newfoundland Power), Maritime Electric and FortisOntario. Newfoundland Power distributes electricity to the island portion of Newfoundland and Labrador, and retains installed generating capacity of 139 MW, including 97 MW of hydroelectric generation. Maritime Electric distributes electricity on Prince Edward Island and maintains on-island generating facilities with a combined capacity of 145 MW. FortisOntario serves customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario through its three electric utilities.

Regulated – Caribbean Electric: Accounting for 4% of the company's revenue in LTM Mar 2017, this segment operates through CUC, in which Fortis holds an approximately 60% stake; two wholly owned utilities in the Turks and Caicos Islands, FortisTCI Limited and Turks and Caicos Utilities Limited (together Fortis Turks and Caicos); and Belize Electricity, in which Fortis has a 33% equity stake. CUC is an integrated electric utility servicing Grand Cayman, the largest of the three Cayman Islands, and has installed diesel-powered generating capacity of 161 MW. Fortis Turks and Caicos provides electricity to the Turks and Caicos Islands through its two diesel-powered integrated electric utilities, which have a generation capacity of 82 MW. Belize Electricity distributes electricity in Belize.

Non-Regulated – Energy Infrastructure: Accounting for 3% of the company's revenue in LTM Mar 2017, this segment comprises long-term contracted generation assets in British Columbia and Belize, and the Aitken Creek natural gas storage facility.

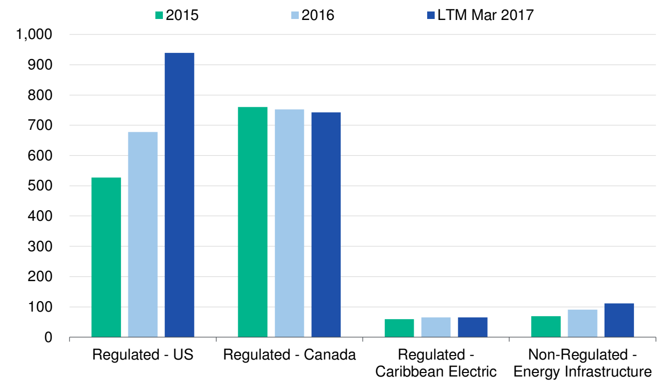
Source: Company Reports (annual report Dec 2016, Dec 2014, Dec 2013, Dec 2006, Dec 2004, Dec 2003, Dec 2002 and Dec 1996; annual information form Dec 2016, Dec 2011, Dec 2010 and Dec 2007); company data; Moody's Investors Service research

Exhibit 1
Revenue by Segment
(CAD Million)



Notes: 1) Non-Regulated Energy Infrastructure was previously known as Fortis Generation
2) 2016 figures include ITC acquisition data
Source: Company reports (annual report Dec 2016, Q1 results 2017)

Exhibit 2
Operating Income by Segment
(CAD Million)



Notes: 1) Non-Regulated Energy Infrastructure was previously known as Fortis Generation
2) 2016 figures include ITC acquisition data
Source: Company reports (annual report Dec 2016, Q1 results 2017)

Management Strategy

Fortis seeks to leverage its operating model, utilities operations, operating expertise, position and financial strength to boost its growth by undertaking the following strategic initiatives:

» Investing in infrastructure development to meet customer demand. The company plans capital expenditures of around CAD13 billion for 2017 through 2021, including more than CAD3.5 billion for ITC to increase its consolidated regulatory asset value (rate base) to CAD30 billion by 2021.

» Pursuing additional liquefied natural gas (LNG) infrastructure opportunities in British Columbia through the pipeline expansion programme of the Woodfibre LNG export site and further expanding its Tilbury LNG facility.

» Focusing on electricity transmission investment opportunities, including: 1) developing a new transmission line connecting First Nations communities to the electricity grid in Ontario through its 49% ownership interest in the Wataynikaneyap Partnership (acquired in March 2017); and 2) the Lake Erie Connector project at ITC, which would connect the Ontario energy grid to the PJM Interconnection, LLC energy market.

» Enhancing customer and regulatory relationships across its utilities

» Targeting average annual dividend growth of approximately 6% through 2021

» Supporting growth by pursuing strategic utility acquisitions

Source: Company Reports (annual report Dec 2016, Q1 2017 investor presentation, Q1 Results 2017)

Financial Highlights

Overview

Company Type:	Public
Exchange Listing:	Toronto Stock Exchange: FTS; New York Stock Exchange: FTS
Fiscal Year End:	December 31
Financial Filings:	Canadian Securities Administrators US Securities and Exchange Commission (SEC)
Auditor:	Ernst & Young LLP

Note: The financials presented below have been adjusted for Moody's analytic purposes. To see how adjustments have been made, please see Moody's Financial Metrics , a fundamental financial data and analytics platform that offers insight into the drivers of Moody's Corporate ratings.

Exhibit 3

Selected Adjusted Financial Data

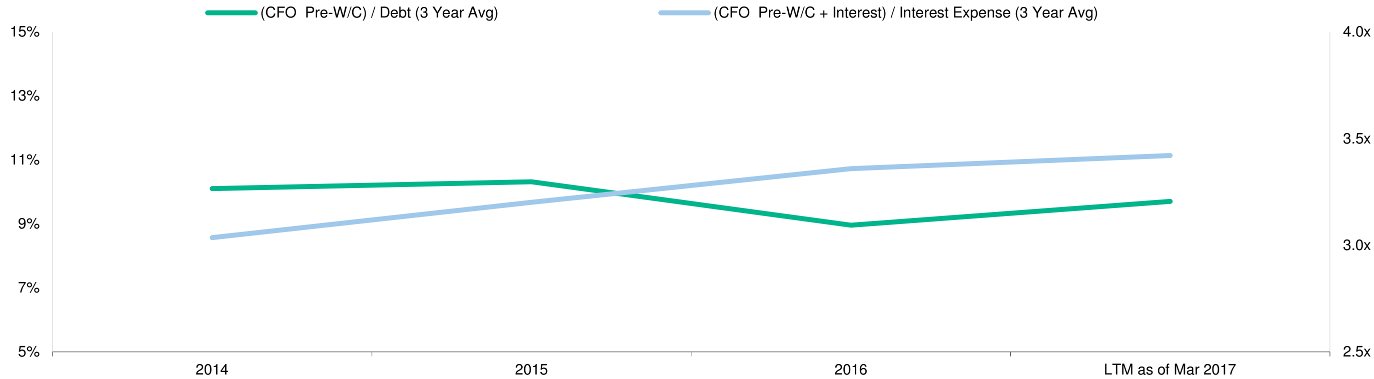
Fortis Inc.

(in CAD Million)	LTM as of 31-Mar-17	31-Dec-16	31-Dec-15	31-Dec-14
INCOME STATEMENT				
Revenue/Sales	7,340	6,838	6,757	5,401
Gross Profit	4,962	4,509	4,183	3,221
EBITDA	2,900	2,541	2,353	1,714
EBIT	1,854	1,558	1,480	1,026
Interest Expense	817	732	609	587
Net Income	755	627	597	359
BALANCE SHEET				
Cash and Cash Equivalents	298	269	242	230
Current Assets	2,152	2,166	1,857	1,787
Net Property, Plant and Equipment (PP&E)	29,712	29,451	19,709	17,945
Total Assets	48,163	48,018	28,918	26,335
Current Liabilities	4,169	3,957	2,650	2,687
Total Debt	23,935	24,258	13,665	12,875
Total Liabilities	33,911	34,383	20,024	18,554
Shareholders' Equity	14,252	13,635	8,894	7,781
CASH FLOW				
Funds from Operations (FFO)	2,104	1,842	1,714	1,182
Cash Flow from Operations (CFO)	1,906	1,847	1,666	978
Capital Expenditures (CAPEX)	(2,344)	(2,061)	(2,243)	(1,725)
Cash from Investing Activities	(7,197)	(6,891)	(1,368)	(4,199)
Dividends	(431)	(404)	(294)	(235)
Retained Cash Flow (RCF)	1,673	1,438	1,420	947
Preferred Stock Issued/Repurchased	(200)	(200)	–	586
Cash from Financing Activities	5,360	5,088	(339)	3,365

LTM = last twelve months
Source: Moody's Financial Metrics

Exhibit 4

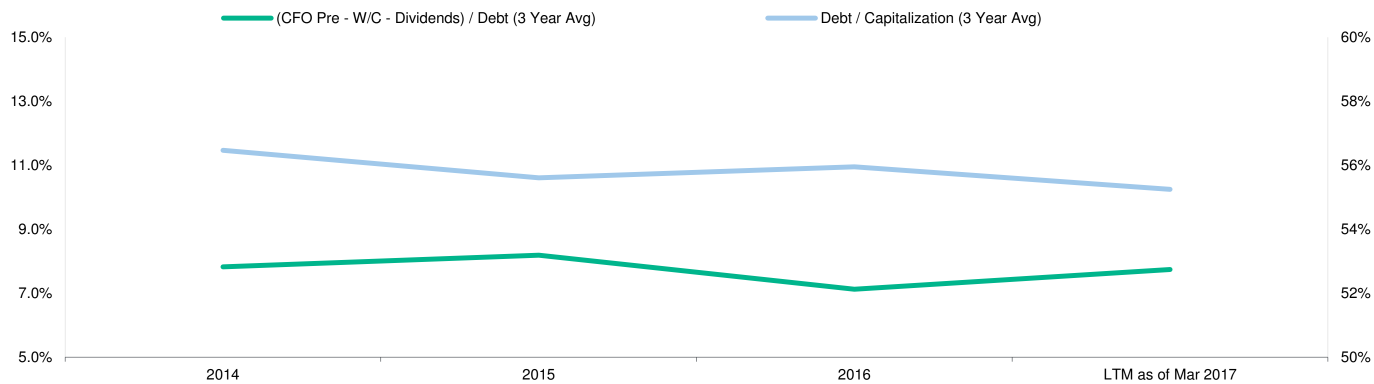
(CFO Pre-W/C + Interest)/Interest Expense and (CFO Pre-W/C)/Debt (Adjusted)



As of 31 Mar 2017
Source: Moody's Financial Metrics

Exhibit 5

(CFO - Dividends)/Debt and Debt/Book Capitalization (Adjusted)



As of 31 Mar 2017
Source: Moody's Financial Metrics

Capital Structure and Debt Maturity

Note: The financials presented below have been adjusted for Moody's analytic purposes. To see how adjustments have been made, please see [Moody's Financial Metrics](), a fundamental financial data and analytics platform that offers insight into the drivers of Moody's Corporate ratings.

Exhibit 6

Capital Structure

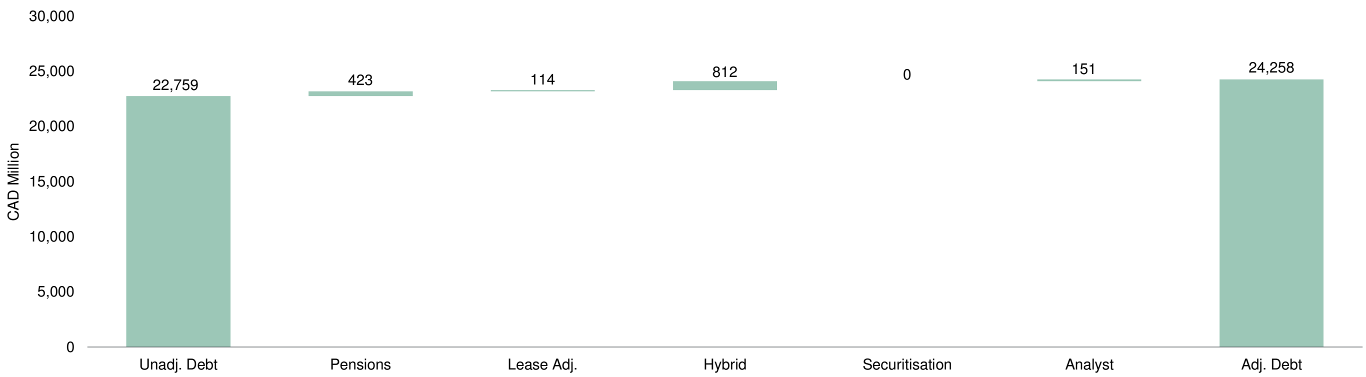
Fortis Inc.

(in CAD Million)	31-Dec-16	31-Dec-15	31-Dec-14
SHORT-TERM DEBT			
Short-Term Debt	1,155	511	330
Current Portion of Long-Term Debt	327	410	733
Total Short-Term Debt	**1,482**	**921**	**1,063**
LONG-TERM DEBT			
Secured Debt	3,368	945	1,136
Senior Debt	17,700	10,223	9,300
Capitalized Leases	536	513	703
Gross Long-Term Debt	**21,604**	**11,681**	**11,139**
Less Current Maturities	(327)	(410)	(733)
Net Long-Term Debt	**21,277**	**11,271**	**10,406**
Total Debt	**22,759**	**12,192**	**11,469**
Total Adjusted Debt	**24,258**	**13,665**	**12,875**
SHAREHOLDERS' EQUITY			
Preferred Stock	1,623	1,820	1,820
Common Stock and Paid-In Capital	10,774	5,881	5,682
Retained Earnings	1,455	1,388	1,060
Accumulated Other Comprehensive Income	745	791	129
Total Equity	**14,597**	**9,880**	**8,691**
Total Adjusted Equity	**13,635**	**8,894**	**7,781**
Adjusted Book Capitalization	**43,009**	**25,082**	**22,703**
Adjusted Market Capitalization	**46,832**	**27,631**	**26,585**
Adjusted Debt/Adjusted Book Capital (%)	**56.40**	**54.48**	**56.71**
Secured Debt/Total Debt (%)	**14.80**	**7.75**	**9.90**

Source: Moody's Financial Metrics

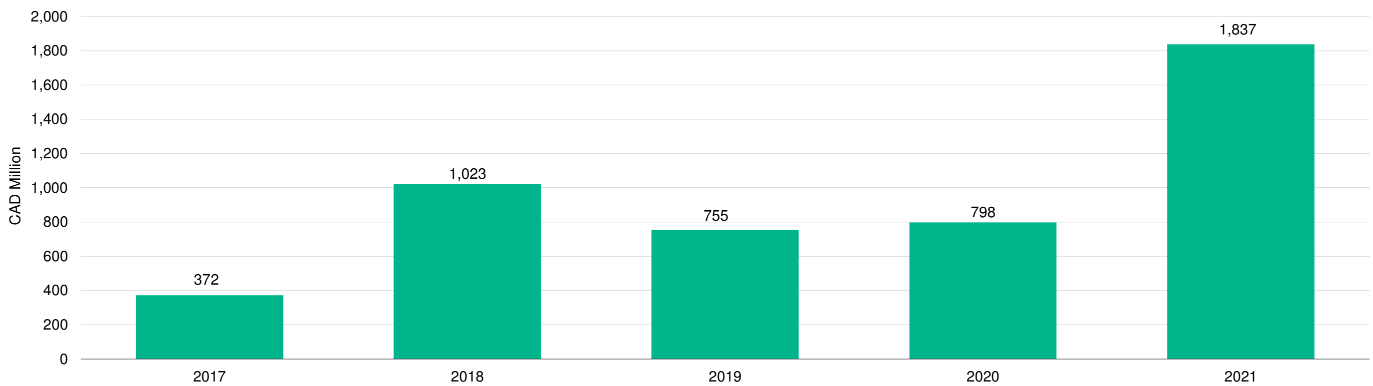
Of Fortis's total adjusted debt in 2016, the largest components were those related to hybrid and pensions adjustments.

Exhibit 7
Components of Debt



As of 31 Dec 2016
Source: Moody's Financial Metrics

Exhibit 8
Upcoming Long-Term Debt Maturities



As of 31 Dec 2016
Source: Moody's Financial Metrics

Company Management

Exhibit 9

Fortis Inc.

Company Management	Age*	Current Title	Previous Roles
Barry V. Perry	52	Chief Executive Officer, President and Director	Fortis: Vice President, Finance and Chief Financial Officer; Newfoundland Power: Vice President, Finance and Chief Financial Officer
Karl W. Smith	N/A	Executive Vice President and Chief Financial Officer	Fortis Alberta: President and Chief Executive Officer; Newfoundland Power: President and Chief Executive Officer; Fortis: Chief Financial Officer

As of 29 May 2017
* As of 31 Dec 2016

Exhibit 10

Fortis Inc.

Board of Directors	Age*	Affiliation
Douglas J. Haughey	60	Fortis: Chairman of the Board and Independent Director
Barry V. Perry	52	Fortis: Non-Independent Director, Chief Executive Officer and President; FortisBC Energy, FortisBC, UNS Energy and ITC: Director
Tracey C. Ball	59	Fortis: Independent Director; FortisAlberta: Chair
Pierre J. Blouin	59	Fortis: Independent Director; Purchasing Management Association of Canada: Fellow
Lawrence T. Borgard	55	Fortis: Independent Director
Maura J. Clark	58	Fortis: Independent Director
Margarita K. Dilley	59	Fortis: Independent Director; CH Energy Group: Chair
Ida J. Goodreau	65	Fortis: Independent Director; FortisBC Energy and FortisBC: Chair and Director
R. Harry McWatters	71	Fortis: Independent Director; Vintage Consulting Group Inc.: President
Ronald D. Munkley	71	Fortis: Independent Director
Joseph L. Welch	68	Fortis: Non-Independent Director; ITC: Chairman of the Board
Jo Mark Zurel	53	Fortis: Independent Director; Stonebridge Capital Inc.: President

As of 29 May 2017
* As of 31 Dec 2016
Source: Company report (management information report 2016), Company data

Ownership Structure

As of 31 March 2017, the company's largest shareholders (owning more than 5% of its share capital) were as follows:

Exhibit 11

Fortis Inc.

Shareholder	Number of Shares	% Held
Royal Bank of Canada	33,095,794	8.0
Bank of Montreal /CAN/	21,023,926	5.1

Source: Company report (interim consolidated financial statements Mar 2017), NASDAQ stock exchange

Related Websites and Information Sources

For additional information, please see:

The company's website

» https://www.fortisinc.com/home

MOODY'S has provided links or references to third party World Wide Websites or URLs ("Links or References") solely for your convenience in locating related information and services. The websites reached through these Links or References have not necessarily been reviewed by MOODY'S, and are maintained by a third party over which MOODY'S exercises no control. Accordingly, MOODY'S expressly disclaims any responsibility or liability for the content, the accuracy of the information, and/or quality of products or services provided by or advertised on any third party web site accessed via a Link or Reference. Moreover, a Link or Reference does not imply an endorsement of any third party, any website, or the products or services provided by any third party.

Moody's Related Research

Issuer Page on Moodys.com

» Fortis Inc.

Credit Opinion

» Fortis Inc.: Diversified regulated utility holding company (1038535), 26 September 2016

Sector Comment

» North America Utilities & Power: Canadian Appetite for US Utilities Showing No Signs of Abating (1057835), 26 January 2017

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available on the issuer's page . All research may not be available to all clients.

REPORT NUMBER 1074365

MOODY'S
INVESTORS SERVICE

Fortis Inc.
Moody's Credit Opinion
September 2017

MOODY'S
INVESTORS SERVICE

CREDIT OPINION

27 September 2017

New Issue

Rate this Research

RATINGS

Fortis Inc.

Domicile	St. John's, Newfoundland, Canada
Long Term Rating	Baa3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [*ratings section*] *at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Fortis Inc.

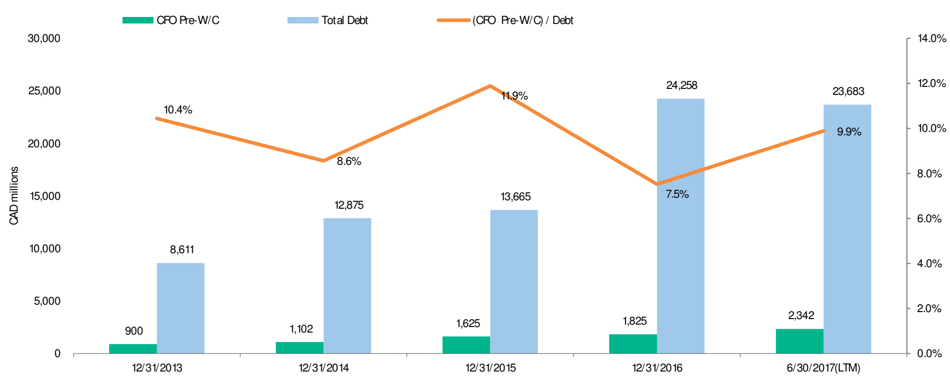
Update to credit analysis

Summary

Fortis's Baa3 rating reflects the company's strong business risk profile driven by a very high proportion of cash flow generated by a portfolio of regulated utilities. This highly diversified group of regulated utilities operates in credit supportive jurisdictions. As a result of the very low business risk, financial metrics are predictable and are generally a function of the characteristics of the underlying utilities and holding company debt. Offsetting the strong business risk profile, the company has weak consolidated financial metrics. High holding company leverage of about 40% leads to 2 notches of structural subordination for Fortis Inc. The company has a very extensive track record of growth through acquisitions, although we expect these acquisitions to be disciplined and we do not expect M&A activity to lead to a downgrade. Less than 5% of cash flow comes from generation and gas storage businesses and is largely contracted.

Exhibit 1

Historical CFO Pre W/C, Total Debt and CFO Pre W/C to Debt



Source: Moody's Financial Metrics™

Credit Strengths

» Strong business risk profile driven by a portfolio of low risk regulated utilities that account for more than 95% of cash flow.

» Highly diverse group of utilities operating in credit supportive jurisdictions

» Predictable financial metrics

Credit Challenges

» Very high levels of consolidated leverage

» High levels of holding company debt leading to notching for structural subordination

» Extensive track record of growth driven acquisitions

Rating Outlook

The stable outlook reflects our expectation that CFO pre-W/C to debt will remain in the 11-12% range. It also reflects our assumption that its portfolio of utilities continues to operate in credit supportive environments.

Factors that Could Lead to an Upgrade

We could upgrade the company if CFO pre-W/C-to-debt is sustained above 13%. An upgrade is also possible if the company materially reduces its holding company debt. We could also upgrade Fortis if some of its largest subsidiaries were upgraded.

Factors that Could Lead to a Downgrade

Fortis could be downgraded if holding company debt is sustained above 40% and CFO pre-W/C-to-debt, below 11%. Fortis could also be downgraded with downgrades of some of its largest subsidiaries or material investments into higher risk businesses.

Key Indicators

Exhibit 2

KEY INDICATORS [1]

Fortis Inc.

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	6/30/2017(LTM)
CFO pre-WC + Interest / Interest	3.0x	2.9x	3.7x	3.5x	3.6x
CFO pre-WC / Debt	10.4%	8.6%	11.9%	7.5%	9.9%
CFO pre-WC – Dividends / Debt	7.9%	6.7%	9.7%	5.9%	7.9%
Debt / Capitalization	55.8%	56.7%	54.5%	56.4%	54.8%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Corporate Profile

Headquartered in St. John's, Newfoundland and Labrador, FTS is a diversified utility holding company which owns regulated electric and gas utilities operating in Canada, the US and Caribbean region. FTS has a 2017 midyear regulated rate base of approximately $25.7 billion and serves about 2 and 1.2 million of electric and gas utility customers, respectively. FTS also operates power generating assets in British Columbia and Belize.

FTS's main operating subsidiaries are: ITC Holdings Corp. (Baa2 stable), a transmission holdings company serving major utilities in Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma. UNS Energy Corporation (UNS: Baa1 stable), vertically integrated regulated electric utility serving over 515,000 customers in southern Arizona; FortisBC Energy Inc. (FEI: A3 stable), the largest gas local distribution company (LDC) in British Columbia (BC) serving about 994,000 customers; FortisAlberta (FAB: Baa1 stable), a regulated electricity distribution utility serving approximately 544,000 customers in central and southern Alberta; Central Hudson Gas & Electric Corporation (CHG&E: A2 stable), regulated electric and natural gas T&D utility, serving approximately 300,000 electric and 79,000 natural gas customers in the mid-Hudson valley region of New York State, and FortisBC Inc. (FBC: Baa1 stable), vertically integrated regulated hydro-electric utility headquartered in Kelowna, BC.

Detailed Credit Considerations

Strong business risk profile driven by a portfolio of low risk regulated utilities

Fortis Inc. has a very strong business risk profile, which is a key credit strength. More than 95% of its cash flow comes from a diverse portfolio of low risk investment grade regulated utilities with an average rating of A3. Moody's rates subsidiaries that account for about 90% of Fortis Inc's 2017 consolidated FFO, including the acquisition of ITC. The unrated cash flows are a combination of smaller regulated utilities and contracted power and gas storage assets.

The unregulated business held by Fortis Inc consists of contracted generation at Waneta, a power generation project in British Columbia and hydro projects in Belize. The Aitken Creek gas storage is also included in this segment and it is largely contracted to FortisBC Energy Inc.

Highly diverse group of utilities operating in credit supportive jurisdictions

Fortis has a highly diversified portfolio of utilities operating in what are largely credit supportive environments, a key credit driver.

Fortis's most recently acquired subsidiary is ITC Holdings, a FERC regulated electricity transmission utility that has very low business risk contributed about 24% of Fortis's CFO pre-W/C on a proportionately consolidated basis over the last twelve months. We expect it to be the largest contributor to Fortis Inc in the future. UNS energy makes a 25% contribution to CFO pre-W/C and FortisBC Energy Inc (16%) and FortisAlberta (12%) rounding out the other utilities with more than a 10% contribution. The other 7 regulated utilities account for about 20% with the largest contributing 9% of CFO pre-W/C and the smallest is negligible. The failure of any one utility in isolation would be unlikely to lead to a Fortis Inc. default.

The company's regulated assets are about 80% electric which are primarily T&D, with generally low levels of generation. Regulated gas assets are about 15% with the remainder unregulated. The company's regulated generation exposure is centered on UNS, where generation accounts for less than 50% of rate base. FortisBC Inc. and NewFoundland Power are vertically integrated with primarily hydro electric facilities. Generation accounts for about 15% of rate base for each, excluding capital leases at FortisBC Inc. Caribbean Utilities Company Ltd. relies heavily on diesel generation, however it is a very small component of the Fortis family.

Exhibit 3

Summary of rated regulated utilities owned by Fortis Inc.

Utility	Long-term Rating	% of Q2 2017 LTM proportionally consolidated CFO pre-WC [1]	Type	Region	Regulator	Generation
UNS Energy (3 operating companies)	A3/Stable	25%	Gas and Electricity	Arizona	Arizona Corporation Commission	Yes
ITC Utilities (4 operating companies) [2]	A3/Stable	24%	Electricity	Midwest and Central-South United States	FERC	No
FortisBC Energy Inc.	A3/Stable	16%	Gas	British Columbia	BC Utilities Commission	No
FortisAlberta Inc.	Baa1/Stable	12%	Electricity	Alberta	Alberta Utilities Commission	No
Central Hudson Gas & Electric Corporation	A2/Stable	9%	Gas and Electricity	New York State	NY State Public Service Commission	Yes
FortisBC Inc.	Baa1/Stable	5%	Electricity	British Columbia	BC Utilities Commission	Yes
Newfoundland Power Inc.	Baa1/Stable	4%	Electricity	Newfoundland	Newfoundland and Labrador Board of Commissioners of Public Utilities	Yes

[1] Excluding corporate income/expenses.
[2] ITC Great Plains LLC has only A1 rated First Mortgage Bonds
Source: Moody's; companies' financial statements

Predictable Financial Metrics

Fortis's strong business risk profile generates predictable cash flow and debt levels leading to predictable financial metrics over time a key credit positive. Fortis's financial metrics are largely the result of the financial metrics at its underlying utilities and holding company leverage. Individual utility financial metrics are generally a function of rate base, equity thickness, allowed return on equity and depreciation rates. Earnings and cash flow volatility can often be attributed to the timing and outcome of rate cases, changes in levels of allowed returns and depreciation rates, and movements in some regulated assets and liabilities.

Very High Levels of Leverage

The levered acquisition of ITC places some downward pressure on financial metrics and we expect consolidated CFO pre-W/C to debt in the 11-12% range in 2017 and 2018, which places it among the most levered of its investment grade peers. Weaker and more variable historical financial metrics understate the company's financial strength since they include 100% of the debt associated with acquisitions and only a partial year of cash flow. The ITC acquisition closed on October 14 2017 and annualizing Fortis Inc's consolidated CFO pre-W/C to reflect a full year of ITC cash flow leads to a CFO pre-W/C to debt metric of about 11%. As a result of the very high consolidated leverage we view Fortis's consolidated profile as more consistent with a Baa1 rating as opposed to the A3 indicated by the grid.

We place greater emphasis on proportionately consolidated metrics at the company given its full consolidation of partially owned entities including ITC, Caribbean Utilities Co Ltd and Waneta, an unlevered contracted generating facility. However the difference between the consolidated financial metrics and proportionately consolidated metrics is expected to remain small with an impact of less than half a percent on CFO pre-W/C to debt in 2017. We do not include in Fortis's debt a shareholder loan to a third party investor that was made in conjunction with the acquisition of ITC.

Absent any M&A activity, given the company's single digit growth profile, we expect the company to remain free cash flow negative. Significantly, we expect the company's forecast retained cash flow to capex to be greater than its deemed average capital structure established by its regulators, driving a modest improvement in the company's financial metrics.

The company intends to increase its distributions, however the increase is somewhat mitigated by the company's DRIP program and modest growth in rate base following the ITC acquisition. Fortis Inc. has a very long track record of increasing its distributions and we believe management would be reluctant to stop increasing distributions.

Following the ITC acquisition the company's debt to book capitalization ratio will remain largely unchanged, however this understates the amount of leverage the company has as it includes about C$12bn in goodwill post acquisition. Debt to rate base is a far better measure and at 90-95% it provides a better indicator of the high amount of leverage the company is employing.

Fortis Inc continues to have some foreign exchange exposure, with the intent to denominate virtually all of its holding company debt in USD, despite the fact that about 1/3 of the company's cash flow is denominated in Canadian dollars. Offsetting this exposure, holding company expenses with the exception of interest expenses are largely denominated in Canadian dollars.

High Levels of Holding Company Debt Lead to Notching for Structural Subordination

We expect holding company debt of about 40% of total debt at FYE 2017, leading to us to incorporate two notches of structural subordination into Fortis's rating. We expect this figure to gradually trend downwards over time as the operating companies continue to grow and holding company debt declines modestly. The high levels of consolidated leverage and holding company debt outweigh the benefits associated with the substantial diversification. While some of the utilities have specific ring fence like provisions restricting the movement of cash, we view the strength of the various provisions differently, and many utilities do not have any ring-fencing like provisions. Fortis's largest utilities ITC and UNS do not have ring-fencing like provisions, a credit positive for Fortis. We believe it is highly improbable that Fortis would increase leverage at any of its utilities above the levels established by the regulator.

Aggressive Acquisition Strategy

Fortis has a long track record of growth through M&A and further debt financed acquisitions remain a risk. ITC represents the third US acquisition in 5 years and these acquisitions have more than doubled the size of the company. Given the frequency of M&A activity it cannot be considered an event risk but an ongoing part of the business. In our view this negatively impacts the probability of sustained long term deleveraging. Mitigating some of the risk associated with acquisitions, the company's approach to managing utilities has generally led to successful integration efforts of acquired utilities.

The company does not have any stated business mix targets, but would likely take a look at any large or strategic utility that is available for sale. The company may also expand its unregulated business, however we expect any investments to be low risk and largely contracted.

We believe an investment grade rating is an important component of the company's financial policy and we think that management actions, including M&A activity will continue to support an investment grade rating

Liquidity Analysis

Fortis has an adequate liquidity profile underpinned by stable operating cash flows generated by its operating subsidiaries and existing access to the capital markets. For the twelve months ended June 2017, Fortis and its subsidiaries generated negative free cash flow of $1,003 million as a result of $2,108 million CFO, $2,630 million capital expenditures and $481 million dividends (all numbers are Moody's adjusted). We anticipate that the company's available credit facilities will provide adequate protection.

As of 30 June 2017, the company reported $231 million of consolidated cash and cash equivalents, a $1.4 billion ($965 million unused capacity) committed corporate credit facility maturing in 2021 and about $4.0 billion committed credit facilities at subsidiaries expiring in 2017-2022, of which approximately $3.0 billion was available. Its credit facility contains a covenant limiting consolidated debt to capitalization to 70%. As of 30 June 2017, the ratio was well under this limit at 55%. Fortis does not have material debt maturities until 2019.

Rating Methodology and Scorecard Factors

Exhibit 4
Fortis Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 6/30/2017		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Aa	Aa	Aa	Aa
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.5x	Baa	3.5x - 4x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	10.6%	Ba	10.5% - 11.5%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	8.5%	Baa	8.3% - 9.8%	Baa
d) Debt / Capitalization (3 Year Avg)	55.0%	Baa	54.5% - 55%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching	-2	-2	-2	-2
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa3		Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 6/30/2017(LTM).
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 5

Category	Moody's Rating
FORTIS INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured	Baa3
FORTISBC ENERGY INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	A3
FORTISALBERTA INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa1
TUCSON ELECTRIC POWER COMPANY	
Outlook	Stable
Issuer Rating	A3
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
FORTISBC INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa1
NEWFOUNDLAND POWER INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
First Mortgage Bonds -Dom Curr	A2
CENTRAL HUDSON GAS & ELECTRIC CORPORATION	
Outlook	Stable
Issuer Rating	A2
Senior Unsecured	A2
UNS ELECTRIC, INC.	
Outlook	Stable
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
UNS ENERGY CORPORATION	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
UNS GAS, INC.	
Outlook	Stable
Senior Unsecured	A3

Source: Moody's Investors Service

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Fortis Inc.
S&P Research Update
March 2018

S&P Global
Ratings

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Research Update:

Fortis Inc., Subsidiaries Outlook Revised To Negative From Stable On Weaker Forecast Metrics From U.S. Tax Reform

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Table Of Contents

Research Update:

Fortis Inc., Subsidiaries Outlook Revised To Negative From Stable On Weaker Forecast Metrics From U.S. Tax Reform

Overview

- We reviewed the impact of the U.S. tax reform on Fortis Inc. (Fortis), and the company's consolidated credit metrics are weaker than expected.
- There are key pending regulatory decisions that add to the downside risk and could further stress credit metrics.
- As a result, we are revising our outlook on Fortis and subsidiaries ITC Holdings Corp., Tucson Electric Power Co., FortisAlberta Inc., and Caribbean Utilities Co. Ltd. to negative from stable.
- We are also affirming our ratings on the companies, including our 'A-' long-term issuer credit ratings.

Rating Action

On March 21, 2018, S&P Global Ratings revised its outlook on St. John's, Nfld.-based utility holding company Fortis Inc. (Fortis) and most of its subsidiaries, including ITC Holdings Corp. (ITC), Tucson Electric Power Co., FortisAlberta Inc., and Caribbean Utilities Co. Ltd. to negative from stable. At the same time, S&P Global Ratings affirmed its ratings, including its 'A-' long-term issuer credit rating (ICR), on the companies.

Rationale

The outlook revision reflects our view of a modest weakening to Fortis' financial measures following the U.S. corporate tax reform, which will reduce utility rates and cash flow at its U.S. subsidiaries.

The ITC acquisition in late 2016 removed much of the cushion in Fortis' credit metrics and leaves little room for operational or event risk; including U.S. tax reform. The reform also pushed back our prior expectations for near-term financial improvement. During the next 12-24 months, we forecast the company's credit metrics to be weak, with funds from operations (FFO)-to-debt at about 9.5% in 2018, before improving to about 10.5% by 2019-2020. We forecast FFO-to-debt to continue improving gradually to over 11% by 2022. Furthermore, the outlook revision also reflects the downside risk associated with Fortis' pending regulatory decisions, because an adverse outcome could further stress credit metrics.

Our view of Fortis' business risk has not changed. The company continues to benefit from its stable, low-risk, and regulated utility portfolio. Regulation typically involves a cost-of-service methodology that provides an authorized regulated rate of return. The utilities have relatively low commodity and volume risk, further reducing cash flow volatility. Fortis' regulated subsidiaries are generally monopoly service providers in their respective service areas. They are exposed to limited commodity input price risk and relatively insulated from typical market forces, which we view as a credit strength for the company.

In our view, another key credit strength is the regulatory, geographic, and market diversification of Fortis' subsidiaries and their cash flows. The company generates about 60% of its regulated cash flow from U.S. operations, about 35% within Canada, and 5% in the Caribbean regions. Furthermore, Fortis operates in 13 different regulatory jurisdictions, most of which have provided a supportive framework that underpins the company's stable cash flow stream.

Also enhancing our view of the business risk is Fortis' customers which are primary residential and commercial, and are less sensitive to economic cycles, further supporting the company's stable cash flow stream.

Our base-case assumptions include the following:

- Fortis will not experience any adverse regulatory decisions from the various regulatory regimes to which it is exposed
- It will continue to focus on regulated utilities in its strategic decisions

Based on these assumptions, we arrive at the following credit measures:

- Consolidated FFO-to-debt of about 9.5% in 2018, rising to about 10.5% in 2019 and 2020
- FFO cash interest coverage of about 3.7x during the outlook period

Liquidity

Our assessment of Fortis' liquidity is adequate. We expect liquidity sources to exceed uses by about 1.4x over the next 12 months. In the event of a 10% drop in the company's EBITDA, we also believe liquidity sources will cover uses. In our view, Fortis has well-established relationships with banks and generally good standing in the credit markets. In the unlikely event of liquidity distress, we expect the company to scale back on its capital spending to preserve credit metrics.

Principal liquidity sources include:

- Cash and cash equivalents of about C$320 million
- Cash FFO of about C$2.6 billion
- Available committed revolving credit facilities of about C$3.9 billion

Principal liquidity uses include:

- Capital expenditures of about C$3.2 billion
- Debt maturities, including short-term debt, of about C$910 million
- Cash distributions on preferred shares and common dividends of about C$540 million

Outlook

The negative outlook reflects S&P Global Ratings' view of Fortis' weak financial metrics over the next 12-24 months and the U.S. tax reform pushing back our expectation for financial improvement. In addition, the outlook reflects the risk that any adverse outcomes from pending regulatory decisions could further depress credit metrics. During our two-year outlook period, we forecast the company's FFO-to-debt at about 9.5% in 2018 before improving to about 10.5% by 2020.

Downside scenario

We could take a negative rating action on Fortis if the company's FFO-to-debt were projected to stay below 10%. This could happen if the company experiences material delays and cost overruns in executing its capital programs, material adverse regulatory decisions, and significant debt-funded acquisitions or operational difficulties that lead to unexpected cost and debt increase. Any deterioration of business risk, including expansion of unregulated operations or acquisitions that increase the compnay's reliance on generation within its integrated utility operations, could also lead to a downgrade.

Upside scenario

We could revise the outlook to stable if Fortis improves its financial position, with FFO-to-debt remaining consistently around 11% or above, without any increase in business risk. This could happen if Fortis were to gradually improve its cash flow metrics with the benefit of favorable regulatory outcomes while maintaining its current business strategy.

Ratings Score Snapshot

Corporate Credit Rating: A-/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Group credit profile: a-

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Dec. 31, 2017, Fortis has total consolidated long-term debt of about C$21.5 billion, of which about C$3.5 billion is secured and about C$4.7 billion is at the Fortis Inc. holding company level.

Analytical conclusions

Based on the company's current capital structure, secured debt makes up less than 50% of total debt amount. The unsecured debt at operating subsidiaries makes up more than 50% of the total debt, so we rate the structurally subordinated senior unsecured debt at the holding company 'BBB+', one notch lower than the ICR on the utility.

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Fortis Inc.		
Caribbean Utilities Co. Ltd.		
Michigan Electric Transmission Co.		
International Transmission Co.		
ITC Midwest LLC		
ITC Great Plains LLC		
FortisAlberta Inc.		
Tucson Electric Power Co.		
Corporate Credit Rating	A-/Negative/--	A-/Stable/--
ITC Holdings Corp.		
Corporate Credit Rating	A-/Negative/A-2	A-/Stable/A-2

Ratings Affirmed

Maritime Electric Co. Ltd.	
Corporate Credit Rating	BBB+/Stable/--
Caribbean Utilities Co. Ltd.	
Senior Unsecured	A-
Fortis Inc.	
Senior Unsecured	BBB+
Preferred Stock	
Global Scale	P-2
Canada Scale	BBB

FortisAlberta Inc.	
Senior Unsecured	A-
ITC Holdings Corp.	
Senior Unsecured	A-
Commercial Paper	A-2
Tucson Electric Power Co.	
Senior Unsecured	A-
ITC Great Plains LLC	
ITC Midwest LLC	
Senior Secured	A
Recovery Rating	1+
International Transmission Co.	
Maritime Electric Co. Ltd.	
Michigan Electric Transmission Co.	
Senior Secured	A
Recovery Rating	1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Fortis Inc.
Moody's Credit Opinion
April 2018

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
30 April 2018

Update

Rate this Research

RATINGS

Fortis Inc.

Domicile	St. John's, Newfoundland, Canada
Long Term Rating	Baa3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Fortis Inc.

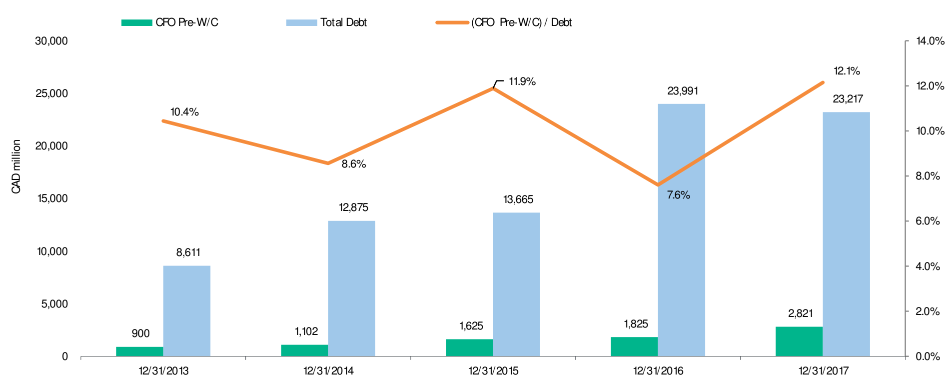
Update to credit analysis

Summary

Fortis's credit profile reflects the company's low risk business profile driven by a very high proportion of cash flow generated by a portfolio of regulated utilities. This highly diversified group of regulated utilities operates in credit supportive jurisdictions. As a result of the low business risk, financial metrics are predictable and are generally a function of the characteristics of the underlying utilities and holding company debt. Offsetting the strong business risk profile, the company has weak consolidated financial metrics that we forecast in the 10-11% range in 2018. We expect 2018 to be a low point for this key financial metric with steady improvements in subsequent years and 2019 forecast at about 11%. The modest shift in our expectations is primarily a result of tax reform in the US. High holding company leverage of about 40% leads to 2 notches of structural subordination for Fortis Inc. The company has a very extensive track record of growth through acquisitions however management has publicly communicated a shift in strategy away from M&A. Less than 5% of cash flow comes from generation and gas storage businesses and is largely contracted.

Exhibit 1

Historical CFO Pre W/C, Total Debt and CFO Pre W/C to Debt



Source: Moody's Financial Metrics™

Credit Strengths

» Strong business risk profile driven by a portfolio of low risk regulated utilities that account for more than 95% of cash flow.

» Highly diverse group of utilities operating in credit supportive jurisdictions

» Predictable financial metrics

Credit Challenges

» Very high levels of consolidated leverage

» High levels of holding company debt leading to notching for structural subordination

» Extensive track record of growth driven acquisitions

Rating Outlook

The stable outlook reflects our expectation that consolidated CFO pre-W/C to debt will be in the 10-11% range in 2018 and improving to about 11% in 2019 with a modest, improving trend. It also reflects our assumption that its portfolio of utilities continues to operate in credit supportive environments.

Factors that Could Lead to an Upgrade

We could upgrade the company if consolidated CFO pre-W/C-to-debt is sustained above 13%. An upgrade is also possible if the company materially reduces its holding company debt. We could also upgrade Fortis if some of its largest subsidiaries were upgraded.

Factors that Could Lead to a Downgrade

Fortis could be downgraded if holding company debt is sustained above 40% or consolidated CFO pre-W/C-to-debt, below 11%. Fortis could also be downgraded with downgrades of some of its largest subsidiaries or material investments into higher risk businesses.

Key Indicators

Exhibit 2
Fortis Inc.

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
CFO pre-WC + Interest / Interest	3.0x	2.9x	3.7x	3.5x	3.9x
CFO pre-WC / Debt	10.4%	8.6%	11.9%	7.6%	12.1%
CFO pre-WC – Dividends / Debt	7.9%	6.7%	9.7%	5.9%	9.7%
Debt / Capitalization	55.8%	56.7%	54.5%	56.1%	56.2%

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Source: Moody's Financial Metrics™

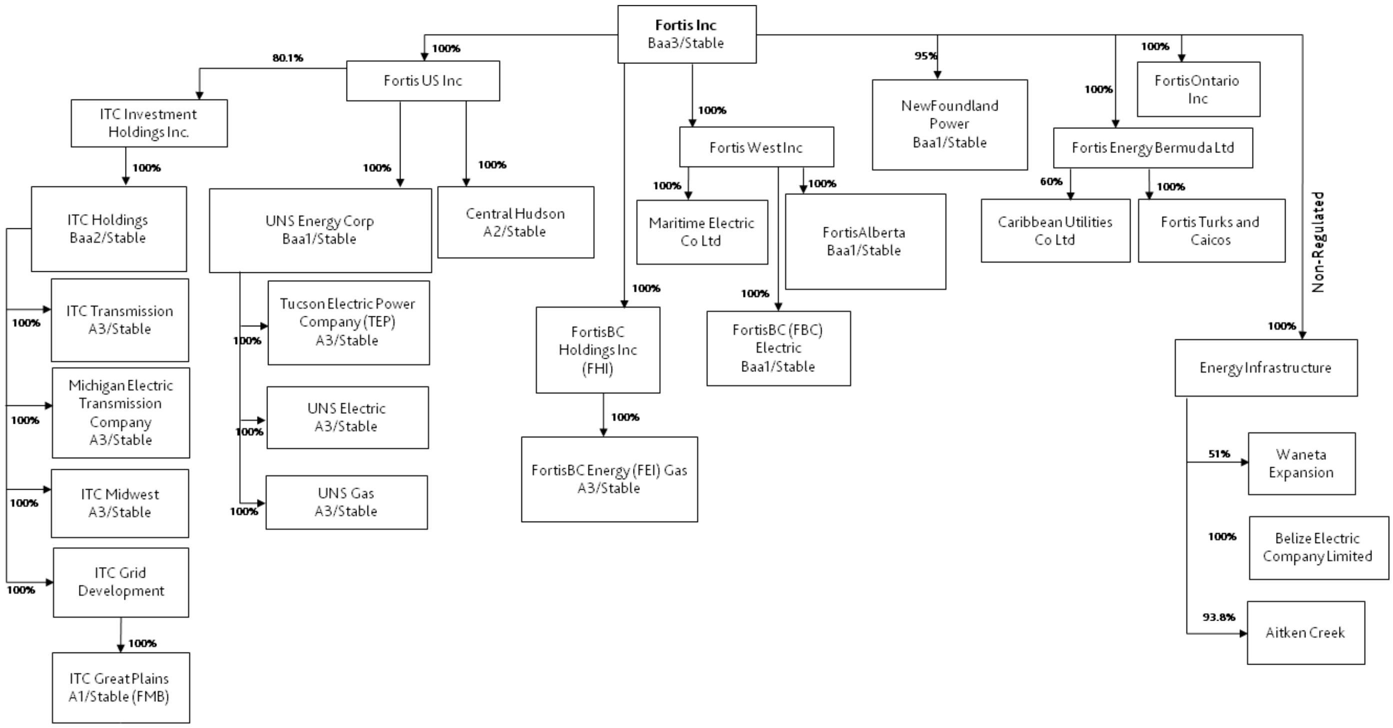
Corporate Profile

Headquartered in St. John's, Newfoundland and Labrador, Fortis is a diversified utility holding company which owns regulated electric and gas utilities operating in Canada, the US and Caribbean region. Fortis has a 2017 midyear regulated rate base of approximately $25.4 billion and serves about 2 and 1.2 million of electric and gas utility customers, respectively. Fortis also operates power generating assets in British Columbia and Belize.

Fortis's main operating subsidiaries are: ITC Holdings Corp. (ITC: Baa2 stable), a transmission holdings company serving major utilities in Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma. UNS Energy Corporation (UNS: Baa1 stable), vertically integrated regulated electric and natural gas utility serving over 518,000 electric and 156,000 gas customers in Arizona; FortisBC Energy Inc. (FEI: A3 stable), the largest gas local distribution company (LDC) in British Columbia (BC) serving about 1,008,000 customers; FortisAlberta (FAB: Baa1 stable), a regulated electricity distribution utility serving approximately 556,000 customers in central and southern Alberta;

Central Hudson Gas & Electric Corporation (CHG&E: A2 stable), regulated electric and natural gas T&D utility, serving approximately 300,000 electric and 80,000 natural gas customers in the mid-Hudson valley region of New York State, and FortisBC Inc. (FBC: Baa1 stable), vertically integrated regulated hydro-electric utility headquartered in Kelowna, BC serving 172,000 customers.

Exhibit 3
Fortis Inc's Organizational Structure



Source: Fortis Inc.

Detailed Credit Considerations

Strong business risk profile driven by a portfolio of low risk regulated utilities

Fortis has a very strong business risk profile, which is a key credit strength. More than 95% of its cash flow comes from a diverse portfolio of low risk investment grade regulated utilities with an average rating of A3. Moody's rates subsidiaries that account for about 90% of Fortis Inc's 2017 consolidated FFO, including the acquisition of ITC. The unrated cash flows are a combination of smaller regulated utilities and contracted power and gas storage assets.

The unregulated business held by Fortis consists of contracted generation at Waneta, a power generation project in British Columbia and hydro projects in Belize. The Aitken Creek gas storage facility is also included in this segment and it is largely contracted to FortisBC Energy Inc.

Highly diverse group of utilities operating in credit supportive jurisdictions

Fortis has a highly diversified portfolio of utilities operating in what are largely credit supportive environments, a key credit driver.

Fortis's largest subsidiary is ITC Holdings, a FERC regulated electricity transmission utility that has very low business risk and contributed about 23% of Fortis's CFO pre-W/C on a proportionately consolidated basis in 2017. We expect it to be the largest contributor to Fortis Inc in the future. UNS Energy makes a 25% contribution to CFO pre-W/C and FortisBC Energy Inc (15%) and FortisAlberta (10%) rounding out the other utilities with more than a 10% contribution. The other 7 regulated utilities account for about 25% with the largest contributing 9% of CFO pre-W/C and the smallest is negligible. The failure of any one utility in isolation would be unlikely to lead to a Fortis Inc. default.

The company's regulated assets are about 80% electric which are primarily T&D, with generally low levels of generation. Regulated gas assets are about 15% with the remainder unregulated. The company's regulated generation exposure is centered on UNS, where generation accounts for less than 50% of rate base. FortisBC Inc. and Newfoundland Power are vertically integrated with primarily hydro electric facilities. Generation accounts for about 15% of rate base for each, excluding capital leases at FortisBC Inc. Caribbean Utilities Company Ltd. relies heavily on diesel generation, however it is a very small component of the Fortis family.

Exhibit 4

Summary of rated regulated utilities owned by Fortis Inc.

Utility	Long-term Rating	% of 2017 proportionally consolidated CFO pre-WC [2]	2017 Midyear Rate Base ($ billions)	Type	Region	Regulator	Generation
UNS Energy (3 operating companies)	A3/Stable	25%	4.6	Gas and Electricity	Arizona	Arizona Corporation Commission	Yes
ITC Utilities (4 operating companies) [1]	A3/Stable	23%	7.2	Electricity	Midwest and Central-South United States	FERC	No
FortisBC Energy Inc.	A3/Stable	15%	4.1	Gas	British Columbia	BC Utilities Commission	No
FortisAlberta Inc.	Baa1/Stable	10%	3.1	Electricity	Alberta	Alberta Utilities Commission	No
Central Hudson Gas & Electric Corporation	A2/Stable	9%	1.6	Gas and Electricity	New York State	NY State Public Service Commission	Yes
FortisBC Inc.	Baa1/Stable	4%	1.3	Electricity	British Columbia	BC Utilities Commission	Yes
Newfoundland Power Inc.	Baa1/Stable	4%	1.1	Electricity	Newfoundland	Newfoundland and Labrador Board of Commissioners of Public Utilities	Yes

[1] ITC Great Plains LLC has only A1 rated First Mortgage Bonds
[2] Excluding corporate income/expenses.
Source: Moody's; companies' financial statements

Predictable Financial Metrics

Fortis's strong business risk profile generates predictable cash flow and debt levels leading to predictable financial metrics over time a key credit positive. Fortis's financial metrics are largely the result of the financial metrics at its underlying utilities and holding company leverage. Individual utility financial metrics are generally a function of rate base, equity thickness, allowed return on equity and depreciation rates. Earnings and cash flow volatility can often be attributed to the timing and outcome of rate cases, changes in levels of allowed returns and depreciation rates, and movements in some regulated assets and liabilities.

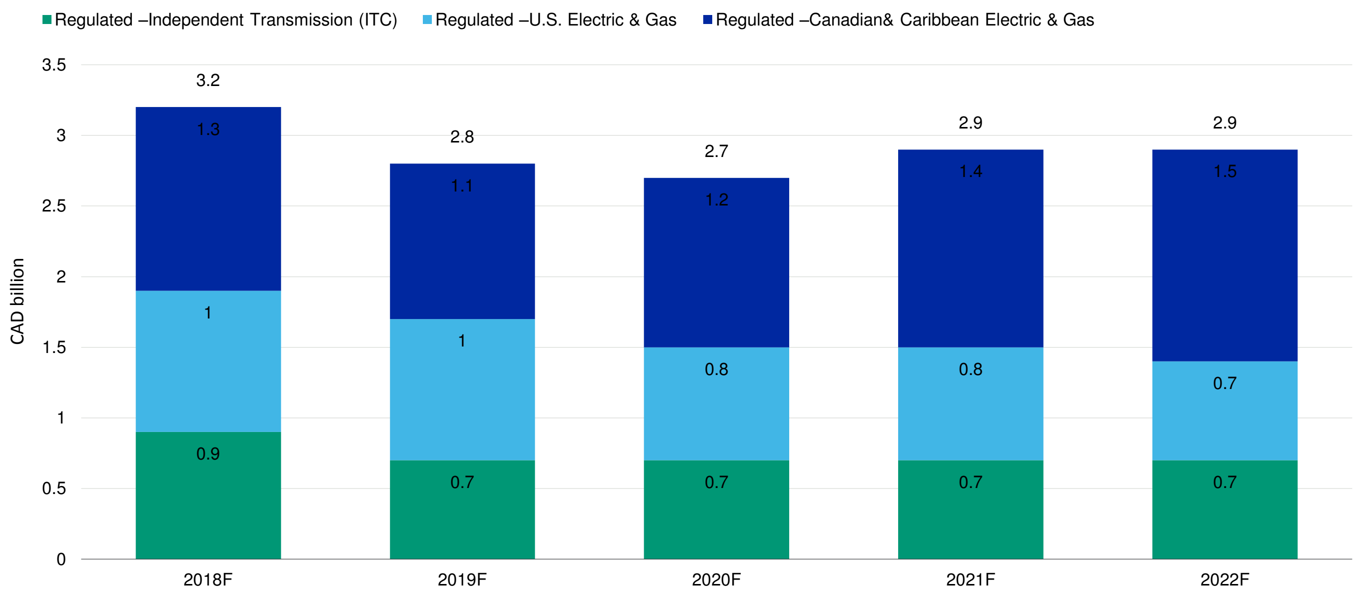
Very High Levels of Leverage

We expect consolidated CFO pre-W/C to debt in the 10-11% range in 2018 and about 11% in 2019 and improving modestly thereafter. This is a decline from the 12.1% for FYE 2017. These metrics place Fortis among the most levered of its investment grade peers. Weaker and more variable historical financial metrics often understate the company's financial strength since they include 100% of the debt associated with acquisitions and only a partial year of cash flow. The ITC acquisition closed on October 14 2016 and annualizing Fortis Inc's consolidated CFO pre-W/C to reflect a full year of ITC cash flow leads to a CFO pre-W/C to debt metric of about 11%. As a result of the very high consolidated leverage we view Fortis's consolidated profile as more consistent with a Baa1 rating as opposed to the A3 indicated by the grid.

We also consider proportionately consolidated financial metrics for Fortis given its full consolidation of partially owned entities including ITC, Caribbean Utilities Co Ltd and Waneta, an unlevered contracted hydro generating facility in British Columbia. However the difference between the consolidated financial metrics and proportionately consolidated metrics is expected to remain small with an impact of well under half a percent on CFO pre-W/C to debt in 2017, leading us to place less emphasis on this approach than we have in the past. We do not include in Fortis's debt a shareholder loan to a third party investor that was made in conjunction with the acquisition of ITC.

We expect the company to remain free cash flow negative, despite its single digit growth profile. However we expect the company's forecast retained cash flow to capex to be greater than its deemed average capital structure established by its regulators, driving a modest improvement in the company's financial metrics. The table below illustrates the scope of the capital program over the forecast period.

Exhibit 5
Sizable capital program in 2018-2022



Source: Fortis Inc.

Consistent with other regulated utilities with operations in the US, the Tax Cuts and Jobs Act of 2017 has negatively impacted Fortis's forecast financial metrics. However Fortis has not been as heavily impacted as its US based peers primarily because the performance of its non-US based subsidiaries remains unaffected.

We expect the company to continue to increase its distributions, however the increase is somewhat mitigated by the company's DRIP program and modest growth in rate base. Fortis Inc. has a very long track record of increasing its distributions and we believe management would be reluctant to stop this trend. The company has also introduced a small at the market program.

Following the ITC acquisition the company's debt to book capitalization ratio remained largely unchanged, however this understates the amount of leverage the company has as it includes about C$12bn in goodwill post acquisition. Debt to rate base is a far better measure and at about 90% in 2017 it provides a better indicator of the high amount of leverage the company is employing.

Fortis Inc continues to have some foreign exchange exposure, with the intent to denominate virtually all of its holding company debt in USD, despite the fact that about 1/3 of the company's cash flow is denominated in Canadian dollars. Offsetting this exposure, holding company expenses with the exception of interest expenses are largely denominated in Canadian dollars.

High Levels of Holding Company Debt Lead to Notching for Structural Subordination

Holding company debt of about 40% of total debt at FYE 2017, leading us to incorporate two notches of structural subordination into Fortis's rating. We expect the percentage of holding company debt to gradually trend downwards over time as the operating companies continue to grow and holding company debt remains stable on a relative basis. The high levels of consolidated leverage and holding company debt outweigh the benefits associated with the substantial diversification. While some of the utilities have specific ring fence like provisions restricting the movement of cash, we view the strength of the various provisions differently, and many utilities do not have any ring-fencing like provisions. Fortis's largest utilities ITC and UNS do not have ring-fencing like provisions, a credit positive for Fortis. We believe it is highly improbable that Fortis would increase leverage at any of its utilities above the levels established by the regulator.

Aggressive Acquisition Strategy

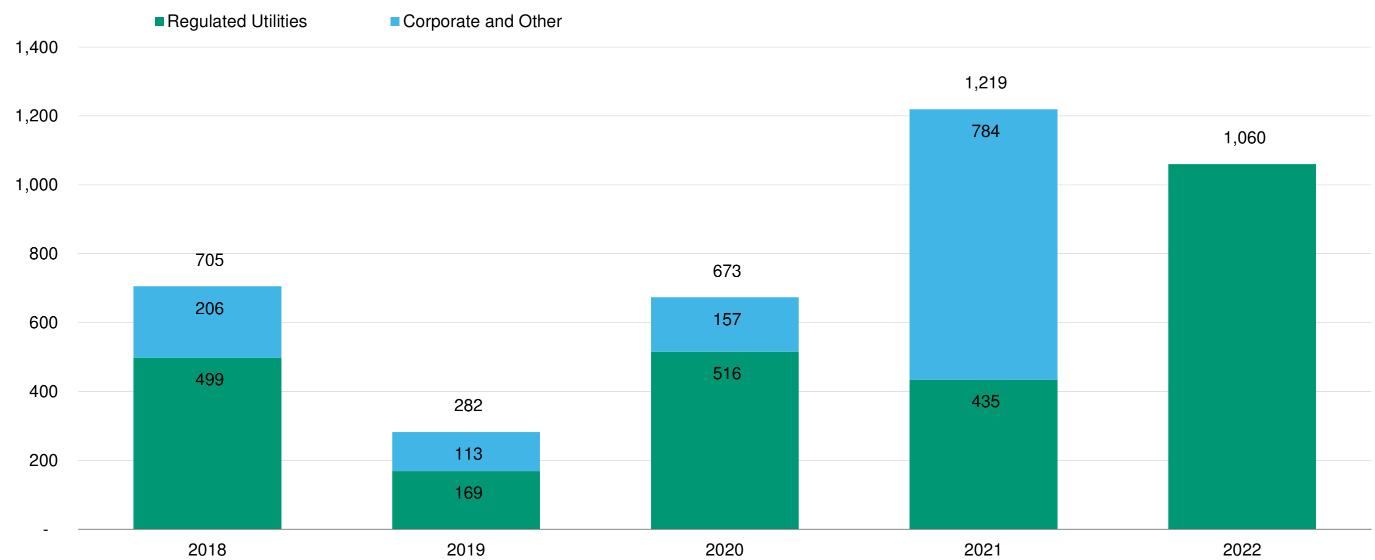
Fortis has a long track record of growth through M&A and further debt financed acquisitions remain a risk, however the risk has diminished with management's public statements that it is no longer considering growth through acquisitions. The company may also expand its unregulated business, however we expect any investments to be low risk and largely contracted. We believe an investment grade rating is an important component of the company's financial policy and we think that management actions, including M&A activity will continue to support an investment grade rating.

Liquidity Analysis

Fortis has an adequate liquidity profile underpinned by stable operating cash flows generated by its operating subsidiaries and existing access to the capital markets. In 2017, Fortis and its subsidiaries generated negative free cash flow of $861 million as a result of $2,724 million CFO, $3,024 million capital expenditures and $561 million dividends (all numbers are Moody's adjusted). We anticipate that the company's available credit facilities will provide adequate protection.

As of 31 December 2017, the company reported $327 million of consolidated cash and cash equivalents, a $1.3 billion ($1.1 billion unused capacity) committed corporate credit facility maturing in July 2022 and about $3.4 billion committed credit facilities at subsidiaries expiring in 2019-2022, of which approximately $2.7 billion was available. Its credit facility contains a covenant limiting consolidated debt to capitalization to 70%. As of 31 December 2017, the ratio was well under this limit at 54%

Exhibit 6
Long-term debt maturities in 2018-2022



Source: Fortis' 2017 financial statements

Rating Methodology and Scorecard Factors

Exhibit 7
Rating Factors
Fortis Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current FY 12/31/2017		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Aa	Aa	Aa	Aa
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.7x	Baa	3.5x - 4.0x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	10.3%	Ba	10.5% - 11.5%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	8.2%	Baa	8% - 9%	Baa
d) Debt / Capitalization (3 Year Avg)	55.8%	Baa	55% - 57%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching	-2	-2	-2	-2
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa3		Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2017.
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Appendix

Exhibit 8
Peer Comparison Table
Fortis Inc.

	Fortis Inc. Baa3 Stable			Emera Inc. Baa3 Negative			Duke Energy Corporation Baa1 Negative		
(in US millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-15	FYE Dec-16	FYE Dec-17
Revenue	$5,294	$5,163	$6,401	$2,185	$3,230	$4,801	$22,371	$22,743	$23,565
CFO Pre-W/C	$1,273	$1,378	$2,175	$597	$724	$1,249	$6,833	$6,655	$7,444
Total Debt	$9,837	$17,890	$18,530	$3,358	$11,826	$12,111	$41,536	$49,843	$54,169
(CFO Pre-W/C + Interest) / Intere	3.7x	3.5x	3.9x	4.2x	2.8x	3.6x	5.1x	4.4x	4.4x
(CFO Pre-W/C) / Debt	11.9%	7.6%	12.1%	16.3%	6.0%	10.7%	16.5%	13.4%	13.7%
(CFO Pre-W/C - Dividends) / Deb	9.7%	5.9%	9.7%	12.2%	4.2%	8.3%	11.0%	8.7%	9.2%
Debt / Book Capitalization	54.5%	56.1%	56.2%	49.6%	64.1%	64.0%	44.2%	47.5%	53.0%

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 9

Moody's-Adjusted Debt Breakdown

Fortis Inc.

(in CN$ Millions)	FYE Dec-12	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17
As Reported Debt	**6,471**	**7,788**	**11,469**	**12,192**	**22,759**	**22,066**
Pensions	264	183	394	373	423	405
Operating Leases	22	26	102	114	114	45
Hybrid Securities	554	615	910	910	812	812
Non-Standard Adjustments	-	-	-	76	(116)	(111)
Moody's-Adjusted Debt	**7,311**	**8,611**	**12,875**	**13,665**	**23,991**	**23,217**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 10

Moody's-Adjusted EBITDA Breakdown

Fortis Inc.

(in CN$ Millions)	FYE Dec-12	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17
As Reported EBITDA	**1,268**	**1,362**	**1,686**	**2,489**	**2,519**	**3,806**
Pensions	13	17	28	29	22	11
Unusual	-	-	-	(165)	-	-
Moody's-Adjusted EBITDA	**1,281**	**1,379**	**1,714**	**2,353**	**2,541**	**3,817**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 11

Cash Flow Adjusted Financial Data

Fortis Inc.

(in CN$ Millions)	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17
As Adjusted					
EBITDA	**1,379**	**1,714**	**2,353**	**2,541**	**3,817**
FFO	**879**	**1,182**	**1,714**	**1,842**	**2,753**
- Div	220	235	294	404	561
RCF	**659**	**947**	**1,420**	**1,438**	**2,192**
FFO	**879**	**1,182**	**1,714**	**1,842**	**2,753**
+/- ΔWC	(45)	(124)	41	22	(97)
+/- Other	21	(80)	(89)	(17)	68
CFO	**855**	**978**	**1,666**	**1,847**	**2,724**
- Div	220	235	294	404	561
- Capex	1,152	1,725	2,243	2,061	3,024
FCF	**(517)**	**(982)**	**(871)**	**(618)**	**(861)**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Ratings

Exhibit 12

Category	Moody's Rating
FORTIS INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured	Baa3
FORTISBC ENERGY INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	A3
ITC HOLDINGS CORP.	
Outlook	Stable
Senior Unsecured	Baa2
Commercial Paper	P-2
TUCSON ELECTRIC POWER COMPANY	
Outlook	Stable
Issuer Rating	A3
Bkd LT IRB/PC	A3
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
FORTISALBERTA INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa1
FORTISBC INC.	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa1
NEWFOUNDLAND POWER INC.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
INTERNATIONAL TRANSMISSION COMPANY	
Outlook	Stable
Issuer Rating	A3
CENTRAL HUDSON GAS & ELECTRIC CORPORATION	
Outlook	Stable
Issuer Rating	A2
Bkd LT IRB/PC	A2
Senior Unsecured	A2
UNS ELECTRIC, INC.	
Outlook	Stable
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
MICHIGAN ELECTRIC TRANSMISSION COMPANY, LLC	
Outlook	Stable
Issuer Rating	A3
Senior Secured	A1
ITC MIDWEST LLC	
Outlook	Stable
Issuer Rating	A3
UNS ENERGY CORPORATION	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
UNS GAS, INC.	
Outlook	Stable
Senior Unsecured	A3

Source: Moody's Investors Service

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE

Fortis Inc.
DBRS Credit Rating Report
May 2018

Rating Report

Fortis Inc.

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DBRS
Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	BBB (high)	Confirmed	Stable
Unsecured Debentures	BBB (high)	Confirmed	Stable
Preferred Shares	Pfd-3 (high)	Confirmed	Stable

Rating Update

On May 1, 2018, DBRS Limited (DBRS) confirmed the ratings of Fortis Inc. (Fortis or the Company. All trends are Stable. The confirmations reflect (1) the successful integration of ITC Holdings Corp. and its subsidiaries (ITC) since the acquisition in October 2016 (the ITC Acquisition); (2) the Company's strong business risk profile as approximately 95% of EBITDA (97% of assets) were generated from regulated utilities; and (3) an improvement of consolidated and non-consolidated credit metrics. The ratings take into account Fortis's structural subordination and mitigation factors such as the diversification of cash flow.

Based on DBRS's review of the Company's 2017 financial performance and its operational performance including the success of the ITC integration into Fortis's system, DBRS maintains the view that the ITC Acquisition modestly improves Fortis's business risk profile with respect to size, scale and diversification. The total consolidated mid-year 2017 rate base, which excludes the Waneta Expansion Project, increased to approximately $24.6 billion as at December 31, 2017. This makes Fortis one of the largest holding companies of regulated assets in North America. At the end of 2017, low-risk transmission assets, electric distribution assets and natural gas distribution assets accounted for approximately 37%, 44% and 16% of consolidated assets, respectively. The remaining non-regulated assets are under long-term contracts. Together, Fortis's portfolio generates strong and predictable stable cash flow to service its debt and other financial obligations. Based on the Company's current strategy, DBRS expects Fortis to pursue organic growth, particularly within its regulated subsidiaries. With this strategy, Fortis's business risk profile is expected to remain stable over the near to medium term. Fortis's consolidated capital expenditures (capex), mostly in the regulated business, are estimated to be approximately $3.2 billion in 2018, which should result in solid growth in the regulated rate base.

Continued on P.2

Financial Information

	3 months ending March 31		12 months ending March 31	Year ended December 31		
Key Credit Ratios	**2018**	**2017**	**2018**	**2017**	**2016**	**2015**
Consolidated cash flow-to-debt 1	11.2%	12.5%	11.8%	12.4%	8.1%	13.6%
Consolidated debt-to-capital 1	57.7%	58.2%	57.7%	58.0%	60.2%	58.1%
Consolidated EBIT-to-interest (x)	2.50	2.71	2.57	2.63	2.10	2.45
Non-consolidated cash flow-to-debt	n.a	n.a	n.a	16.8%	10.5%	17.9%
Non-consolidated cash flow-to-debt & equivalent 1	n.a	n.a	n.a	15.5%	9.8%	14.9%
Non-consolidated debt-to-capital	n.a	n.a	n.a	26.8%	31.9%	24.3%
Non-consolidated fixed-charges coverage (x)	n.a	n.a	n.a	3.15	2.98	2.23

1 DBRS treats preferred shares 25% as debt and 75% as equity.

Issuer Description

Fortis is a leader in the North American electric and gas utility business, with total assets of approximately $49.1 billion as at March 31, 2018. Its regulated utilities account for approximately 97% of total assets and serve utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries. Fortis also owns non-regulated generation assets (mostly hydroelectric under long-term contracts) in Canada (British Columbia and Ontario) and Belize.

Rating Update (CONTINUED)

From a consolidated financial profile perspective, most key credit metrics remained strong for the current ratings as at the end of 2017. From a non-consolidated perspective, DBRS notes that two key credit metrics have improved significantly since the ITC Acquisition. The non-consolidated debt-to-capital was reduced to below 27% (approximately 32% at the end of 2016), and the cash flow-to-non-consolidated debt increased to 16.8%, almost back to the pre-ITC Acquisition level (approximately 18%). Given the current business risk profile, should these two ratios further improve from the current levels, DBRS could consider a positive rating action. However, a significant weakening of its business risk profile and/or a material deterioration of non-consolidated credit metrics could pressure the current ratings.

Rating Considerations

Strengths

1. Strong and stable dividends from low-risk regulated utilities
Cash income and dividends have been strong and continued to grow in 2017. Dividends have been supported by stable earnings and cash flow from low-risk regulated utilities. Regulated operations accounted for the majority of the Company's non-consolidated earnings in 2017. The quality of cash flow after the ITC Acquisition has improved because of more stable and predictable transmission-based earnings and cash flows.

2. Large size and diversified sources of cash flow
Fortis is one of the largest companies in the North American utility industry, with approximately $49.1 billion (97% regulated) in assets as at March 31, 2018. The Company's business risk profile is further supported by a diversified source of cash flow through its ownership of regulated natural gas and electricity utilities in five Canadian provinces, nine U.S. states and three Caribbean countries. DBRS notes that Fortis's cash flow diversification has improved significantly since the completion of the acquisition of CH Energy Group Inc. (CH Energy) in 2013, UNS Energy Corporation (UNS) in 2014 and ITC in 2016.

3. 100% ownership of (and controlling interest in) most of its regulated subsidiaries
Fortis owns 100% of or controlling interest in most of its low-risk regulated utilities. Within the boundaries of regulatory oversight, this provides Fortis with some discretionary power over the manner in which dividends are paid by its operating companies.

4. Strong consolidated metrics
Fortis continues to maintain a reasonably healthy balance sheet. Although consolidated credit metrics are weaker than pre-ITC Acquisition levels, they remain reasonable for the current ratings, with a consolidated debt-to-capital ratio of 58.0% and EBIT interest coverage of 2.6 times (x) in 2017.

Challenges

1. Structural subordination
Fortis is a holding company and its debt is structurally subordinated to the debt issued by its operating companies. DBRS notes that this risk is partially mitigated by the size and scales of its low-risk regulated subsidiary operations and geographical diversification in many jurisdictions in both North America and the Caribbean.

2. Strong ring-fencing at its wholly owned utilities
Fortis faces strong ring-fencing imposed on FortisBC Energy Inc. (FEI; rated "A" with a Stable trend by DBRS) with respect to its capital structure and dividend payouts. In addition, it is common for most of Fortis's subsidiary utilities to maintain their capital structure in line with the regulatory capital structure. As a result, dividend payouts to the Company are subject to its utilities maintaining their regulated capital structures. In addition, dividends to Fortis could be affected should these utilities have large capex programs.

3. Regulatory risk at the utilities level
The Company's regulated utilities are subject to regulatory risk associated with regulatory lags regarding the recovery of capital investments and costs, potentially lower return on equity (ROE), political intervention and rate freezes. DBRS recognizes that although the Company's utilities currently operate in good regulatory frameworks in Canada and reasonable regulatory frameworks in the United States and Caribbean, there is no assurance that these regulations will not change in the future and such changes may have a material impact on the ability of these utilities to pay dividends to Fortis.

Non-Consolidated Adjusted Earnings*

Segmented Net Earnings Attributable to Common Equity Shareholders

Earnings Breakdown: Non-Consolidated	Year ended December 31		
(Unaudited)	**2017**	**2016**	**2015**
(CAD millions)			
Eastern Canadian	64	64	62
FortisAlberta	120	121	129
FortisBC Electric	55	54	50
FortisBC Energy	154	151	140
Regulated - Canadian	**393**	**390**	**381**
ITC	363	81	-
Central Hudson	72	70	58
UNS Energy	264	217	195
Regulated - United States	**699**	**368**	**253**
Regulated - Caribbean	**34**	**46**	**34**
Energy Infrastructure	94	66	45
Fortis Properties (Non-Utility sold in June/October 2015)	-	-	13
Non-Regulated	**94**	**66**	**58**
Total equity income	**1,220**	**870**	**726**
Interest and other income	9	9	22
Total Equity and Investment Income	**1,229**	**879**	**748**
Operating expense (net of management fees)	41	29	26
Gross interest expense	184	122	97
Capitalized and amortization of deferred charges	5	1	(3)
Depreciation	2	4	2
Taxes	(121)	(73)	(40)
Preferred dividends	65	75	77
Net not-consolidated Income	**1,053**	**721**	**589**

* Earnings adjusted to reflect the impact of the following items: (1) non-cash writedowns as a result of remeasuring deferred income tax assets and liabilities related to U.S. Tax Reform; (2) receipt of a break fee associated with the termination of the Waneta Dam purchase agreement; (3) one-time unrealized foreign exchange gain on a U.S. dollar-denominated affiliate loan; (4) FERC ordered transmission refunds at UNS Energy (5) acquisition-related expenses and fees; (6) accelarated vesting of stock compensation awards at ITC; (7) gains on sales of non-core assets; and (8) other non-recurring items.

Non-Consolidated Earnings Summary

- Overall, Fortis has benefitted from stable and diversified earnings underpinned by a large and diversified portfolio of investments in regulated utilities, mostly within Canada and the United States. Regulated utilities and investment income accounted for the majority of Fortis's non-consolidated earnings in 2017. Going forward, regulated earnings are expected to account for between 93% and 95% of total earnings (excluding corporate expenses).
- The acquisition of CH Energy (June 2013), UNS (August 2014) and ITC (October 2016) further strengthened the Company's regulated earnings.
- Non-regulated generation assets (mainly hydroelectric) are located in Ontario, British Columbia and Belize. Most generation output is sold under long-term contracts, reducing the Company's earnings exposure to power price volatility.

Non-Consolidated Cash Flow, Capital Structure and Ratios

Non-consolidated Capital Structures	Year ended December 31		
(CAD millions)	2017	2016	2015
Current portion of long-term debt	206	500	0
Long-term debt + Facilities	4,715	5,379	2,318
Preferred shares as debt	406	406	455
Preferred shares as equity	1,218	1,218	1,365
Common equity	13,380	12,352	7,340
Non-consolidated Cash Flow & Ratios			
Cash flow	825	616	414
Cash flow/non-consolidated debt	16.8%	10.5%	17.9%
Cash flow/non-consolidated debt & equivalent 1	15.5%	9.8%	14.9%
Cash flow/interest on non-consolidated debt (times)	4.26	4.81	4.00
Cash flow/(interest and preferred dividends) (times)	3.15	2.98	2.23
Non-consolidated debt-to-capital 1	26.8%	31.9%	24.3%

1 DBRS treats preferred shares 25% as debt and 75% as equity.

Summary

- Solid credit metrics in 2017 reflected lower non-consolidated leverage that decreased to 26.8%, which was still higher than the 20.0% threshold that DBRS uses in its notching guidelines for a holding company relative to its subsidiaries.
- The cash flow-to-debt ratio improved in 2017, reflecting a substantial increase in cash flow as a result of full-year contribution from ITC, while the cash flow in 2016 reflected a partial-year contribution from ITC. In DBRS's view, all of Fortis's non-consolidated metrics are solid for the current ratings given that the Company has a large, low-risk, diverse investment portfolio and a high degree of cash flow stability.
- DBRS expects the non-consolidated metrics in 2018 to remain solid, reflecting a stable cash flow and lower debt level.

Liquidity and Long-Term Debt Maturities

(CAD millions)	Fortis Inc. (Parent & Other)	Regulated Subsidiaries	Mar. 31, 2018	Dec. 31, 2017
Total credit facilities	1,385	3,640	5,025	4,952
- Short-term borrowings	0	(39)	(39)	(209)
- Long-term debt	(206)	(711)	(917)	(671)
Letters of credit outstanding	(56)	(73)	(129)	(129)
Credit Facilities Available	**1,123**	**2,817**	**3,940**	**3,943**

Non-Consolidated

- As at December 31, 2017, Fortis's liquidity remained sufficient to finance its working capital, which is expected to be modest given that (1) there is no long-term debt issued by Fortis due until 2019 and (2) there are no major capital projects currently being undertaken by Fortis following the completion of the Waneta Expansion Project in 2015.

Liquidity and Long-Term Debt Maturities (CONTINUED)

Capex Profile	Year ended December 31		
(CAD millions)	2018*	2017	2016
Canadian Regulated Utilities	1,128	1,121	946
U.S. Regulated Utilities	1,824	1,736	980
Caribbean Regulated Utilities	152	146	106
Total Regulated Utilities	**3,104**	**3,003**	**2,032**
Non-Regulated	49	21	29
Total Capex	**3,153**	**3,024**	**2,061**

* Forecast provided by Fortis.

- Following the completion of the Waneta Expansion Project in 2015 and sale of the properties assets in 2015, capex for non-regulated capital projects are expected to be minimal in 2018.
- All capex in 2018 at the regulated utilities level are expected to be financed by the subsidiaries utilities, with modest equity contributions required from Fortis. As a result, DBRS does not expect the Company to seek material external funds to inject into its regulated subsidiaries.

Regulation Update

ITC Holdings Corp.

- ITC is regulated by the Federal Energy Regulatory Commission (FERC) and operates under COS. The common equity component of the capital structure for ITC was 60% for 2016 and 2017. In September 2016, FERC issued an order affirming the presiding Administrative Law Judge's (ALJ) initial decision for the Initial Refund Period and setting the base ROE for the Initial Refund Period at 10.32%, with a maximum ROE of 11.35%. In June 2016, the presiding ALJ issued an initial decision for the Second Refund Period, recommending a base ROE of 9.70%, with a maximum ROE of 10.68%.
- During Q1 2017, ITC provided a refund of USD 118 million, including interest, for the Initial Refund Period. The estimate range of the refunds for the Second Refund Period is between USD 106 million and USD 145 million.

UNS Energy Corporation

- UNS Energy is regulated by the Arizona Corporation Commission (ACC) and operates under COS.
- In February 2017, Tucson Electric Power, UNS's largest utility, received a rate order from the ACC that took effect February 27, 2017. The rate order allows a 7.04% return on original cost rate base, including a cost of equity of 9.75% and an embedded cost of long-term debt of 4.32% and a deemed equity component of 50.0%.
- UNS Electric's allowed ROE was set at 9.50%, with a deemed equity component of 52.8% effective August 1, 2016.
- UNS Gas's allowed ROE was set at 9.75%, with a deemed equity component of 50.8% effective May 1, 2012.

Central Hudson Gas & Electric Corp.

- Central Hudson Gas & Electric Corp. (Central Hudson) is regulated by the New York Public Service Commission (PSC). In June 2015, the PSC issued a Rate Order for Central Hudson covering a three-year period of electricity and natural gas delivery rates effective July 1, 2015. The approved Rate Order allows Central Hudson to earn an allowed ROE of 9.0% with a 48.0% common equity component of capital structure. Central Hudson is also subject to an earnings-sharing mechanism, which shares with customers equally the excess earnings over the allowed ROE between 50 basis points (bps) and 100 bps. Earnings that are 100 bps over the allowed ROE are shared primarily with the customer.
- In July 2017, Central Hudson filed a rate case with the PSC, requesting to increase the allowed ROE to 9.5% from 9.0% and equity component of the capital structure to 50% from 48%. In April 2018, Central Hudson filed a Joint Proposal for a three-year rate plan for electric and gas delivery service starting July 1, 2018, through June 30, 2021, including an allowed ROE of 8.8% and a common equity ratio of 48% in rate year one, 49% in rate year two and 50% in rate year three. It also includes an earnings sharing mechanism. An order is expected in June 2018.

Regulation Update (CONTINUED)

FortisBC Energy Inc. and FortisBC Inc.

- FEI and FortisBC Inc. (FortisBC; rated A (low) with a Stable trend by DBRS) are regulated by the British Columbia Utilities Commission (BCUC). FEI and FortisBC are subject to Multi-Year Performance Based Ratemaking (PBR) Plans for 2014 through 2019. The PBR Plans, as approved by the BCUC, incorporate incentive mechanisms for improving operating and capex efficiencies. In October 2015, FEI filed its application to review the 2016 benchmark allowed ROE and common equity component of capital structure. In August 2016, the BCUC issued its decision on the Generic Cost of Capital Proceeding, which maintained the ROE and common equity component of capital structure at 8.75% and 38.50%, respectively, effective January 1, 2016. FortisBC's allowed ROE is 9.15% with a 40.0% common equity component of capital structure, effective January 1, 2013. These rates have been unchanged since 2013.

FortisAlberta Inc.

- FortisAlberta Inc. (FAB; rated A (low) with a Stable trend by DBRS) is regulated by the Alberta Utilities Commission (AUC). FAB is subject to Multi-Year PBR Plans from 2013 through 2017. In July 2017, AUC established a proceeding to determine FAB's 2018 to 2020 ROE and capital structure. The ROE at 8.5% in 2017, and the deemed equity component of capital structure at 37.0% remain unchanged on an interim basis. A decision is expected in Q3 2018.
- FAB filed a rebasing application in April 2017 to establish the going-in revenue requirement and an incremental capital funding program from 2018 to 2022. In February 2018, AUC issued a decision on the rebasing application. FAB was directed to file a rebasing compliance filing in March and to use the 2017 rates on an interim basis for 2018. The final 2018 rates are effective April 1, 2018.

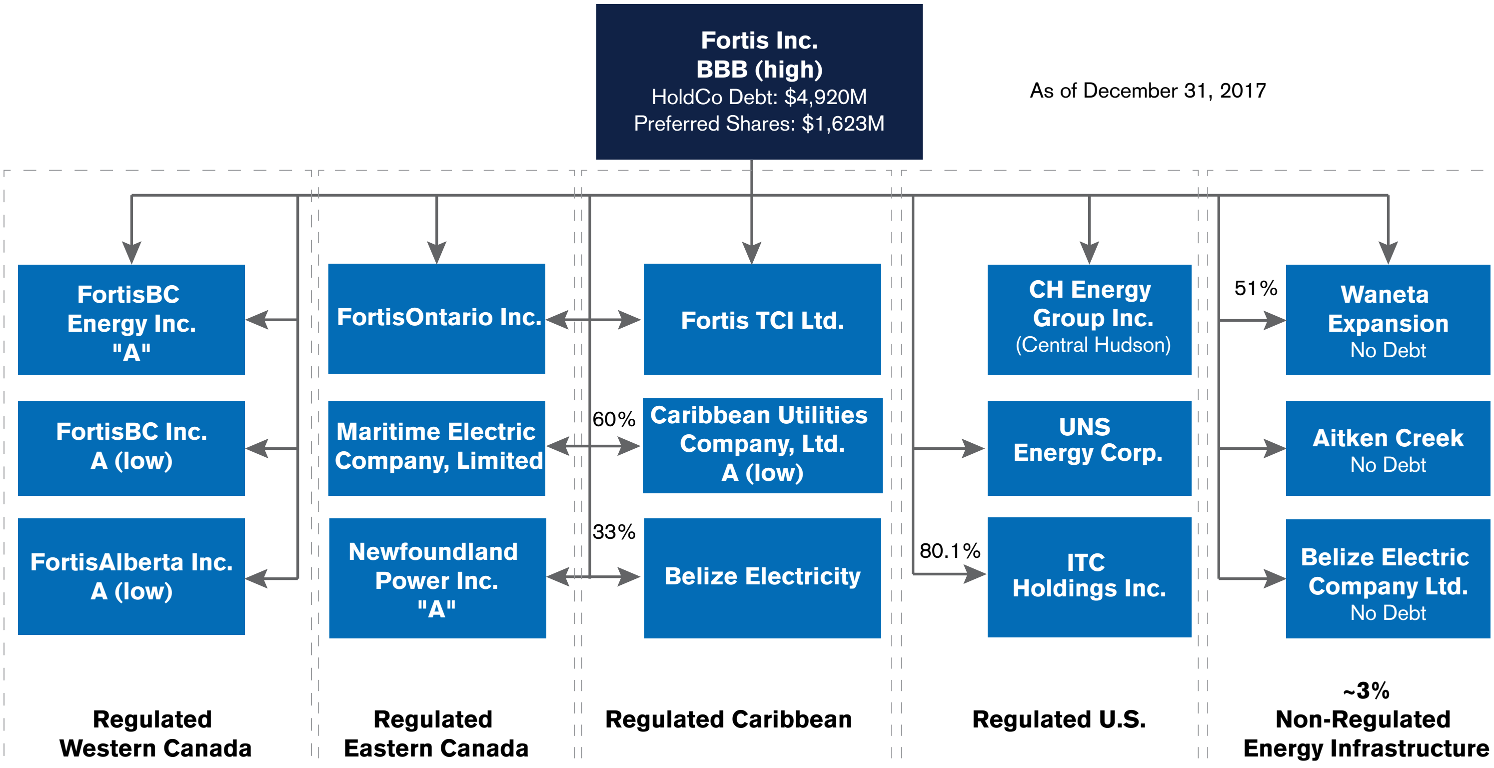
Eastern Canadian Electric Utilities

- In June 2016, Newfoundland and Labrador's Board of Commissioners of Public Utilities (PUB) issued an order on Newfoundland Power's (NP) 2016/2017 General Rate Application with new customer rates effective July 1, 2016. The order, which established the cost of capital for 2016-2018, set the allowed ROE at 8.50% effective January 1, 2016, down from the 8.80% that was in effect since January 1, 2013, on a 45% common equity component of capital structure.

Caribbean Regulated Electric Utilities

- Caribbean Utilities Company, Ltd. (CUC; rated A (low) with a Stable trend by DBRS) is regulated by the Utility Regulation and Competition Office. CUC is allowed to earn a Return on Rate Base (RORB) within a particular target. For 2018, the target RORB range was set at 7.00% to 9.00%.
- Fortis's Turks and Caicos' electricity rates are set by the government of the Turks and Caicos Islands using a historical test year, to provide an allowed return on assets between 15.0% and 17.5%.

Description of Operations



Regulated Western Canadian Utilities

FEI (100% owned): FEI provides transmission and distribution services to approximately 1,008,000 customers and on the customers' behalf, sourcing natural gas supplies from Northern British Columbia and through the Company's Southern Crossing Pipeline from Alberta.

FortisBC (100% owned): FortisBC is a vertically integrated regulated utility operating in South-Central British Columbia. Its generation assets include four hydroelectric generating plants (combined capacity of 225 megawatts (MW)) on the Kootenay River. FortisBC serves approximately 172,000 direct and indirect customers.

FAB (100% owned): FAB is a regulated electricity distributor with a franchise area that includes Central and Southern Alberta, the suburbs surrounding Edmonton, Calgary, Red Deer, Lethbridge and Medicine Hat.

Regulated Eastern Canadian Utilities

NP (100% owned): NP is the principal distributor of electricity on the island portion of Newfoundland and Labrador. It serves approximately 266,000 customers. Fortis also owns a portion of NP's preferred shares.

Maritime Electric (100% owned): Maritime Electric is the principal distributor of electricity on Prince Edward Island. It also maintains on-island generating facilities with a combined capacity of 145 MW. Maritime Electric is indirectly owned by Fortis through FortisWest Inc.

FortisOntario Inc. (FortisOntario): FortisOntario is an integrated electric utility providing services to customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario also owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies.

Wataynikaneyap Partnership: The Wataynikaneyap Partnership is a partnership between 22 First Nation communities and Fortis with a mandate of connecting remote First Nation communities to the electricity grid in Ontario through the development of new transmission lines (the Wataynikaneyap Power Project). The Wataynikaneyap Power Project is currently in the development stage.

Regulated U.S. Utilities

ITC Holdings Inc. (approximately 80% owned): ITC owns and operates high-voltage transmission facilities in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma, serving a combined peak load exceeding 26,000 MW along approximately 25,000 kilometres of transmission line.

Description of Operations (CONTINUED)

CH Energy Group Inc. (100% owned): This company entails Central Hudson Gas & Electric, a regulated transmission and distribution utility that serves approximately 300,000 electric and 80,000 gas customers in the state of New York's Mid-Hudson River Valley. Fortis acquired this company in 2013.

UNS Energy (100% owned): UNS is a vertically integrated utility services holding company headquartered in Tucson, Arizona, and is engaged in the regulated electric generation and energy delivery business through its primary subsidiaries Tucson Electric Power, UNS Electric Inc. and UNS Gas Inc., serving approximately 518,000 retail electricity customers and approximately 156,000 retail gas customers. UNS was acquired by Fortis in 2014.

Regulated Caribbean Utilities

CUC (approximately 60% owned): CUC is a fully integrated electricity utility on Grand Cayman, Cayman Islands, with an installed generating capacity of 161 MW. It serves approximately 29,000 customers.

Fortis Turks and Caicos (100% owned): This company serves approximately 15,000 consumers on the Turks and Caicos Islands, pursuant to two 50-year licences that will expire in 2036 and 2037, respectively. The company has a combined diesel-fired generating capacity of 84 MW.

Belize Electricity Limited (BEL) (33% owned): Fortis Inc. holds a 33% equity investment in BEL. BEL is an integrated electric utility and principal distributor of electricity in Belize.

Non-Regulated Operations

Fortis Generation	Plants	Fuel	Generating Capacity (MW)
Belize	3	Hydro	51
British Columbia	1	Hydro	335
Ontario	1	Gas	5
Total	**5**		**391**

- **Belize:** Belize Electric Company Limited owns three hydroelectric generating facilities with a combined capacity of 51 MW held through the company's indirectly owned subsidiary, Belize Electric Company Limited. All of the output is sold to BEL under 50-year power purchase agreements expiring in 2055 and 2060.
- **British Columbia:** Fortis Inc. has a 51% controlling ownership interest in Waneta Expansion Limited Partnership. All of the output of the Waneta Expansion Project is sold to British Columbia Hydro and Power Authority (rated AA (high) with a Stable trend by DBRS) and FortisBC Inc. under 40-year contracts.
- **Ontario:** FortisOntario owns a 5 MW gas-powered cogeneration plant in Cornwall. All thermal energy output of this plant is sold to external third parties, while the electricity output is sold to Cornwall Electric.
- **Aitken Creek:** In April 2016, Fortis acquired approximately 94% of Aitken Creek Gas Storage ULC, an underground natural gas storage facility (capacity of 77 billion cubic feet) in British Columbia.

Fortis Inc.

Consolidated Earnings	3 months ending March 31		12 months ending March 31	Year ended December 31		
(CAD millions)	2018	2017	2018	2017	2016	2015
Revenues	2,197	2,274	8,224	8,301	6,838	6,757
EBITDA	915	941	3,653	3,679	2,466	2,292
EBIT	613	644	2,469	2,500	1,483	1,419
Gross interest expense	245	238	959	952	707	580
Net earnings as reported	364	337	1,152	1,125	713	840
Net earnings to common equity shareholders	323	294	992	963	585	728
Non-recurring items	(30)	(7)	67	90	130	(139)
Adjusted net earnings to common equity shareholders	293	287	1,059	1,053	715	589

Consolidated Cash Flow Statements	3 months ending March 31		12 months ending March 31	Year ended December 31		
(CAD millions)	2018	2017	2018	2017	2016	2015
Cash flow from operations	**650**	**712**	**2,723**	**2,785**	**1,879**	**1,721**
Dividends to common shareholders	(116)	(98)	(437)	(419)	(316)	(232)
Dividends to non-controlling interests	(24)	(17)	(116)	(109)	(53)	(23)
Dividends to preferred shareholders	(16)	(16)	(65)	(65)	(72)	(77)
Capital expenditures	(658)	(696)	(2,884)	(2,922)	(2,011)	(2,184)
Gross free cash flow	**(164)**	**(115)**	**(779)**	**(730)**	**(573)**	**(795)**
Working capital/LT regulatory assets+liab.	(61)	(171)	81	(29)	5	(48)
Net free cash flow	**(225)**	**(286)**	**(698)**	**(759)**	**(568)**	**(843)**
Business acquisitions	0	0	0	0	(4,841)	(70)
Asset sales and other investing activities	(20)	(23)	(100)	(103)	(39)	886
Cash flow to be financed	**(245)**	**(309)**	**(798)**	**(862)**	**(5,448)**	**(27)**
Net change in equity	16	515	66	565	1,406	60
Net change in preferred shares	0	0	0	0	(200)	0
Net change in debt	232	(176)	783	375	4,285	(74)
Others/FX exchanges	3	(1)	(16)	(20)	(16)	53
Change in cash	**6**	**29**	**35**	**58**	**27**	**12**

Consolidated Key Ratios						
Total debt-to-capital 1	57.7%	58.2%	57.7%	58.0%	60.2%	58.1%
Total debt-to-EBITDA (times) 1	6.32	6.07	6.33	6.11	9.39	5.52
Cash flow-to-debt & equivalent 1	11.2%	12.5%	11.8%	12.4%	8.1%	13.6%
EBIT interest coverage (times)	2.50	2.71	2.57	2.63	2.10	2.45
Fixed charges coverage (times)	2.30	2.48	2.32	2.40	1.83	2.06

1 DBRS treats preferred shares 25% as debt and 75% as equity.

Fortis Inc. (Consolidated)

Balance Sheet

(CAD millions)	March 31	December 31			March 31	December 31	
Assets	**2018**	**2017**	**2016**	**Liabilities & Equity**	**2018**	**2017**	**2016**
Cash & equivalents	333	327	269	S.T. borrowings	39	209	1,155
Accounts receivable	1,188	1,131	1,127	Current portion L.T.D.	1,002	752	327
Inventories	322	367	372	Accounts payable	1,980	2,053	1,970
Current regulatory assets	316	303	313	Regulatory liabilities	505	490	492
Prepaid expenses	79	79	85	Others	-	-	-
Total Current Assets	**2,238**	**2,207**	**2,166**	**Total Current Liab.**	**3,526**	**3,504**	**3,944**
Net fixed assets	30,506	29,668	29,337	Long-term debt	21,674	21,105	21,277
Regulatory assets	2,805	2,742	2,620	Deferred income taxes	2,330	2,298	3,263
Goodwill	11,927	11,644	12,364	Regulatory liabilities	3,052	2,956	1,691
Intangibles	1,105	1,081	1,011	Other L-T liabilities	1,225	1,210	1,279
Other assets	502	480	406	Minority interest	1,787	1,746	1,853
				Preferred shares	1,623	1,623	1,623
				Common equities	13,866	13,380	12,974
Total Assets	**49,083**	**47,822**	**47,904**	**Total Liab. & SE**	**49,083**	**47,822**	**47,904**

Rating History

	Current	2017	2016	2015	2014	2013	2012
Issuer Rating	BBB (high)	BBB (high)	BBB (high)	A (low)	A (low)	A (low)	A (low)
Unsecured Debentures	BBB (high)	BBB (high)	BBB (high)	A (low)	A (low)	A (low)	A (low)
Preferred Shares	Pfd-3 (high)	Pfd-3 (high)	Pfd-3 (high)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)

Previous Report

- Fortis Inc.: Rating Report, May 9, 2017.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales) (CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/225752/highlights.pdf.

Fortis Inc.
Moody's Issuer Profile
June 2018

MOODY'S
INVESTORS SERVICE

ISSUER PROFILE
20 June 2018

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Fortis Inc.

Key Facts and Statistics - LTM March 2018

Company overview

Fortis, Inc. (Fortis) is a Canada-based diversified utility holding company that owns regulated electric and gas utilities operations in Canada, the US and the Caribbean. Its regulated business is mainly operated through subsidiaries ITC Holdings Corp. (ITC), Tucson Electric Power Company (TEP), Central Hudson Gas & Electric Corporation (Central Hudson), FortisBC Energy Inc. (FortisBC Energy), FortisBC Inc. (FortisBC Electric), FortisAlberta Inc. (FortisAlberta) and other smaller electric utilities in eastern Canada and in the Caribbean. Fortis also maintains non-regulated hydroelectric power-generating assets in British Columbia and Belize as well as a natural gas storage facility in British Columbia.

As of 31 December 2017, Fortis reported total assets of CAD48 billion, of which regulated utilities assets (81% electric and 16% gas) accounted for 97% and non-regulated energy infrastructure 3%. In the 12 months ending 31 March 2018 (LTM Mar 2018), the company generated total revenue of CAD8.2 billion.

Fortis was established in 1885 as St. John's Electric Light Company in Newfoundland and Labrador, Canada. In 1924, it changed its name to Newfoundland Light and Power Company (NLPC). In 1987, Fortis, a new holding company was established, and NLPC became its wholly owned subsidiary. The company's common stock is listed on the Toronto and New York stock exchanges (ticker: FTS). As of 31 March 2018, Royal Bank of Canada, owning 7.3% of the company's total share capital, was its largest shareholder.

Source: Company reports (Q1 results 2018, annual report Dec 2017, annual information form Dec 2017), Moody's Financial Metrics, Moody's Investors Service research, company data

Business description

Fortis is a diversified utility holding company that owns regulated electricity and gas utilities operating in Canada, the US and the Caribbean. It serves utility customers in 17 jurisdictions across North America, including five Canadian provinces and nine US states, and three Caribbean countries. As of 31 December 2017, the company maintained approximately 65% of its assets outside Canada, including 61% in the US.

In 1885, St. John's Electric Light Company was established in Newfoundland and Labrador, Canada. The company changed its name to NLPC in 1924. In 1948, NLPC became a pure electricity company and listed its shares the following year. In 1966, NLPC merged with Union Electric Light and Power Company, and United Towns Electric Company Limited. In 1987, it became a wholly owned subsidiary of Fortis, a newly formed holding company. NLPC exchanged all its shares with those of Fortis in a ratio of 1:1.

In 1989, Fortis entered the non-regulated sector by acquiring Water Street Investments Inc., a real estate company, and formed Fortis Properties Corporation (Fortis Properties). The same year, it acquired Newfoundland Building Savings and Investment Limited, a Canadian savings and mortgage firm, later renaming it Fortis Trust Corporation (Fortis Trust). In June 2001, all Fortis Trust's deposits and loans were sold to Scotiabank. In June 2015, Fortis divested the commercial real estate assets of Fortis Properties to a subsidiary of Slate Office REIT for CAD430 million. In October 2015, it disposed of the hotel assets of Fortis Properties to a private investor group for CAD365 million. Divesting these two businesses reflected Fortis's strategy of focusing on its core utility business.

In 1990, Fortis acquired a 33% interest in Maritime Electric Company, Limited (Maritime Electric), increasing its stake to 100% in 1994. In 1996, it acquired a 50% stake in Canadian Niagara Power Company, Limited (Canadian Niagara Power), and purchased the remaining 50% in 2002. In 1999, the company expanded its operations internationally by taking a 68% stake in Belize Electricity Limited (Belize Electricity) and purchasing generating assets in New York State. In August 2015, as a part of an expropriation settlement with the Government of Belize associated with Fortis's 70% interest in Belize Electricity, Fortis received $35 million in cash and an approximate 33% common equity investment in Belize Electricity. In March 2000, Fortis acquired a 20% interest in Caribbean Utilities Company Ltd (CUC). Fortis purchased the balance of its investment in CUC in 2006 and at 31 December 2017 held a 60% controlling interest.

In October 2002, Fortis acquired Cornwall Electric and its wholly owned subsidiary Cornwall District Heating Company, Limited (CDH District Heating). In December 2002, it sold CDH District Heating to Canadian Niagara Power. In April 2003, Fortis restructured its utility operations in Ontario, merging Canadian Niagara Power with FortisOntario Inc. and calling the newly merged entity FortisOntario Inc. (FortisOntario).

In May 2004, Fortis acquired Aquila, Inc.'s utilities in Alberta and British Columbia for approximately CAD1.5 billion, renaming them FortisAlberta and FortisBC respectively. In August 2006 it acquired P.P.C. Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd., an electricity distributor based in the Turks and Caicos Islands, for approximately $90 million. In May 2007, the company expanded its presence in British Columbia by acquiring Terasen Gas for CAD3.7 billion. It renamed the company FortisBC Holdings Inc. in 2011.

In June 2013, Fortis entered the US regulated electricity and gas distribution business by acquiring CH Energy Group for $1.5 billion. In August 2014, it bought UNS Energy, a vertically integrated utility services holding company, for $4.5 billion. The acquisition expanded Fortis's geographic diversification of regulated assets in the US. In October 2016, Fortis and an affiliate of GIC Private Limited (GIC) acquired all the outstanding common shares of ITC Holdings Corp. (ITC), the largest independent electricity transmission company in the US, for $11.8 billion. Fortis holds an 80.1% stake in ITC, while an affiliate of GIC owns the remaining 19.9% interest.

As of 31 December 2017, Fortis operated 10 utility companies in Canada, the US and the Caribbean, serving 3.2 million customers (2 million electric utility and 1.2 million gas utility customers). During the first quarter ended 31 March 2018 (Q1 March 2018), the company restructured segments and combined its Eastern Canadian and Caribbean segments under one segment - Other Electric. Consequently, the company operates through the following segments:

Regulated – US: Accounting for 48.8% of the company's revenue in Q1 March 2018, this segment comprises the operations of Fortis subsidiaries ITC, UNS Energy and Central Hudson.

- **ITC**: ITC owns and operates high-voltage transmission lines serving a system peak load of approximately 22,000 megawatts (MW) spanning approximately 25,000 km in the US Midwest region. It operates through subsidiaries International Transmission Company; Michigan Electric Transmission Company, LLC; ITC Midwest LLC; and ITC Great Plains, LLC, combined as ITC Holdings Corp. (ITC).
- **UNS Energy**: UNS Energy operates through subsidiaries Tucson Electric Power Company (TEP), UNS Electric, Inc. (UNS Electric) and UNS Gas, Inc. (UNS Gas). TEP generates, transmits and distributes electricity to retail customers in southeastern Arizona, including the greater Tucson metropolitan area in Pima County and parts of Cochise County. TEP also sells wholesale electricity to other entities in the western US. UNS Electric generates, transmits and distributes electricity to retail customers in Arizona's Mohave and Santa Cruz counties. TEP and UNS Electric have a combined generation capacity of 2,834 MW, including 64 MW of solar capacity. UNS Gas serves retail customers in Arizona's Mohave, Yavapai, Coconino, Navajo and Santa Cruz counties.
- **Central Hudson**: Central Hudson is a regulated transmission and distribution (T&D) utility serving eight counties in New York State's Mid-Hudson River Valley. It has a gas-fired and hydroelectric generating capacity of 64 MW.

Regulated – Canada: Accounting for 31% of the company's revenue in Q1 March 2018, this segment comprises the operations of Fortis subsidiaries FortisBC Energy Inc. (FortisBC Energy), FortisAlberta Inc. (FortisAlberta), FortisBC Electric.

- **FortisBC Energy**: Fortis BC Energy distributes natural gas in the Mainland, Vancouver Island and Whistler regions of British Columbia, serving more than 135 communities. It also provides T&D services to customers, and supplies natural gas from northeastern British Columbia and through FortisBC Energy's southern crossing pipeline, from Alberta.
- **FortisAlberta**: FortisAlberta owns and operates the electricity distribution network in parts of southern and central Alberta.
- **FortisBC Electric**: FortisBC Electric includes the integrated electric utility operations of FortisBC Inc. in the southern interior of British Columbia. It owns four hydroelectric generating facilities with a combined capacity of 225 MW. It also provides operating, maintenance and management services to third-party hydroelectric generating facilities in British Columbia.

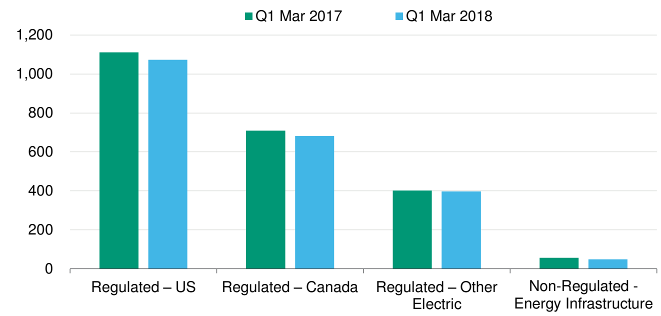
Regulated – Other Electric: Accounting for 18% of the company's revenue in Q1 March 2018, this segment combines the operations of:

- **Eastern Canadian**: Eastern Canadian consists of Newfoundland Power Inc. (Newfoundland Power), Maritime Electric, FortisOntario and the Corporation's 49% equity investment in Wataynikaneyap Power Limited Partnership. Newfoundland Power distributes electricity to the island portion of Newfoundland and Labrador, and retains installed generating capacity of 139 MW, including 97 MW of hydroelectric generation. Maritime Electric distributes electricity on Prince Edward Island and maintains on-island generating facilities with a combined capacity of 145 MW. FortisOntario serves customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario through its three electric utilities. Wataynikaneyap Partnership is a power project to connect 17 remote First Nations communities in Northwestern Ontario to the main electricity grid through construction of 1,800 km of transmission lines.
- **Caribbean Electric:** This segment operates through CUC, in which Fortis holds an approximately 60% stake; two wholly owned utilities in the Turks and Caicos Islands, FortisTCI Limited and Turks and Caicos Utilities Limited (together Fortis Turks and Caicos); and Belize Electricity, in which Fortis has a 33% equity stake. CUC is an integrated electric utility servicing Grand Cayman, the largest of the three Cayman Islands, and has installed diesel-powered generating capacity of 161 MW. Fortis Turks and Caicos provides electricity to the Turks and Caicos Islands through its two diesel-powered integrated electric utilities, which have a generation capacity of 84 MW. Belize Electricity distributes electricity in Belize.

Non-Regulated – Energy Infrastructure: Accounting for 2.2% of the company's revenue in Q1 March 2018, this segment comprises long-term contracted generation assets in British Columbia and Belize, and the Aitken Creek natural gas storage facility.

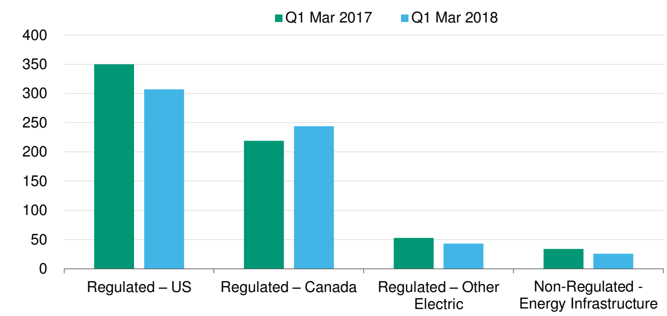
Source: Company reports (Q1 results 2018, annual report Dec 2017, Dec 2016, Dec 2014, Dec 2013, Dec 2006, Dec 2004, Dec 2003, Dec 2002 and Dec 1996; annual information form Dec 2017, Dec 2011, Dec 2010 and Dec 2007); company data; Moody's Investors Service research

Exhibit 1
Revenue by segment
(CAD Million)



Note: Non-Regulated Energy Infrastructure was previously known as Fortis Generation
Source: Company report (Q1 results 2018)

Exhibit 2
Operating income by segment
(CAD Million)



Note: Non-Regulated Energy Infrastructure was previously known as Fortis Generation
Source: Company report (Q1 results 2018)

Management strategy

Fortis seeks to leverage its operating model, utilities operations, operating expertise, position and financial strength to boost its growth by undertaking the following strategic initiatives:

» Investing in infrastructure development to meet customer demand. The company plans capital expenditures of around CAD15.1 billion for 2018 through 2022 to increase its consolidated regulatory asset value (rate base) to CAD33 billion by 2022.

» Pursuing additional liquefied natural gas (LNG) infrastructure opportunities in British Columbia through the pipeline expansion programme of the Woodfibre LNG export site and further expanding its Tilbury LNG facility.

» Focusing on electricity transmission investment opportunities, including: 1) developing a new transmission line connecting First Nations communities to the electricity grid in Ontario through its 49% ownership interest in the Wataynikaneyap Partnership (acquired in March 2017); and 2) the Lake Erie Connector project at ITC, which would connect the Ontario energy grid to the PJM Interconnection, LLC energy market.

» Enhancing customer and regulatory relationships across its utilities

» Targeting average annual dividend growth of approximately 6% through 2022

» Supporting growth by pursuing strategic utility acquisitions

» Focus on modernizing energy networks in line with changes occurring in the utility industry.

Source: Company reports (annual report Dec 2017, Q1 2018 investor presentation, Q1 results 2018)

Financial highlights

Overview

Company Type: Public
Exchange Listing: Toronto Stock Exchange: FTS; New York Stock Exchange: FTS
Fiscal Year End: December 31
Financial Filings: Canadian Securities Administrators
US Securities and Exchange Commission (SEC)
Auditor: Deloitte LLP

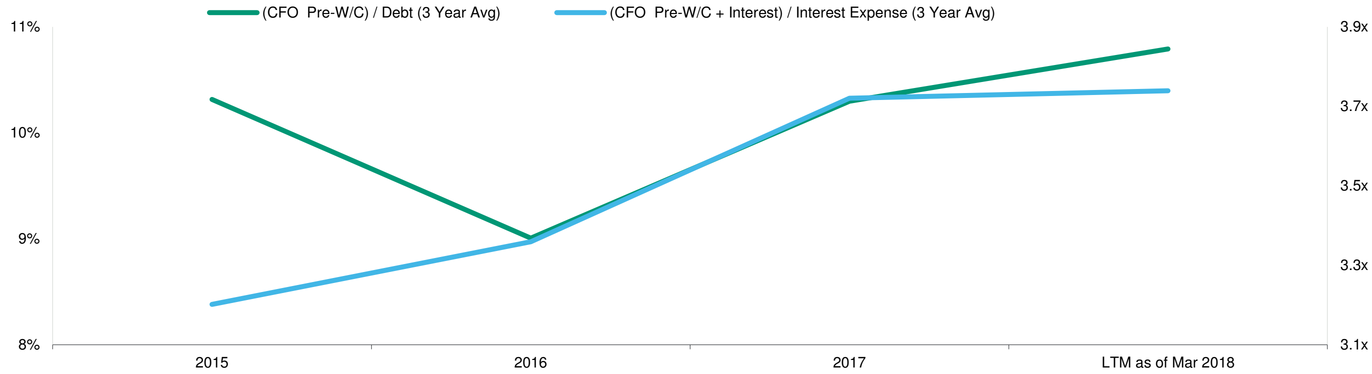
Note: The financials presented below have been adjusted for Moody's analytic purposes. To see how adjustments have been made, please see [Moody's Financial Metrics](), a fundamental financial data and analytics platform that offers insight into the drivers of Moody's Corporate ratings.

Exhibit 3
Selected adjusted financial data
Fortis Inc.

(in CAD Million)	LTM as of 31-Mar-18	31-Dec-17	31-Dec-16	31-Dec-15
INCOME STATEMENT				
Revenue/Sales	8,224	8,301	6,838	6,757
Gross Profit	5,892	5,946	4,509	4,183
EBITDA	3,770	3,817	2,541	2,353
EBIT	2,586	2,638	1,558	1,480
Interest Expense	970	963	732	609
Net Income	1,019	992	627	597
BALANCE SHEET				
Cash & Cash Equivalents	333	327	269	242
Current Assets	2,238	2,207	2,166	1,857
Net Property, Plant & Equipment (PP&E)	30,551	29,713	29,451	19,709
Total Assets	49,128	47,867	48,018	28,918
Current Liabilities	3,537	3,515	3,957	2,650
Total Debt	23,865	23,217	23,991	13,665
Total Liabilities	34,589	33,815	34,383	20,024
Shareholders' Equity	14,540	14,053	13,635	8,894
CASH FLOW				
Funds from Operations (FFO)	2,691	2,753	1,842	1,714
Cash Flow from Operations (CFO)	2,772	2,724	1,847	1,666
Capital Expenditures (CAPEX)	(3,000)	(3,024)	(2,061)	(2,243)
Cash from Investing Activities	(2,984)	(3,025)	(6,891)	(1,368)
Dividends	(586)	(561)	(404)	(294)
Retained Cash Flow (RCF)	2,105	2,192	1,438	1,420
Preferred Stock Issued/Repurchased	–	–	(200)	–
Cash from Financing Activities	253	372	5,088	(339)

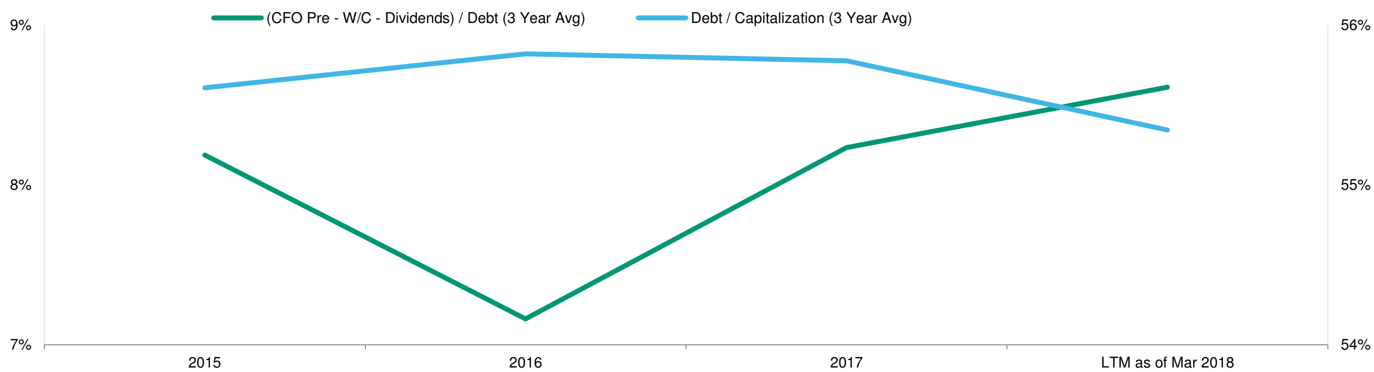
LTM = last twelve months
Source: Moody's Financial Metrics

Exhibit 4
(CFO Pre-W/C + Interest)/Interest Expense and (CFO Pre-W/C)/Debt (Adjusted)



As of 31 Mar 2018
Source: Moody's Financial Metrics

Exhibit 5
(CFO - Dividends)/Debt and Debt/Book Capitalization (Adjusted)



As of 31 Mar 2018
Source: Moody's Financial Metrics

Capital structure and debt maturity

Note: The financials presented below have been adjusted for Moody's analytic purposes. To see how adjustments have been made, please see Moody's Financial Metrics , a fundamental financial data and analytics platform that offers insight into the drivers of Moody's Corporate ratings.

Exhibit 6

Capital structure

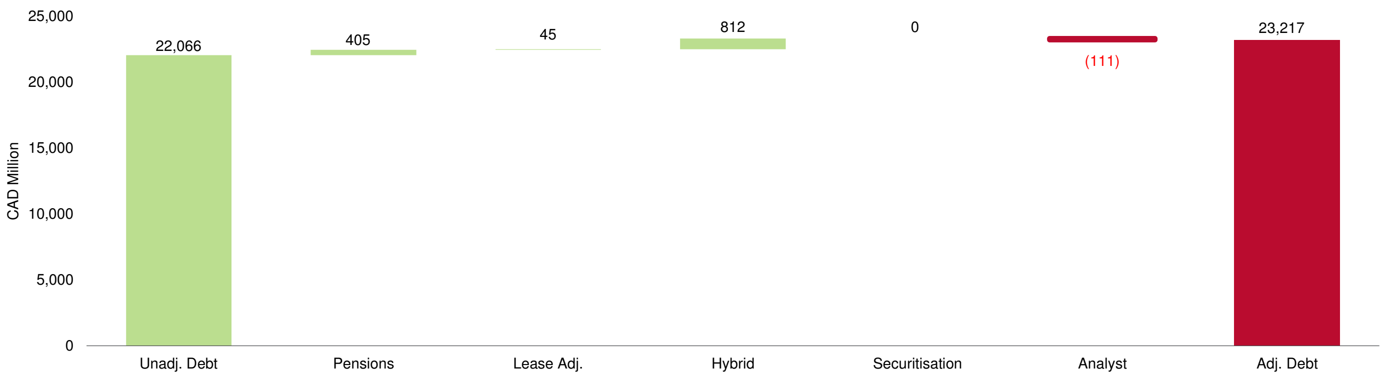
Fortis Inc.

(in CAD Million)	31-Dec-17	31-Dec-16	31-Dec-15
SHORT- TERM DEBT			
Short-Term Debt	209	1,155	511
Current Portion of Long-Term Debt	752	327	410
Total Short-Term Debt	**961**	**1,482**	**921**
LONG-TERM DEBT			
Secured Debt	3,464	3,368	945
Senior Debt	17,932	17,700	10,223
Capitalized Leases	461	536	513
Gross Long-Term Debt	**21,857**	**21,604**	**11,681**
Less Current Maturities	(752)	(327)	(410)
Net Long-Term Debt	**21,105**	**21,277**	**11,271**
Total Debt	**22,066**	**22,759**	**12,192**
Total Adjusted Debt	**23,217**	**23,991**	**13,665**
SHAREHOLDERS' EQUITY			
Preferred Stock	1,623	1,623	1,820
Common Stock & Paid-In Capital	11,592	10,774	5,881
Retained Earnings	1,727	1,455	1,388
Accumulated Other Comprehensive Income	61	745	791
Total Equity	**15,003**	**14,597**	**9,880**
Total Adjusted Equity	**14,053**	**13,635**	**8,894**
Adjusted Book Capitalization	**41,313**	**42,742**	**25,082**
Adjusted Market Capitalization	**46,585**	**46,565**	**27,631**
Adjusted Debt/Adjusted Book Capital (%)	**56.20**	**56.13**	**54.48**
Secured Debt/Total Debt (%)	**15.70**	**14.80**	**7.75**

Source: Moody's Financial Metrics

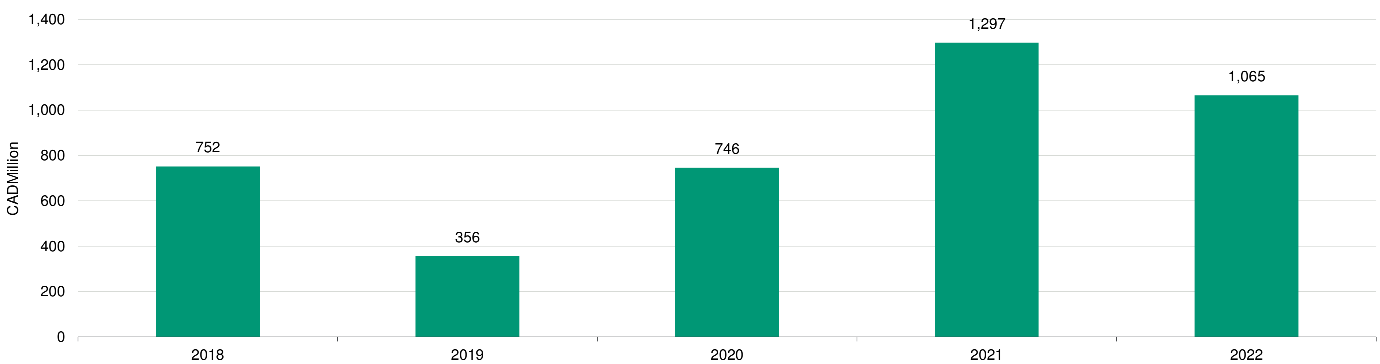
Of Fortis's total adjusted debt in 2017, the largest components were those related to hybrid and pensions adjustments.

Exhibit 7
Components of debt



As of 31 Dec 2017
Source: Moody's Financial Metrics

Exhibit 8
Upcoming long-term debt maturities



As of 31 Dec 2017
Source: Moody's Financial Metrics

Company management

Exhibit 9

Fortis Inc.

Company Management	Age*	Current Title	Previous Roles
Barry V. Perry	53	Chief Executive Officer, President and Director	Fortis: Vice President, Finance and Chief Financial Officer; Newfoundland Power: Vice President, Finance and Chief Financial Officer
Jocelyn H. Perry	N/A	Executive Vice President and Chief Financial Officer	Newfoundland Power: Chief Financial Officer, Chief Operating Officer and President and Chief Executive Officer

* As of 31 Dec 2017

Exhibit 10

Fortis Inc.

Board of Directors	Age*	Affiliation
Douglas J. Haughey	61	Fortis: Chairman of the Board and Independent Director
Barry V. Perry	53	Fortis: Non-Independent Director, Chief Executive Officer and President; FortisBC Energy, FortisBC, UNS Energy and ITC: Director
Tracey C. Ball	60	Fortis: Independent Director; FortisAlberta: Chair
Pierre J. Blouin	60	Fortis: Independent Director; Purchasing Management Association of Canada: Fellow
Paul J. Bonavia	66	Fortis: Independent Director; UNS Energy Corporation: Former Chairman, President and Chief Executive Officer
Lawrence T. Borgard	56	Fortis: Independent Director
Maura J. Clark	59	Fortis: Independent Director; Association of Chartered Professional Accountants, Ontario: Member
Margarita K. Dilley	60	Fortis: Independent Director; CH Energy Group and Central Hudson: Chair
Julie A. Dobson	61	Fortis: Independent Director; Telebright, Inc.: Non-Executive Chairman; Safeguard Scientifics, Inc.: Director
Ida J. Goodreau	66	Fortis: Independent Director; FortisBC Energy and FortisBC: Chair
Joseph L. Welch	69	Fortis: Non-Independent Director; ITC: Chairman of the Board
Jo Mark Zurel	54	Fortis: Independent Director; Stonebridge Capital Inc.: President; Association of Chartered Professional Accountants of Newfoundland and Labrador: Fellow

As of 18 June 2018
* As of 31 Dec 2017
Source: Company report (management information report 2017), Company data

Ownership structure

As of 31 March 2018 the company's largest shareholders (owning more than 5% of its share capital) were as follows:

Exhibit 11

Fortis Inc.

Shareholder	Number of Shares	% Held
Royal Bank of Canada	30,846,863	7.3
Bank of Montreal /CAN/	26,495,341	6.3

Source: Company report (interim consolidated financial statements Mar 2018), NASDAQ stock exchange

Related websites and information sources

For additional information, please see:

The company's website

» https://www.fortisinc.com/home

MOODY'S has provided links or references to third party World Wide Websites or URLs ("Links or References") solely for your convenience in locating related information and services. The websites reached through these Links or References have not necessarily been reviewed by MOODY'S, and are maintained by a third party over which MOODY'S exercises no control. Accordingly, MOODY'S expressly disclaims any responsibility or liability for the content, the accuracy of the information, and/or quality of products or services provided by or advertised on any third party web site accessed via a Link or Reference. Moreover, a Link or Reference does not imply an endorsement of any third party, any website, or the products or services provided by any third party.

Moody's related research

Issuer page on Moodys.com

» Fortis Inc.

Credit opinion

» Fortis Inc.: Update to credit analysis (1122138), 30 April 2018

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available on the issuer's page . All research may not be available to all clients.

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