Q. In Fortis Inc.'s 2011 Annual Report, it states at p. 39:

"In June of 2011 Fortis publicly issued 9.1 million common shares for gross proceeds of approximately $300 million. In July 2011 an additional 1.2 million common shares were publicly issued upon the exercise of an over-allotment option, resulting in gross proceeds of approximately $41 million. The total net proceeds of $327 million from the common share offering were used to repay borrowings under credit facilities and finance equity injections into the regulated utilities in western Canada and the non-regulated Waneta Expansion, in support of infrastructure investment, and for general corporate purposes.

Fortis also received proceeds of $18 million in 2011 and $22 million in 2011, net of dividends reinvested into common shares, related to common shares issued under its stock option and share purchase plans.

In January 2010 Fortis completed a $250 million public offering of 10 million First Preference Shares, Series H. The net proceeds of approximately $242 million were used to repay borrowings under the Corporation's committed credit facility and to fund an equity injection into FEI.

Common share dividends paid in 2011 totalled $151 million, net of $59 million in dividends reinvested, compared to $135 million, net of $58 million in dividends reinvested, paid in 2010. The increase in dividends paid was due to a higher annual dividend paid per common share and an increase in the number of common shares outstanding. The dividend paid per common share was $1.16 in 2011 compared to $1.22 in 2010. The weighted average number of common shares outstanding was 181.6 million for 2011 compared to 172.9 million for 2010."

What further public issuances and offerings has been made by Fortis since these events occurred?

A. Attachment A contains the Interim Consolidated Financial Statements of Fortis Inc. for the three and six months ended June 30, 2012 and 2011. The statements contain the information requested.

Interim Consolidated Financial Statements of Fortis Inc.
for the Three and Six Months Ended June 30, 2012 and 2011

FORTIS INC.

Interim Consolidated Financial Statements
For the three and six months ended June 30, 2012 and 2011
(Unaudited)

Prepared in accordance with accounting principles generally accepted in the United States

Fortis Inc.

Consolidated Balance Sheets (Unaudited)

As at

(in millions of Canadian dollars)

	June 30, 2012	December 31, 2011
		(Note 21)
ASSETS		
Current assets		
Cash and cash equivalents	$ 231	$ 87
Accounts receivable	509	638
Prepaid expenses	25	19
Inventories	107	134
Regulatory assets (Note 3)	122	219
Deferred income taxes	33	24
	1,027	1,121
Other assets	213	184
Regulatory assets (Note 3)	1,457	1,400
Deferred income taxes	6	8
Utility capital assets	9,235	8,968
Income producing properties	599	594
Intangible assets	324	325
Goodwill (Note 12)	1,570	1,565
	$ 14,431	$ 14,165
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 17)	$ 81	$ 159
Accounts payable and other current liabilities	863	990
Regulatory liabilities (Note 3)	82	43
Current installments of long-term debt	90	103
Current installments of capital lease and finance obligations	7	7
Deferred income taxes	2	5
	1,125	1,307
Other liabilities	572	573
Regulatory liabilities (Note 3)	608	555
Deferred income taxes	704	673
Long-term debt	5,878	5,685
Capital lease and finance obligations	428	429
	9,315	9,222
Shareholders' equity		
Common shares [(a)] (Note 4)	3,071	3,036
Preference shares	912	912
Additional paid-in capital	15	14
Accumulated other comprehensive loss	(94)	(95)
Retained earnings	937	868
	4,841	4,735
Non-controlling interests (Note 5)	275	208
	5,116	4,943
	$ 14,431	$ 14,165

(a) no par value: unlimited authorized shares; 190.0 million and 188.8 million issued and outstanding as at June 30, 2012 and December 31, 2011, respectively

Commitments and Contingent Liabilities (Notes 18 and 20, respectively)
See accompanying Notes to Interim Consolidated Financial Statements

Fortis Inc.

Consolidated Statements of Earnings (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars, except per share amounts)

	Quarter Ended		Six Months Ended	
	2012	2011	**2012**	2011
Revenue	**$ 792**	$ 846	**$ 1,941**	$ 2,005
Expenses				
Energy supply costs	**291**	358	**857**	961
Operating	**204**	209	**418**	419
Depreciation and amortization	**114**	102	**233**	205
	609	669	**1,508**	1,585
Operating income	**183**	177	**433**	420
Other income (expenses), net (Note 8)	**-**	4	**(3)**	12
Finance charges (Note 9)	**92**	93	**183**	185
Earnings before income taxes	**91**	88	**247**	247
Income taxes (Note 10)	**14**	16	**37**	47
Net earnings	**$ 77**	$ 72	**$ 210**	$ 200
Net earnings attributable to:				
Non-controlling interests	**$ 3**	$ 3	**$ 4**	$ 4
Preference equity shareholders	**12**	12	**23**	23
Common equity shareholders	**62**	57	**183**	173
	$ 77	$ 72	**$ 210**	$ 200
Earnings per common share (Note 11)				
Basic	**$ 0.33**	$ 0.32	**$ 0.97**	$ 0.98
Diluted	**$ 0.33**	$ 0.32	**$ 0.95**	$ 0.97

See accompanying Notes to Interim Consolidated Financial Statements

Fortis Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars)

	Quarter Ended		Six Months Ended	
	2012	2011	**2012**	2011
Net earnings	**$ 77**	$ 72	**$ 210**	$ 200
Other comprehensive income (loss)				
Unrealized foreign currency translation gains (losses), net of hedging activities and tax	**2**	-	**-**	(3)
Reclassification of unrealized foreign currency translation losses, net of hedging activities and tax, related to Belize Electricity	**-**	17	**-**	17
Unrealized employee future benefits gains, net of tax	**-**	-	**1**	-
	2	17	**1**	14
Comprehensive income	**$ 79**	$ 89	**$ 211**	$ 214
Comprehensive income attributable to:				
Non-controlling interests	**$ 3**	$ 3	**$ 4**	$ 4
Preference equity shareholders	**12**	12	**23**	23
Common equity shareholders	**64**	74	**184**	187
	$ 79	$ 89	**$ 211**	$ 214

See accompanying Notes to Interim Consolidated Financial Statements

Fortis Inc.

Consolidated Statements of Cash Flows (Unaudited)
For the periods ended June 30
(in millions of Canadian dollars)

	Quarter Ended		Six Months Ended	
	2012	2011	**2012**	2011
Operating activities				
Net earnings	**$ 77**	$ 72	**$ 210**	$ 200
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation - utility capital assets and income producing properties	**94**	94	**201**	189
Amortization - intangible assets	**10**	9	**21**	18
Amortization - other	**10**	(1)	**11**	(2)
Deferred income taxes	**3**	1	**8**	(1)
Accrued employee future benefits	**(11)**	5	**(7)**	9
Equity component of allowance for funds used construction (Note 8)	**(1)**	(3)	**(3)**	(8)
Other	**3**	5	**(11)**	4
Change in long-term regulatory assets and liabilities	**(13)**	-	**(9)**	18
Change in non-cash operating working capital (Note 14)	**83**	49	**162**	106
	255	231	**583**	533
Investing activities				
Change in other assets and other liabilities	**-**	-	**4**	(2)
Capital expenditures - utility capital assets	**(262)**	(268)	**(473)**	(486)
Capital expenditures - income producing properties	**(10)**	(6)	**(15)**	(9)
Capital expenditures - intangible assets	**(10)**	(12)	**(23)**	(23)
Contributions in aid of construction	**16**	19	**30**	31
Proceeds on sale of utility capital assets and income producing properties	**-**	1	**-**	6
Business acquisition (Note 12)	**(7)**	-	**(7)**	-
	(273)	(266)	**(484)**	(483)
Financing activities				
Change in short-term borrowings	**5**	(102)	**(78)**	(200)
Proceeds from long-term debt, net of issue costs	**-**	30	**-**	30
Repayments of long-term debt and capital lease and finance obligations	**(53)**	(19)	**(57)**	(24)
Net borrowings under committed credit facilities	**223**	58	**230**	73
Advances from non-controlling interests	**28**	40	**69**	57
Subscription Receipts issue costs (Note 4)	**(12)**	-	**(12)**	-
Issue of common shares, net of costs and dividends reinvested	**4**	290	**6**	301
Dividends				
Common shares, net of dividends reinvested	**(42)**	(36)	**(86)**	(71)
Preference shares	**(12)**	(12)	**(23)**	(23)
Subsidiary dividends paid to non-controlling interests	**(2)**	(2)	**(4)**	(4)
	139	247	**45**	139
Change in cash and cash equivalents	**121**	212	**144**	189
Cash and cash equivalents, beginning of period	**110**	84	**87**	107
Cash and cash equivalents, end of period	**$ 231**	$ 296	**$ 231**	$ 296

Supplementary Information to Consolidated Statements of Cash Flows (Note 14)
See accompanying Notes to Interim Consolidated Financial Statements

Fortis Inc.

Consolidated Statements of Changes in Equity (Unaudited)

For the periods ended June 30

(in millions of Canadian dollars)

	Common Shares	Preference Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Controlling Interests	Total Equity
	(Note 4)						
As at December 31, 2011	**$ 3,036**	**$ 912**	**$ 14**	**$ (95)**	**$ 868**	**$ 208**	**$ 4,943**
Net earnings	**-**	**-**	**-**	**-**	**206**	**4**	**210**
Other comprehensive income	**-**	**-**	**-**	**1**	**-**	**-**	**1**
Common share issues	**35**	**-**	**-**	**-**	**-**	**-**	**35**
Stock-based compensation	**-**	**-**	**1**	**-**	**-**	**-**	**1**
Advances from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**69**	**69**
Foreign currency translation impacts	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Subsidiary dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Dividends declared on common shares ($0.60 per share)	**-**	**-**	**-**	**-**	**(114)**	**-**	**(114)**
Dividends declared on preference shares	**-**	**-**	**-**	**-**	**(23)**	**-**	**(23)**
As at June 30, 2012	**$ 3,071**	**$ 912**	**$ 15**	**$ (94)**	**$ 937**	**$ 275**	**$ 5,116**
As at December 31, 2010	$ 2,575	$ 912	$ 12	$ (108)	$ 774	$ 162	$ 4,327
Net earnings	-	-	-	-	196	4	200
Other comprehensive income	-	-	-	14	-	-	14
Common share issues	337	-	-	-	-	-	337
Stock-based compensation	-	-	1	-	-	-	1
Advances from non-controlling interests	-	-	-	-	-	57	57
Foreign currency translation impacts	-	-	-		-	(3)	(3)
Subsidiary dividends paid to non-controlling interests	-	-	-	-	-	(4)	(4)
Expropriation of Belize Electricity (Notes 16, 17 and 19)						(38)	(38)
Dividends declared on common shares ($0.58 per share)	-	-	-	-	(105)	-	(105)
Dividends declared on preference shares	-	-	-	-	(23)	-	(23)
As at June 30, 2011	$ 2,912	$ 912	$ 13	$ (94)	$ 842	$ 178	$ 4,763

See accompanying Notes to Interim Consolidated Financial Statements

1. DESCRIPTION OF THE BUSINESS

Nature of Operations

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

The following outlines each of the Corporation's reportable segments and is consistent with the basis of segmentation as disclosed in the Corporation's 2011 annual audited consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

REGULATED UTILITIES

The Corporation's interests in regulated gas and electric utilities in Canada and the Caribbean by utility are as follows:

a. *Regulated Gas Utilities - Canadian:* Includes the FortisBC Energy companies, which is comprised of FortisBC Energy Inc. ("FEI"), FortisBC Energy (Vancouver Island) Inc. ("FEVI") and FortisBC Energy (Whistler) Inc.

b. *Regulated Electric Utilities - Canadian:* Includes FortisAlberta; FortisBC Electric; Newfoundland Power; and Other Canadian Electric Utilities, which includes Maritime Electric and FortisOntario. FortisOntario mainly includes Canadian Niagara Power Inc., Cornwall Street Railway, Light and Power Company, Limited and Algoma Power Inc.

c. *Regulated Electric Utilities - Caribbean:* Includes Caribbean Utilities, in which Fortis holds an approximate 60% controlling ownership interest; wholly owned Fortis Turks and Caicos, which includes FortisTCI Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd.; and Belize Electricity, in which Fortis held an approximate 70% controlling ownership interest up to June 20, 2011. Effective June 20, 2011, the Government of Belize ("GOB") expropriated the Corporation's investment in Belize Electricity. As a result of no longer controlling the operations of the utility, Fortis discontinued the consolidation method of accounting for Belize Electricity, effective June 20, 2011 (Notes 16, 17 and 19).

NON-REGULATED - FORTIS GENERATION

Fortis Generation includes the financial results of non-regulated generation assets in Belize, Ontario, central Newfoundland, British Columbia and Upstate New York. Effective July 1, 2012, the legal ownership of the six small non-regulated hydroelectric generating facilities in eastern Ontario, with a combined generating capacity of 8 megawatts ("MW"), was transferred from Fortis Properties to a limited partnership directly held by Fortis. FortisBC Electric is assuming management responsibility for the operations of the above-noted facilities, as well as for the four non-regulated hydroelectric generating facilities in Upstate New York, with a combined generating capacity of 23 MW, owned by FortisUS Energy Corporation ("FortisUS Energy").

NON-REGULATED - FORTIS PROPERTIES

Fortis Properties owns and operates 22 hotels, collectively representing 4,300 rooms, in eight Canadian provinces, and approximately 2.7 million square feet of commercial office and retail space primarily in Atlantic Canada.

1. DESCRIPTION OF THE BUSINESS (cont'd)

CORPORATE AND OTHER

The Corporate and Other segment includes Fortis net corporate expenses, net expenses of non-regulated FortisBC Holdings Inc. ("FHI") corporate-related activities, and the financial results of FHI's 30% ownership interest in CustomerWorks Limited Partnership ("CWLP") and of FHI's non-regulated wholly owned subsidiary FortisBC Alternative Energy Services Inc. CWLP provides billing and customer care services to utilities, municipalities and certain energy companies. The contracts between CWLP and the FortisBC Energy companies ended on December 31, 2011.

PENDING ACQUISITION

In February 2012 Fortis announced that it had entered into an agreement to acquire CH Energy Group, Inc. ("CH Energy Group") for US$65.00 per common share in cash, for an aggregate purchase price of approximately US$1.5 billion, including the assumption of approximately US$500 million of debt on closing. CH Energy Group is an energy delivery company headquartered in Poughkeepsie, New York. Its main business, Central Hudson Gas & Electric Corporation, is a regulated transmission and distribution utility serving approximately 300,000 electric and 75,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley. The transaction received CH Energy Group shareholder approval in June 2012 and regulatory approval from the Federal Energy Regulatory Commission ("FERC") and the Committee on Foreign Investment in the United States in July 2012.

The acquisition is also subject to certain other approvals, including approval by the New York State Public Service Commission (the "NYSPSC"), and satisfaction of customary closing conditions. The NYSPSC is currently reviewing the application for approval of the transaction jointly filed by Fortis and CH Energy Group in April 2012. The acquisition is expected to close by the end of the first quarter of 2013 and be immediately accretive to earnings per common share, excluding acquisition-related expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with US GAAP for interim financial statements. As a result, these interim consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Corporation's 2011 annual audited consolidated financial statements prepared in accordance with US GAAP and voluntarily filed on the System for Electronic Document Analysis and Retrieval by Fortis on March 16, 2012 (the "Corporation's 2011 US GAAP annual audited consolidated financial statements"). In management's opinion, the interim consolidated financial statements include all adjustments that are of a recurring nature and necessary to present fairly the financial position of the Corporation.

Interim results will fluctuate due to the seasonal nature of gas and electricity demand and water flows, as well as the timing and recognition of regulatory decisions. Because of natural gas consumption patterns, most of the annual earnings of the FortisBC Energy companies are realized in the first and fourth quarters. Given the diversified group of companies, seasonality may vary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The preparation of financial statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates and judgments are necessary since the regulatory environments in which the Corporation's utilities operate often require amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. During the second quarter of 2012, the FortisBC Energy companies and FortisAlberta received 2012 revenue requirements decisions, effective January 1, 2012, the cumulative impacts of which, where such impacts were different from those estimated, were recorded in the second quarter of 2012. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates and judgments are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they become known.

Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes in the nature of the Corporation's critical accounting estimates during the three and six months ended June 30, 2012, except as described below with respect to capital asset depreciation.

An evaluation of subsequent events through July 30, 2012, the date these interim consolidated financial statements were approved by the Audit Committee of the Board of Directors, was completed to determine whether circumstances warranted recognition and disclosure of events or transactions in the interim consolidated financial statements as at June 30, 2012.

All amounts are presented in Canadian dollars unless otherwise stated.

These interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2011 US GAAP annual audited consolidated financial statements, except as described below.

Presentation of Comprehensive Income

Effective January 1, 2012, the Corporation adopted the amendments to Accounting Standards Codification ("ASC") Topic 220, *Comprehensive Income.* The amended standard requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. Fortis continues to report the components of comprehensive income in a separate but consecutive statement.

Testing Goodwill for Impairment

Effective January 1, 2012, the Corporation adopted the amendments to ASC Topic 350, *Goodwill.* The amended standard allows entities testing goodwill for impairment to have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. If the qualitative factors indicate that the fair value of the reporting unit is more likely than not (i.e., greater than a 50% chance) to be greater than the carrying value, then the two-step impairment test, including the quantification of the fair value of the reporting unit, would not be required. In adopting the amendments, Fortis will perform a qualitative assessment before calculating the fair value of its reporting units when it performs its annual impairment test on October 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fair Value Measurement

Effective January 1, 2012, the Corporation adopted the amendments to ASC Topic 820, *Fair Value Measurements and Disclosures.* The amended standard improves comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with US GAAP. The amendment does not change what items are measured at fair value but instead makes various changes to the guidance pertaining to how fair value is measured. The above-noted changes did not materially impact the Corporation's interim consolidated financial statements for the three and six months ended June 30, 2012.

New Accounting Policies

Effective January 1, 2012, the FortisBC Energy companies prospectively adopted the policy of accruing for non-asset retirement obligation ("non-ARO") removal costs in depreciation expense, as requested in their 2012-2013 Revenue Requirements Applications ("RRAs") and subsequently approved by the regulator in its April 2012 rate decision. The accrual of estimated non-ARO removal costs is included in depreciation expense and the provision balance is recognized as a long-term regulatory liability. Actual non-ARO removal costs, net of salvage proceeds, are recorded against the regulatory liability when incurred. Non-ARO removal costs are direct costs incurred by the FortisBC Energy companies in taking assets out of service, whether through actual removal of the assets or through disconnection of the assets from the transmission or distribution system. Prior to 2012 estimated non-ARO removal costs, net of salvage proceeds, were recognized in operating expenses with variances between actual non-ARO removal costs and those forecast for rate-setting purposes recorded in a regulatory deferral account for future recovery from, or refund to, customers in rates commencing in 2012. For the three and six months ended June 30, 2012, non-ARO removal costs of approximately $5 million and $10 million, respectively, were accrued as part of depreciation expense. For the three and six months ended June 30, 2011, non-ARO removal costs of approximately $4 million and $8 million, respectively, were recognized in operating expenses.

Prior to 2012 variances from forecast, adjusted for certain revenue and cost variances which flowed through to customers, for rate-setting purposes were shared equally between customers and FortisBC Electric. Prospectively from January 1, 2012, the above-noted sharing of positive or negative variances is no longer in effect pursuant to the utility's filed 2012-2013 RRA, which is subject to regulatory approval and reflects primarily a cost of service rate-setting methodology. Beginning in 2012 variances between actual electricity revenue, purchased power costs and certain other costs and those forecasted in determining customer electricity rates are subject to full deferral account treatment, to be recovered from, or refunded to, customers in future rates and, therefore, are not subject to the sharing mechanism that existed prior to 2012 and do not impact earnings in 2012.

Change in Estimates - Capital Asset Depreciation

Changes in regulator-approved depreciation rates at FortisAlberta, in conjunction with an approved depreciation study and revenue requirements decision received in the second quarter of 2012, have impacted consolidated depreciation expense. The composite depreciation rate for utility capital assets at FortisAlberta decreased to 4.0% for 2012 from 4.1% for 2011. As required by the regulator, effective January 1, 2012, depreciation rates at the FortisBC Energy companies now include an amount allowed for regulatory purposes to accrue for estimated non-ARO removal costs, net of salvage proceeds. The impact of the above-noted changes in depreciation rates on depreciation expense has been reflected in the utilities' approved revenue requirements and resulting customer rates.

As part of its 2012-2013 RRA and depreciation study filed with the regulator, which are pending approval, FortisBC Electric's composite depreciation rate for utility capital assets decreased to 3.1% for 2012 from 3.2% for 2011, which has impacted consolidated depreciation expense. The change in the composite depreciation rate is subject to final approval by the regulator.

3. REGULATORY ASSETS AND LIABILITIES

A summary of the Corporation's regulatory assets and liabilities is provided below. A detailed description of the nature of the Corporation's regulatory assets and liabilities is provided in Note 7 to the Corporation's 2011 US GAAP annual audited consolidated financial statements.

	As at	
($ millions)	**June 30, 2012**	December 31, 2011
Regulatory assets		
Deferred income taxes	**664**	630
Employee future benefits	**413**	428
Deferred lease costs - FortisBC Electric	**73**	70
Rate stabilization accounts - electric utilities	**54**	55
Rate stabilization accounts - FortisBC Energy companies	**53**	105
Replacement energy deferral - Point Lepreau [(1)]	**47**	47
Deferred energy management costs	**42**	36
Deferred operating overhead costs	**27**	22
Customer Care Enhancement Project cost deferral	**25**	13
Income taxes recoverable on other post-employment benefit ("OPEB") plans	**23**	22
Deferred net losses on disposal of utility capital assets	**22**	23
Whistler pipeline contribution deferral	**16**	16
Pension cost variance deferral	**13**	10
Alternative energy projects cost deferral	**11**	8
Deferred development costs for capital	**10**	11
Deferred costs - smart meters	**8**	8
Alberta Electric System Operator ("AESO") charges deferral	**-**	44
Other regulatory assets	**78**	71
Total regulatory assets	**1,579**	1,619
Less: current portion	**(122)**	(219)
Long-term regulatory assets	**1,457**	1,400

[(1)] New Brunswick Power Point Lepreau Nuclear Generating Station

	As at	
($ millions)	**June 30, 2012**	December 31, 2011
Regulatory liabilities		
Non-ARO removal cost provision	**370**	354
Rate stabilization accounts - FortisBC Energy companies	**187**	127
Rate stabilization accounts - electric utilities	**40**	33
AESO charges deferral	**22**	12
Deferred income taxes	**16**	9
Deferred interest	**9**	10
Income tax variance deferral	**8**	12
Performance-based rate-setting incentive liabilities	**8**	7
Southern Crossing Pipeline deferral	**6**	8
Unrecognized net gains on disposal of utility capital assets	**-**	6
Other regulatory liabilities	**24**	20
Total regulatory liabilities	**690**	598
Less: current portion	**(82)**	(43)
Long-term regulatory liabilities	**608**	555

4. COMMON SHARES

Common shares issued during the period were as follows:

	Quarter Ended June 30, 2012		Year-to-Date June 30, 2012	
	Number of Shares *(in thousands)*	Amount *($ millions)*	Number of Shares *(in thousands)*	Amount *($ millions)*
Balance, beginning of period	**189,274**	**3,050**	**188,828**	**3,036**
Dividend Reinvestment Plan	**495**	**15**	**895**	**28**
Consumer Share Purchase Plan	**11**	**1**	**24**	**1**
Stock Option Plans	**187**	**5**	**220**	**6**
Balance, end of period	**189,967**	**3,071**	**189,967**	**3,071**

Subscription Receipts Offering

In June 2012, to finance a portion of the pending acquisition of CH Energy Group, Fortis sold 18,500,000 Subscription Receipts at $32.50 each through a bought-deal offering underwritten by a syndicate of underwriters led by CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc. (collectively the “Underwriters”), resulting in gross proceeds of approximately $601 million. The gross proceeds from the sale of the Subscription Receipts are being held by an escrow agent, pending receipt of all required approvals and satisfaction of closing conditions included in the agreement to acquire CH Energy Group (the “Release Conditions”). The Subscription Receipts began trading on the Toronto Stock Exchange on June 27, 2012 under the symbol “FTS.R”.

Each Subscription Receipt will entitle the holder thereof to receive, on satisfaction of the Release Conditions and without payment of additional consideration, one common share of Fortis and a cash payment equal to the dividends declared on Fortis common shares to holders of record during the period from June 27, 2012 to the date of issuance of the common shares in respect of the Subscription Receipts.

If the Release Conditions are not satisfied by June 30, 2013, or if the share purchase agreement relating to the acquisition of CH Energy Group is terminated prior to such time, holders of Subscription Receipts shall be entitled to receive from the escrow agent an amount equal to the full subscription price thereof plus their *pro rata* share of the interest earned on such amount (Note 18).

5. NON-CONTROLLING INTERESTS

	As at	
($ millions)	**June 30, 2012**	December 31, 2011
Waneta Expansion Limited Partnership ("Waneta Partnership")	**184**	128
Caribbean Utilities	**72**	73
Mount Hayes Limited Partnership (Note 18)	**12**	-
Preference shares of Newfoundland Power	**7**	7
	275	208

6. STOCK-BASED COMPENSATION PLANS

In January 2012 21,417 Deferred Share Units ("DSUs") were granted to the Corporation's Board of Directors, representing the equity component of the Directors' annual compensation and, where opted, their annual retainers in lieu of cash. Each DSU represents a unit with an underlying value equivalent to the value of one common share of the Corporation.

In March 2012 44,863 Performance Share Units ("PSUs") were paid out to the President and Chief Executive Officer ("CEO") of the Corporation at $32.40 per PSU, for a total of approximately $1.5 million. The payout was made upon the three-year maturation period in respect of the PSU grant made in March 2009 and the President and CEO satisfying the payment requirements, as determined by the Human Resources Committee of the Board of Directors of Fortis.

In May 2012 62,000 PSUs were granted to the President and CEO of the Corporation. Each PSU represents a unit with an underlying value equivalent to the value of one common share of the Corporation. The maturation period of the May 2012 PSU grant is three years, at which time a cash payment may be made to the President and CEO after evaluation by the Human Resources Committee of the Board of Directors of the achievement of payment requirements.

In May 2012 the 2012 Stock Option Plan ("2012 Plan") was approved at the Annual General Meeting of the Corporation's shareholders. The 2012 Plan will ultimately replace the 2002 Stock Option Plan ("2002 Plan") and the 2006 Stock Option Plan ("2006 Plan"). The 2002 Plan and 2006 Plan will cease to exist when all outstanding options are exercised or expire in or before 2016 and 2018, respectively. The Corporation has ceased to grant options under the 2002 Plan and 2006 Plan and all new options granted after 2011 will be made under the 2012 Plan.

In May 2012 the Corporation granted 789,220 options to purchase common shares under its 2012 Plan at the five-day volume weighted average trading price immediately preceding the date of grant of $34.27. The options vest evenly over a four-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair value of each option granted was $4.21 per option.

The fair value was estimated at the date of grant using the Black-Scholes fair value option-pricing model and the following assumptions:

Dividend yield (%)	3.67
Expected volatility (%)	22.2
Risk free interest rate (%)	1.50
Weighted average expected life (years)	5.3

For the three and six months ended June 30, 2012, stock-based compensation expense of approximately $1.5 million and $3 million, respectively, was recognized ($1.5 million and $3 million for the three and six months ended June 30, 2011, respectively).

7. EMPLOYEE FUTURE BENEFITS

The Corporation and its subsidiaries each maintain one or a combination of defined benefit pension plans and defined contribution pension plans, including group registered retirement savings plans, for employees. The Corporation and certain subsidiaries also offer OPEB plans for qualifying employees. The net benefit cost of providing the defined benefit pension and OPEB plans is detailed in the following tables.

	Quarter Ended June 30			
	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2012**	2011	**2012**	2011
Components of net benefit cost:				
Service costs	**7**	5	**1**	1
Interest costs	**11**	12	**3**	3
Expected return on plan assets	**(13)**	(12)	**-**	-
Amortization of actuarial losses	**7**	5	**1**	1
Amortization of past service costs/plan amendments	**-**	-	**(1)**	(1)
Amortization of transitional obligation	**1**	-	**1**	-
Regulatory adjustments	**(5)**	(2)	**-**	1
Net benefit cost	**8**	8	**5**	5

	Year-to-Date June 30			
	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2012**	2011	**2012**	2011
Components of net benefit cost:				
Service costs	**14**	10	**3**	2
Interest costs	**23**	24	**6**	6
Expected return on plan assets	**(25)**	(24)	**-**	-
Amortization of actuarial losses	**13**	10	**2**	2
Amortization of past service costs/plan amendments	**-**	-	**(2)**	(2)
Amortization of transitional obligation	**1**	-	**1**	-
Regulatory adjustments	**(6)**	(4)	**1**	2
Net benefit cost	**20**	16	**11**	10

For the three and six months ended June 30, 2012, the Corporation expensed $3 million and $7 million, respectively ($4 million and $8 million for the three and six months ended June 30, 2011, respectively) related to defined contribution pension plans.

8. OTHER INCOME (EXPENSES), NET

	Quarter Ended June 30		Year-to-Date June 30	
($ millions)	**2012**	2011	**2012**	2011
Net foreign exchange gain	**2**	-	**-**	-
Equity component of allowance for funds used during construction	**1**	3	**3**	8
Interest income	**1**	1	**2**	2
Acquisition-related expenses	**(4)**	-	**(8)**	-
Other income, net of expenses	**-**	-	**-**	2
	-	4	**(3)**	12

The net foreign exchange gain for the three and six months ended June 30, 2012 includes approximately $2 million and $0.5 million, respectively, related to the translation into Canadian dollars of the Corporation's long-term other asset associated with Belize Electricity (Notes 17 and 19).

The acquisition-related expenses are associated with the pending acquisition of CH Energy Group (Notes 1 and 18).

9. FINANCE CHARGES

	Quarter Ended June 30		Year-to-Date June 30	
($ millions)	**2012**	2011	**2012**	2011
Interest:				
Long-term debt and finance and capital lease obligations	**93**	91	**187**	184
Short-term borrowings and other finance charges	**2**	5	**3**	9
Debt component of allowance for funds used during construction	**(3)**	(3)	**(7)**	(8)
	92	93	**183**	185

10. INCOME TAXES

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

	Quarter Ended June 30		Year-to-Date June 30	
($ millions, except as noted)	**2012**	2011	**2012**	2011
Combined Canadian federal and provincial statutory income tax rate	**29.0%**	30.5%	**29.0%**	30.5%
Statutory income tax rate applied to earnings before income taxes	**26**	27	**72**	75
Difference between Canadian statutory income tax rate and rates applicable to foreign subsidiaries	**(5)**	(3)	**(7)**	(5)
Difference in Canadian provincial statutory income tax rates applicable to subsidiaries in different Canadian jurisdictions	**(3)**	(3)	**(8)**	(8)
Items capitalized for accounting purposes but expensed for income tax purposes	**(9)**	(12)	**(28)**	(28)
Difference between capital cost allowance and amounts claimed for accounting purposes	**1**	4	**4**	6
Non-deductible expenses	**2**	-	**3**	1
Difference between enacted and substantially enacted income tax rates associated with Part VI.1 tax	**3**	1	**3**	2
Difference between employee future benefits paid and amounts expensed for accounting purposes	**1**	-	**1**	-
Other	**(2)**	2	**(3)**	4
Income taxes	**14**	16	**37**	47
Effective income tax rate	**15.4%**	18.2%	**15.0%**	19.0%

As at June 30, 2012, the Corporation had approximately $85 million (December 31, 2011 - $86 million) in non-capital and capital loss carryforwards, of which $13 million (December 31, 2011 - $13 million) has not been recognized in the consolidated financial statements. The non-capital loss carryforwards expire between 2014 and 2032.

11. EARNINGS PER COMMON SHARE

The Corporation calculates earnings per common share ("EPS") on the weighted average number of common shares outstanding. Diluted EPS is calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

EPS were as follows:

	Quarter Ended June 30					
	2012			2011		
	Earnings to Common Shareholders *($ millions)*	**Weighted Average Shares *(in millions)***	**EPS**	Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(in millions)*	EPS
Basic EPS	**62**	**189.6**	**$ 0.33**	57	177.1	$ 0.32
Effect of potential dilutive securities:						
Stock Options	**-**	**0.9**		-	1.2	
Preference Shares	**4**	**10.3**		4	10.1	
Convertible Debentures	**-**	**-**		1	1.4	
	66	**200.8**		62	189.8	
Deduct anti-dilutive impacts:						
Preference Shares	**(4)**	**(10.3)**		(4)	(10.1)	
Convertible Debentures	**-**	**-**		(1)	(1.4)	
Diluted EPS	**62**	**190.5**	**$ 0.33**	57	178.3	$ 0.32

	Year-to-Date June 30					
	2012			2011		
	Earnings to Common Shareholders *($ millions)*	**Weighted Average Shares *(in millions)***	**EPS**	Earnings to Common Shareholders *($ millions)*	Weighted Average Shares *(in millions)*	EPS
Basic EPS	**183**	**189.3**	**$ 0.97**	173	175.8	$ 0.98
Effect of potential dilutive securities:						
Stock Options	**-**	**0.9**		-	1.2	
Preference Shares	**8**	**10.3**		8	10.1	
Convertible Debentures	**-**	**-**		1	1.4	
Diluted EPS	**191**	**200.5**	**$ 0.95**	182	188.5	$ 0.97

12. BUSINESS ACQUISITION

In April 2012 FortisOntario exercised its option, under the terms of a 10-year operating lease agreement with the City of Port Colborne (the "City") that commenced in April 2002, to purchase the remaining assets of Port Colborne Hydro for approximately $7 million. Under the lease arrangement with the City, and now through ownership of the previously leased assets, FortisOntario operates and maintains the City's electricity distribution system for provision of electricity service to the residents of Port Colborne. Throughout the 10-year lease term, FortisOntario incurred approximately $17 million in capital expenditures in Port Colborne Hydro's electricity distribution system. The exercise of the purchase option, which qualifies as a business combination, provides ownership and legal title to all of the assets, including equipment, real property and distribution assets, which constitutes the entire distribution system in Port Colborne. The purchase was approved by the Ontario Energy Board.

FortisOntario is regulated under traditional cost of service and the determination of revenue and earnings is based on a regulated rate of return that is applied to historic values which do not change with a change of ownership. Therefore, fair market value approximates book value and no adjustments were recorded for the assets acquired, because all of the economic benefits and obligations associated with them beyond regulated rates of return accrue to the customers. Accordingly, $3 million of the purchase price was allocated to utility capital assets and $4 million was recognized as goodwill in the preliminary purchase price allocation.

13. SEGMENTED INFORMATION

Information by reportable segment is as follows:

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Quarter Ended June 30, 2012 *($ millions)*	**FortisBC Energy Companies - Canadian**	Fortis Alberta	FortisBC Electric	Newfoundland Power	Other Canadian	**Total Electric Canadian**	**Electric Caribbean**	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**264**	110	67	130	82	**389**	**67**	**9**	**64**	**7**	**(8)**	**792**
Energy supply costs	**109**	-	13	78	51	**142**	**39**	**1**	**-**	**-**	**-**	**291**
Operating expenses	**63**	37	21	17	12	**87**	**9**	**1**	**42**	**3**	**(1)**	**204**
Depreciation and amortization	**40**	30	12	11	6	**59**	**9**	**1**	**5**	**-**	**-**	**114**
Operating income	**52**	43	21	24	13	**101**	**10**	**6**	**17**	**4**	**(7)**	**183**
Other income (expenses), net	**1**	-	-	1	-	**1**	**1**	**-**	**-**	**(3)**	**-**	**-**
Finance charges	**36**	17	10	9	6	**42**	**3**	**-**	**6**	**12**	**(7)**	**92**
Income tax expense (recovery)	**3**	-	2	4	2	**8**	**-**	**1**	**3**	**(1)**	**-**	**14**
Net earnings (loss)	**14**	26	9	12	5	**52**	**8**	**5**	**8**	**(10)**	**-**	**77**
Non-controlling interests	**1**	-	-	-	-	**-**	**2**	**-**	**-**	**-**	**-**	**3**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**12**	**-**	**12**
Net earnings (loss) attributable to common equity shareholders	**13**	26	9	12	5	**52**	**6**	**5**	**8**	**(22)**	**-**	**62**
Goodwill	**913**	227	221	-	67	**515**	**142**	**-**	**-**	**-**	**-**	**1,570**
Identifiable assets	**4,605**	2,543	1,671	1,251	692	**6,157**	**737**	**653**	**620**	**501**	**(412)**	**12,861**
Total assets	**5,518**	2,770	1,892	1,251	759	**6,672**	**879**	**653**	**620**	**501**	**(412)**	**14,431**
Gross capital expenditures [(1)]	**32**	121	16	21	13	**171**	**12**	**57**	**10**	**-**	**-**	**282**
Quarter Ended June 30, 2011 *($ millions)*												
Revenue	**319**	103	65	133	78	**379**	**85**	**7**	**60**	**7**	**(11)**	**846**
Energy supply costs	**170**	-	11	80	47	**138**	**53**	**1**	**-**	**-**	**(4)**	**358**
Operating expenses	**70**	36	21	17	11	**85**	**11**	**1**	**40**	**3**	**(1)**	**209**
Depreciation and amortization	**27**	33	12	11	6	**62**	**8**	**1**	**4**	**-**	**-**	**102**
Operating income	**52**	34	21	25	14	**94**	**13**	**4**	**16**	**4**	**(6)**	**177**
Other income (expenses), net	**3**	-	-	-	-	**-**	**1**	**-**	**-**	**-**	**-**	**4**
Finance charges	**36**	16	9	9	6	**40**	**4**	**1**	**6**	**12**	**(6)**	**93**
Income tax expense (recovery)	**4**	-	3	6	2	**11**	**1**	**1**	**2**	**(3)**	**-**	**16**
Net earnings (loss)	**15**	18	9	10	6	**43**	**9**	**2**	**8**	**(5)**	**-**	**72**
Non-controlling interests	**-**	-	-	-	-	**-**	**3**	**-**	**-**	**-**	**-**	**3**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**12**	**-**	**12**
Net earnings (loss) attributable to common equity shareholders	**15**	18	9	10	6	**43**	**6**	**2**	**8**	**(17)**	**-**	**57**
Goodwill	**913**	227	221	-	63	**511**	**132**	**-**	**-**	**-**	**-**	**1,556**
Identifiable assets	**4,380**	2,244	1,613	1,233	661	**5,751**	**673**	**473**	**581**	**675**	**(422)**	**12,111**
Total assets	**5,293**	2,471	1,834	1,233	724	**6,262**	**805**	**473**	**581**	**675**	**(422)**	**13,667**
Gross capital expenditures [(1)]	**65**	86	23	17	11	**137**	**19**	**59**	**6**	**-**	**-**	**286**

[(1)] Relates to cash payments to acquire or construct utility capital assets, including amounts for AESO transmission-related capital projects, income producing properties and intangible assets, as reflected on the consolidated statements of cash flows

13. SEGMENTED INFORMATION (cont'd)

	REGULATED							NON-REGULATED				
	Gas Utilities	Electric Utilities										
Year-to-Date June 30, 2012 *($ millions)*	**FortisBC Energy Companies - Canadian**	Fortis Alberta	FortisBC Electric	Newfoundland Power	Other Canadian	**Total Electric Canadian**	**Electric Caribbean**	**Fortis Generation**	**Fortis Properties**	**Corporate and Other**	**Inter-segment eliminations**	**Consolidated**
Revenue	**812**	218	154	322	173	**867**	**130**	**18**	**116**	**13**	**(15)**	**1,941**
Energy supply costs	**411**	-	38	220	109	**367**	**79**	**1**	**-**	**-**	**(1)**	**857**
Operating expenses	**133**	76	42	37	24	**179**	**17**	**4**	**82**	**6**	**(3)**	**418**
Depreciation and amortization	**80**	65	24	22	13	**124**	**16**	**2**	**10**	**1**	**-**	**233**
Operating income	**188**	77	50	43	27	**197**	**18**	**11**	**24**	**6**	**(11)**	**433**
Other income (expenses), net	**1**	2	-	1	-	**3**	**1**	**1**	**-**	**(8)**	**(1)**	**(3)**
Finance charges	**71**	32	20	18	11	**81**	**7**	**1**	**12**	**23**	**(12)**	**183**
Income tax expense (recovery)	**22**	-	5	7	4	**16**	**-**	**1**	**3**	**(5)**	**-**	**37**
Net earnings (loss)	**96**	47	25	19	12	**103**	**12**	**10**	**9**	**(20)**	**-**	**210**
Non-controlling interests	**1**	-	-	-	-	**-**	**3**	**-**	**-**	**-**	**-**	**4**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**23**	**-**	**23**
Net earnings (loss) attributable to common equity shareholders	**95**	47	25	19	12	**103**	**9**	**10**	**9**	**(43)**	**-**	**183**
Goodwill	**913**	227	221	-	67	**515**	**142**	**-**	**-**	**-**	**-**	**1,570**
Identifiable assets	**4,605**	2,543	1,671	1,251	692	**6,157**	**737**	**653**	**620**	**501**	**(412)**	**12,861**
Total assets	**5,518**	2,770	1,892	1,251	759	**6,672**	**879**	**653**	**620**	**501**	**(412)**	**14,431**
Gross capital expenditures [(1)]	**78**	200	33	36	22	**291**	**22**	**105**	**15**	**-**	**-**	**511**

Year-to-Date June 30, 2011 *($ millions)*	FortisBC Energy Companies - Canadian	Fortis Alberta	FortisBC Electric	Newfoundland Power	Other Canadian	Total Electric Canadian	Electric Caribbean	Fortis Generation	Fortis Properties	Corporate and Other	Inter-segment eliminations	Consolidated
Revenue	**893**	203	148	316	169	**836**	**160**	**14**	**110**	**13**	**(21)**	**2,005**
Energy supply costs	**514**	-	34	214	107	**355**	**99**	**1**	**-**	**-**	**(8)**	**961**
Operating expenses	**144**	71	39	37	23	**170**	**22**	**4**	**77**	**5**	**(3)**	**419**
Depreciation and amortization	**54**	66	23	21	12	**122**	**17**	**2**	**9**	**1**	**-**	**205**
Operating income	**181**	66	52	44	27	**189**	**22**	**7**	**24**	**7**	**(10)**	**420**
Other income (expenses), net	**6**	3	1	-	-	**4**	**2**	**1**	**-**	**-**	**(1)**	**12**
Finance charges	**70**	29	19	18	11	**77**	**9**	**2**	**12**	**26**	**(11)**	**185**
Income tax expense (recovery)	**27**	1	6	10	4	**21**	**1**	**1**	**3**	**(6)**	**-**	**47**
Net earnings (loss)	**90**	39	28	16	12	**95**	**14**	**5**	**9**	**(13)**	**-**	**200**
Non-controlling interests	**-**	-	-	-	-	**-**	**4**	**-**	**-**	**-**	**-**	**4**
Preference share dividends	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**23**	**-**	**23**
Net earnings (loss) attributable to common equity shareholders	**90**	39	28	16	12	**95**	**10**	**5**	**9**	**(36)**	**-**	**173**
Goodwill	**913**	227	221	-	63	**511**	**132**	**-**	**-**	**-**	**-**	**1,556**
Identifiable assets	**4,380**	2,244	1,613	1,233	661	**5,751**	**673**	**473**	**581**	**675**	**(422)**	**12,111**
Total assets	**5,293**	2,471	1,834	1,233	724	**6,262**	**805**	**473**	**581**	**675**	**(422)**	**13,667**
Gross capital expenditures [(1)]	**113**	171	53	31	19	**274**	**40**	**82**	**9**	**-**	**-**	**518**

[(1)] Relates to cash payments to acquire or construct utility capital assets, including amounts for AESO transmission-related capital projects, income producing properties and intangible assets, as reflected on the consolidated statements of cash flows

13. SEGMENTED INFORMATION (cont'd)

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The significant related party inter-segment transactions primarily related to: (i) the sale of energy from Fortis Generation to Belize Electricity, up to June 20, 2011; (ii) electricity sales from Newfoundland Power to Fortis Properties; and (iii) finance charges on related party borrowings. The significant related party inter-segment transactions for the three and six months ended June 30, 2012 and 2011 were as follows:

Significant Inter-Segment Transactions	**Quarter Ended June 30**		**Year-to-Date June 30**	
($ millions)	**2012**	2011	**2012**	2011
Sales from Fortis Generation to Regulated Electric Utilities - Caribbean	**-**	3	**-**	7
Sales from Fortis Generation to Other Canadian Electric Utilities	**-**	1	**-**	1
Sales from Newfoundland Power to Fortis Properties	**1**	1	**3**	2
Inter-segment finance charges on lending from:				
Fortis Generation to Other Canadian Electric Utilities	**1**	1	**1**	1
Corporate to Regulated Electric Utilities - Canadian	**-**	1	**-**	1
Corporate to Regulated Electric Utilities - Caribbean	**1**	1	**2**	2
Corporate to Fortis Generation	**1**	-	**1**	1
Corporate to Fortis Properties	**4**	3	**8**	6

The significant inter-segment asset balances were as follows:

	As at June 30	
($ millions)	**2012**	2011
Inter-segment lending from:		
Fortis Generation to Other Canadian Electric Utilities	**20**	20
Corporate to Regulated Electric Utilities - Canadian	**-**	50
Corporate to Regulated Electric Utilities - Caribbean	**77**	68
Corporate to Fortis Generation	**14**	33
Corporate to Fortis Properties	**281**	225
Other inter-segment assets	**20**	26
Total inter-segment eliminations	**412**	422

14. SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter Ended June 30		**Year-to-Date June 30**	
($ millions)	**2012**	2011	**2012**	2011
Cash paid for:				
Interest	**105**	100	**185**	181
Income taxes	**18**	21	**51**	45
Change in non-cash operating working capital:				
Accounts receivable	**187**	105	**128**	69
Prepaid expenses	**(8)**	(6)	**(6)**	(7)
Inventories	**(31)**	(24)	**27**	56
Regulatory assets - current portion	**5**	(1)	**48**	(6)
Accounts payable and other current liabilities	**(76)**	(31)	**(67)**	(38)
Regulatory liabilities - current portion	**6**	6	**32**	32
	83	49	**162**	106
Non-cash investing and financing activities:				
Common share dividends reinvested	**15**	15	**28**	31
Exercise of stock options into common shares	**1**	1	**1**	2

15. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Corporation generally limits the use of derivative instruments to those that qualify as accounting or economic hedges. As at June 30, 2012, the Corporation's derivative contracts consisted of fuel option contracts, natural gas swap and option contracts, and gas purchase contract premiums. The fuel option contracts are held by Caribbean Utilities and the remaining derivative instruments are held by the FortisBC Energy companies.

Volume of Derivative Activity

As at June 30, 2012, the following notional volumes related to fuel option contracts and natural gas derivatives that are expected to be settled are outlined below.

	2012	2013	2014
Fuel option contracts *(millions of gallons)*	3	1	-
Swaps and options *(petajoules)*	14	18	7
Gas purchase contract premiums *(petajoules)*	67	19	5

Presentation of Derivative Instruments in the Consolidated Financial Statements

In the Corporation's consolidated balance sheets, derivative instruments are presented on a net basis by counterparty, where the right of offset exists. The net balances include outstanding cash collateral associated with derivative positions.

The Corporation's outstanding derivative balances were as follows:

	As at	
($ millions)	**June 30, 2012**	December 31, 2011
Gross derivatives balance [1]	**91**	136
Netting [2]	**-**	-
Cash collateral	**-**	-
Total derivative balances [3]	**91**	136

[1] Refer to Note 16 for a discussion of the valuation techniques used to calculate the fair value of the derivative instruments.

[2] Positions, by counterparty, are netted where the intent and legal right to offset exists.

[3] Unrealized losses of $91 million on commodity risk-related derivative instruments were recognized as current regulatory assets as at June 30, 2012 (December 31, 2011 - $136 million), which would otherwise be recognized on the consolidated statement of comprehensive income or as accumulated other comprehensive loss. These amounts exclude the impact of cash collateral postings.

Cash flows associated with the settlement of all derivative instruments are included in operating cash flows on the Corporation's consolidated statements of cash flows.

The majority of the FortisBC Energy companies' risk-related derivative instruments contain collateral posting provisions tied to FEI's credit rating. A downgrade of FEI below investment grade by any of the major credit rating agencies could trigger margin calls and other cash requirements under FEI's gas purchase and swap and option contracts. Most of the existing natural gas derivative contracts are in liability positions and might be subject to margin calls and other cash requirements if FEI was downgraded below investment grade.

16. FAIR VALUE MEASUREMENTS

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value. The Corporation is required to determine the fair value of all derivative instruments.

The three levels of the fair value hierarchy are defined as follows:

Level 1: Fair value determined using unadjusted quoted prices in active markets
Level 2: Fair value determined using pricing inputs that are observable
Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available

The fair values of the Corporation's financial instruments, including derivatives, reflect point-in-time estimates based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Corporation's future consolidated earnings or cash flows.

The following table details the estimated fair value measurements of the Corporation's financial instruments, all of which were measured using Level 2 inputs except for certain long-term debt as noted.

	As at			
Asset (Liability)	**June 30, 2012**		December 31, 2011	
	Carrying	**Estimated**	Carrying	Estimated
($ millions)	**Value**	**Fair Value**	Value	Fair Value
Other asset - Belize Electricity [1]	**106**	**-** [2]	106	- [2]
Long-term debt, including current portion [3]	**(5,968)**	**(7,394)**	(5,788)	(7,172)
Waneta Partnership promissory note [4]	**(46)**	**(50)**	(45)	(49)
Foreign exchange forward contract [5]#	**-**	**-**	-	-
Fuel option contracts [5]	**(1)**	**(1)**	(1)	(1)
Natural gas derivatives: [5]				
Swaps and options	**(93)**	**(93)**	(135)	(135)
Gas purchase contract premiums	**3**	**3**	-	-

(1) Included in long-term other assets on the consolidated balance sheet
(2) The fair value of the Corporation's expropriated investment in Belize Electricity determined under the GOB's valuation is significantly lower than the fair value determined under the Corporation's independent valuation of the utility. Due to uncertainty in the ultimate amount and ability of the GOB to pay compensation owing to Fortis for the expropriation of Belize Electricity, the Corporation has recorded the long-term other asset at the carrying value of the Corporation's previous investment in Belize Electricity, including foreign exchange impacts.
(3) The Corporation's $200 million unsecured debentures due 2039 and consolidated credit facilities classified as long-term are valued using Level 1 inputs. All other long-term debt is valued using Level 2 inputs.
(4) Included in long-term other liabilities on the consolidated balance sheet
(5) The fair values of the derivatives were recorded in accounts payable and other current liabilities as at June 30, 2012 and December 31, 2011. As at December 31, 2011, the fair value of the foreign exchange forward contract was less than $1 million and the contract expired in April 2012.

The fair value of long-term debt is calculated using quoted market prices when available. When quoted market prices are not available, the fair value is determined by discounting the future cash flows of the specific debt instrument at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills, with similar terms to maturity, plus a credit risk premium equal to that of issuers of similar credit quality. Since the Corporation does not intend to settle the long-term debt or promissory note prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

16. FAIR VALUE MEASUREMENTS (cont'd)

The fuel option contracts are used by Caribbean Utilities to reduce the impact of volatility in fuel prices on customer rates, as approved by the regulator under the Company's Fuel Price Volatility Management Program. The fair value of the fuel option contracts reflects only the value of the heating oil derivative and not the offsetting change in the value of the underlying future purchases of heating oil and is calculated using published market prices for heating oil. The fuel option contracts mature in March 2013.

The natural gas derivatives are used to fix the effective purchase price of natural gas, as the majority of the natural gas supply contracts at the FortisBC Energy companies have floating, rather than fixed, prices. The fair value of the natural gas derivatives was calculated using the present value of cash flows based on market prices and forward curves for the commodity cost of natural gas.

The fair values of the fuel option contracts and natural gas derivatives were estimates of the amounts that the utilities would have to receive or pay to terminate the outstanding contracts as at the balance sheet dates. As at June 30, 2012, none of the fuel option contracts or natural gas derivatives were designated as hedges of fuel purchases or natural gas supply contracts. However, any gains or losses associated with changes in the fair value of the derivatives were deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the regulators.

17. FINANCIAL RISK MANAGEMENT

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

Credit Risk	Risk that a counterparty to a financial instrument might fail to meet its obligations under the terms of the financial instrument.
Liquidity Risk	Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.
Market Risk	Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Corporation is exposed to foreign exchange risk, interest rate risk and commodity price risk.

Credit Risk

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

FortisAlberta has a concentration of credit risk as a result of its distribution service billings being to a relatively small group of retailers. As at June 30, 2012, the utility's gross credit risk exposure was approximately $160 million, representing the projected value of retailer billings over a 60-day period. The Company has reduced its exposure to approximately $8 million by obtaining from the retailers either a cash deposit, bond, letter of credit or an investment-grade credit rating from a major rating agency, or by having the retailer obtain a financial guarantee from an entity with an investment-grade credit rating.

17. FINANCIAL RISK MANAGEMENT (cont'd)

Credit Risk (cont'd)

The FortisBC Energy companies are exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments. To help mitigate credit risk, the FortisBC Energy companies deal with high credit-quality institutions in accordance with established credit-approval practices. The counterparties with which the FortisBC Energy companies have significant transactions are A-rated entities or better. The Company uses netting arrangements to reduce credit risk and net settles payments with counterparties where net settlement provisions exist.

The following table summarizes the FortisBC Energy companies' net credit risk exposure to its counterparties, as well as credit risk exposure to counter parties accounting for greater than 10% net credit exposure.

($ millions, except for number of customers)	As at **June 30, 2012**	 December 31, 2011
Gross credit exposure before credit collateral [(1)]	**93**	136
Credit collateral	**-**	-
Net credit exposure [(2)]	**93**	136
Number of counterparties > 10%	**4**	4
Net exposure to counterparties > 10%	**73**	104

(1) Gross credit exposure equals mark-to-market value on physically and financially settled contracts, notes receivable and net receivables (payables) where netting is contractually allowed. Gross and net credit exposure amounts reported do not include adjustments for time value or liquidity.

(2) Net credit exposure is the gross credit exposure collateral minus credit collateral (cash deposits and letters of credit).

The Corporation is exposed to credit risk associated with the amount and timing of compensation that Fortis is entitled to receive from the GOB as a result of the expropriation of the Corporation's investment in Belize Electricity by the GOB on June 20, 2011. The Corporation has a long-term other asset of $106 million, including foreign exchange impacts, recognized on the consolidated balance sheet related to its expropriated investment in Belize Electricity (Note 19).

Liquidity Risk

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

To help mitigate liquidity risk, the Corporation and its larger regulated utilities have secured committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements.

The Corporation's committed credit facility is available for interim financing of acquisitions and for general corporate purposes. Depending on the timing of cash payments from the subsidiaries, borrowings under the Corporation's committed credit facility may be required from time to time to support the servicing of debt and payment of dividends. As at June 30, 2012, average annual consolidated long-term debt maturities and repayments over the next five years are expected to be approximately $295 million. The combination of available credit facilities and relatively low annual debt maturities and repayments provide the Corporation and its subsidiaries with flexibility in the timing of access to capital markets.

17. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk (cont'd)

As at June 30, 2012, the Corporation and its subsidiaries had consolidated credit facilities of approximately $2.5 billion, of which $2.0 billion was unused. The credit facilities are syndicated mostly with the seven largest Canadian banks, with no one bank holding more than 20% of these facilities. Approximately $2.3 billion of the total credit facilities are committed credit facilities with maturities ranging from 2013 to 2017.

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

				As at	
($ millions)	Regulated Utilities	Fortis Properties	Corporate and Other	**June 30, 2012**	December 31, 2011
Total credit facilities	1,434	13	1,045	**2,492**	2,248
Credit facilities utilized:					
Short-term borrowings [(1)]	(76)	(5)	-	**(81)**	(159)
Long-term debt [(2)]	(123)	-	(185)	**(308)**	(74)
Letters of credit outstanding	(67)	-	(1)	**(68)**	(66)
Credit facilities unused	1,168	8	859	**2,035**	1,949

[(1)] The weighted average interest rate on short-term borrowings was approximately 2.1% as at June 30, 2012 (December 31, 2011 - 1.9%).

[(2)] As at June 30, 2012, credit facility borrowings classified as long-term included $16 million (December 31, 2011 - $16 million) that was included in current installments of long-term debt on the consolidated balance sheet. The weighted average interest rate on credit facility borrowings classified as long-term debt was approximately 2.3% as at June 30, 2012 (December 31, 2011 - 2.6%).

As at June 30, 2012 and December 31, 2011, certain borrowings under the Corporation's and subsidiaries' credit facilities were classified as long-term debt. These borrowings are under long-term committed credit facilities and management's intention is to refinance these borrowings with long-term permanent financing during future periods.

In March 2012 Newfoundland Power renegotiated and amended its $100 million unsecured committed revolving credit facility, obtaining an extension to the maturity of the facility to August 2017 from August 2015. The amended credit facility agreement reflects a decrease in pricing but, otherwise, contains substantially similar terms and conditions as the previous credit facility agreement.

In April 2012 FortisBC Electric renegotiated and amended its credit facility agreement resulting in an extension to the maturity of the Company's $150 million unsecured committed revolving credit facility with $100 million now maturing in May 2015 and $50 million now maturing in May 2013.

In May 2012 FHI extended its $30 million operating credit facility to mature in May 2013 from May 2012. The new agreement contains substantially similar terms and conditions as the previous credit facility agreement.

In May 2012 Fortis increased the amount available for borrowing under its committed revolving corporate credit facility from $800 million to $1 billion, as permitted under the credit facility agreement.

In May 2012 Caribbean Utilities renegotiated and increased the amount available for borrowing under its unsecured credit facilities to US$47 million from US$33 million.

In June 2012 FortisOntario entered into a new short-term credit facility agreement for $30 million replacing two short-term credit facilities totaling $20 million. The new credit facility agreement reflects a decrease in pricing and improved terms and conditions. In July 2012 the former credit facilities were terminated.

17. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk (cont'd)

In July 2012 FEI entered into a one-year extension of its $500 million unsecured committed revolving credit facility agreement, amending the maturity date from August 2013 to August 2014. The amended agreement reflects an increase in pricing but, otherwise, contains substantially similar terms and conditions as the previous credit facility agreement.

In July 2012 FortisAlberta renegotiated and amended its $250 million unsecured committed revolving credit facility, obtaining an extension to the maturity of the facility to August 2016 from September 2015 and a decrease in pricing. The amended credit facility agreement otherwise contains substantially similar terms and conditions as the previous credit facility agreement.

The Corporation and its currently rated utilities target investment-grade credit ratings to maintain capital market access at reasonable interest rates. As at June 30, 2012, the Corporation's credit ratings were as follows:

Standard & Poor's ("S&P")	A- (long-term corporate and unsecured debt credit rating)
DBRS	A (low) (unsecured debt credit rating)

In May 2012 and July 2012, S&P and DBRS, respectively, affirmed the Corporation's debt credit ratings. Also, S&P and DBRS removed the ratings from credit watch with negative implications and under review with developing implications, respectively, where the ratings had been placed in February 2012, mainly reflecting the Corporation's financing plans for the pending acquisition of CH Energy Group and the expected completion of the Waneta Expansion on time and on budget.

The above-noted credit ratings reflect the Corporation's low business-risk profile and diversity of its operations, the stand-alone nature and financial separation of each of the regulated subsidiaries of Fortis, management's commitment to maintaining low levels of debt at the holding company level, the Corporation's reasonable credit metrics and its demonstrated ability and continued focus on acquiring and integrating stable regulated utility businesses financed on a conservative basis.

Market Risk

Foreign Exchange Risk
The Corporation's earnings from, and net investment in, foreign subsidiaries are exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. The Corporation has effectively decreased the above-noted exposure through the use of US dollar borrowings at the corporate level. The foreign exchange gain or loss on the translation of US dollar-denominated interest expense partially offsets the foreign exchange loss or gain on the translation of the Corporation's foreign subsidiaries' earnings, which are denominated in US dollars. The reporting currency of Caribbean Utilities, Fortis Turks and Caicos, FortisUS Energy and Belize Electric Company Limited is the US dollar. Belize Electricity's financial results were denominated in Belizean dollars, which are pegged to the US dollar.

As at June 30, 2012, the Corporation's corporately issued US$550 million (December 31, 2011 - US$550 million) long-term debt had been designated as an effective hedge of the Corporation's foreign net investments. As at June 30, 2012, the Corporation had approximately US$13 million (December 31, 2011 - US$6 million) in foreign net investments remaining to be hedged. Foreign currency exchange rate fluctuations associated with the translation of the Corporation's corporately issued US dollar borrowings designated as effective hedges are recorded in other comprehensive income and serve to help offset unrealized foreign currency exchange gains and losses on the net investments in foreign subsidiaries, which gains and losses are also recorded in other comprehensive income.

17. FINANCIAL RISK MANAGEMENT (cont'd)

Market Risk (cont'd)

Effective June 20, 2011, the Corporation's asset associated with its investment in Belize Electricity does not qualify for hedge accounting as Belize Electricity is no longer a foreign subsidiary of Fortis. As a result, during 2011, a portion of corporately issued debt that previously hedged the former investment in Belize Electricity was no longer an effective hedge. Effective from June 20, 2011, foreign exchange gains and losses on the translation of the asset associated with Belize Electricity and the corporately issued US dollar-denominated debt that previously qualified as a hedge of the investment were recognized in earnings. As a result, the Corporation recognized a net foreign exchange gain in earnings of approximately $2 million and $0.5 million during the three and six months ended June 30, 2012, respectively (Note 8).

FEI's US dollar payments under a contract for the implementation of a customer care information system were exposed to fluctuations in the US dollar-to-Canadian dollar exchange rate. FEI had entered into a foreign exchange forward contract to hedge this exposure. FEI had regulatory approval to defer any increase or decrease in the fair value of the foreign exchange forward contract for recovery from, or refund to, customers in future rates. FEI's foreign exchange forward contract expired in April 2012.

Interest Rate Risk
The Corporation and its subsidiaries are exposed to interest rate risk associated with short-term borrowings and floating-rate debt. The Corporation and its subsidiaries may enter into interest rate swap agreements to help reduce this risk.

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

The price risk-management strategy of the FortisBC Energy companies aims to improve the likelihood that natural gas prices remain competitive, to mitigate gas price volatility on customer rates and to reduce the risk of regional price discrepancies. In 2011 the BCUC determined that commodity hedging in the current environment was not a cost-effective means to meet the objectives of price competitiveness and rate stability. The BCUC concurrently denied FEI's 2011-2014 Price Risk Management Plan with the exception of certain elements to address regional price discrepancies. As a result, the FortisBC Energy companies have suspended all commodity hedging activities, with the exception of certain limited swaps as permitted by the BCUC. The existing hedging contracts will continue in effect through to their maturity and the FortisBC Energy companies' ability to fully recover the commodity cost of gas in customer rates remains unchanged. Any differences between the cost of natural gas purchased and the price of natural gas included in customer rates are recorded as regulatory deferrals and are recovered from, or refunded to, customers in future rates, subject to regulatory approval.

18. COMMITMENTS

There were no material changes in the nature and amount of the Corporation's commitments from the commitments disclosed in the Corporation's 2011 US GAAP annual audited consolidated financial statements, except as described below.

(a) Pending Acquisition

In February 2012 Fortis entered into an agreement to acquire CH Energy Group for US$1.5 billion, including the assumption of approximately US$500 million in debt on closing. The transaction received CH Energy Group shareholder approval in June 2012 and regulatory approval from FERC and the Committee on Foreign Investment in the United States in July 2012. The acquisition is subject to certain other approvals, including approval by the NYSPSC, and satisfaction of customary closing conditions. The NYSPSC is currently reviewing the application for approval of the transaction jointly filed by Fortis and CH Energy Group in April 2012 (Note 1).

(b) Subscription Receipts Offering

To finance a portion of the purchase price of CH Energy Group, Fortis sold 18,500,000 Subscription Receipts in June 2012 resulting in gross proceeds of approximately $601 million. Each Subscription Receipt entitles the holder to receive, on satisfaction of Release Conditions, and without payment of additional consideration, one common share of Fortis and a cash payment equal to the dividends declared on Fortis common shares to holders of record during the period from June 27, 2012 to the date of issuance of the common shares in respect of the Subscription Receipts. In the event that the Release Conditions are not satisfied by June 30, 2013, or if the share purchase agreement relating to the acquisition is terminated prior to such time, the holders of Subscription Receipts will be entitled to receive an amount equal to the full subscription price thereof plus their *pro rata* share of the interest earned on such amount (Note 4).

(c) Other

In January 2012 two First Nations bands each invested approximately $6 million in equity in the Mount Hayes liquefied natural gas storage facility, representing a 15% equity interest in the Mount Hayes Limited Partnership, with FEVI holding the controlling 85% ownership interest (Note 5). The non-controlling interests hold put options, which, if exercised, would require FEVI to repurchase the 15% ownership interest for cash, in accordance with the terms of the partnership agreement.

In April 2012 the December 31, 2011 actuarial valuation of the defined benefit pension plan at Newfoundland Power was completed. As a result Newfoundland Power is required to fund a solvency deficiency of approximately $53 million, including interest, over five years beginning in 2012. The Company fulfilled its 2012 annual solvency deficit funding requirement during the second quarter of 2012. The increase in funding contributions is expected to be recovered from customers in future rates.

19. EXPROPRIATED ASSETS

Belize Electricity
On June 20, 2011, the GOB enacted legislation leading to the expropriation of the Corporation's investment in Belize Electricity. As a result of no longer controlling the operations of the utility, the Corporation discontinued the consolidation method of accounting for Belize Electricity, effective June 20, 2011, and classified the book value of the previous investment in the utility as a long-term other asset on the consolidated balance sheet.

In October 2011 Fortis commenced an action in the Belize Supreme Court with respect to the challenge of the legality of the expropriation of the Corporation's investment in Belize Electricity and court proceedings are continuing. Fortis commissioned an independent valuation of its expropriated investment in Belize Electricity and submitted its claim for compensation to the GOB in November 2011.

The GOB also commissioned a valuation of Belize Electricity and communicated the results of such valuation in its response to the Corporation's claim for compensation. The fair value of Belize Electricity determined under the GOB's valuation is significantly lower than the fair value determined under the Corporation's valuation. Pursuant to the expropriation action, Fortis is pursuing alternative options for obtaining fair compensation from the GOB.

Exploits River Hydro Partnership
The Exploits River Hydro Partnership ("Exploits Partnership") is owned 51% by Fortis Properties and 49% by AbitibiBowater Inc. ("Abitibi"). The Exploits Partnership operated two non-regulated hydroelectric generating facilities in central Newfoundland with a combined capacity of approximately 36 MW. In December 2008 the Government of Newfoundland and Labrador expropriated Abitibi's hydroelectric assets and water rights in Newfoundland, including those of the Exploits Partnership. The newsprint mill in Grand Falls-Windsor closed on February 12, 2009, subsequent to which the day-to-day operations of the Exploits Partnership's hydroelectric generating facilities were assumed by Nalcor Energy as an agent for the Government of Newfoundland and Labrador with respect to expropriation matters. The Government of Newfoundland and Labrador has publicly stated that it is not its intention to adversely affect the business interests of lenders or independent partners of Abitibi in the province. The loss of control over cash flows and operations required Fortis to cease consolidation of the Exploits Partnership, effective February 12, 2009. Discussions between Fortis Properties and Nalcor Energy with respect to expropriation matters are ongoing.

20. CONTINGENT LIABILITIES

The Corporation and its subsidiaries are subject to various legal proceedings and claims associated with the ordinary course of business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's consolidated financial position or results of operations.

The following describes the nature of the Corporation's contingent liabilities.

Fortis
In May 2012 CH Energy Group and Fortis entered into a proposed settlement agreement with counsel to plaintiff shareholders pertaining to several complaints, which named Fortis and other defendants, which were filed in, or transferred to, the Supreme Court of the State of New York, County of New York, relating to the proposed acquisition of CH Energy Group by Fortis. The complaints generally alleged that the directors of CH Energy Group breached their fiduciary duties in connection with the proposed acquisition and that CH Energy Group, Fortis, FortisUS Inc. and Cascade Acquisition Sub Inc. aided and abetted that breach. The settlement agreement is subject to court approval.

20. CONTINGENT LIABILITIES (cont'd)

FHI
During 2007 and 2008, a non-regulated subsidiary of FHI received Notices of Assessment from Canada Revenue Agency for additional taxes related to the taxation years 1999 through 2003. The exposure has been fully provided for in the consolidated financial statements. FHI has begun the appeal process associated with the assessments.

In 2009 FHI was named, along with other defendants, in an action related to damages to property and chattels, including contamination to sewer lines and costs associated with remediation, related to the rupture in July 2007 of an oil pipeline owned and operated by Kinder Morgan, Inc. FHI has filed a statement of defence. During the second quarter of 2010, FHI was added as a third party in all of the related actions. Following a mediation, in which FHI did not participate, FHI was advised that all matters have now been settled.

FortisBC Electric
The Government of British Columbia has alleged breaches of the Forest Practices Code and negligence relating to a forest fire near Vaseux Lake and has filed and served a writ and statement of claim against FortisBC Electric dated August 2, 2005. The Government of British Columbia has now disclosed that its claim includes approximately $13.5 million in damages but that it has not fully quantified its damages. In addition, private landowners have filed separate writs and statements of claim dated August 19, 2005 and August 22, 2005 for undisclosed amounts in relation to the same matter. FortisBC Electric and its insurers are defending the claims. A date for mediation of this matter has been set for December 2012. The outcome cannot be reasonably determined and estimated at this time and, accordingly, no amount has been accrued in the consolidated financial statements.

The Government of British Columbia filed a claim in the British Columbia Supreme Court in June 2012 claiming on its behalf, and on behalf of approximately 17 homeowners, damages suffered as a result of a landslide caused by a dam failure in Oliver, British Columbia in 2010. The Government of British Columbia alleges in its claim that the dam failure was caused by the defendants', which includes FortisBC Electric, use of a road on top of the dam. The Government of British Columbia estimates its damages and the damages of the homeowners, on whose behalf it is claiming, to be approximately $12 million. FortisBC Electric has not been served, however, has retained counsel and has contacted its insurers. The outcome cannot be reasonably determined and estimated at this time and, accordingly, no amount has been accrued in the consolidated financial statements.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with current period presentation. The most significant change related to a decrease in current and long-term debt of $4 million and $120 million, respectively, and a corresponding increase in current and long-term capital lease and finance obligations associated with a change in the presentation of finance obligations.