Q. Reference: CA-NP-88:

(a) what are the Energy Programs at Table 1 on p. 1 of 4;

(b) describe the Share Purchase Plan and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;

(c) describe the Employees Association Plan (sic) and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;

(d) describe the Computer Purchase Plan and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;

(e) describe the "Promotional Materials" and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;

(f) regarding Donations, please confirm that the same are not a regulated expense item;

(g) please provide a detailed breakdown of the last line item in Table 1 which NP has described as "miscellaneous".

A. (a) The Energy Programs referred to in Table 1 are the *Wrap Up for Savings* program and the Thermostat Rebate Program.

(b) The Share Purchase Plan is described in Attachment A. The Share Purchase Plan is a component of the employee benefit package, and the associated expenses are therefore appropriately charged to regulated expense.

(c) The Employees Association is a volunteer group of Newfoundland Power employees who organize events to encourage networking between employees through social events, recreational sports events and other functions such as community service activities throughout the province. The Employees Association is a component of the Company’s employee health and wellness initiatives, and the associated expenses are therefore appropriately charged to regulated expense.

(d) The Computer Purchase Plan is described in Attachment B. The Computer Purchase Plan is an important employee development initiative, and the associated expenses are therefore appropriately charged to regulated expense.

(e) Promotional materials are items such as t-shirts and mugs bearing the Newfoundland Power logo. While most promotional materials are treated as a non-regulated expense, some promotional materials are used in employee recognition initiatives and are therefore appropriately charged to regulated expense.

(f) Donations are a non-regulated expense.

(g) Table 1 provides a breakdown of the Miscellaneous line item of $438,000 for 2006 in Table 1 of the response to CA-NP-88.

Table 1
Miscellaneous Costs
(000's)

Non- Inventory Materials	
System Operations	$ 57,263
Building Maintenance/Operation	50,456
Health and Safety	32,688
Human Resources Planning & Administration	25,016
Customer Service	24,826
System Control Center	12,292
Substations	10,529
Distribution	9,157
Finance	7,518
IS Operations	5,864
Billing/Collections	5,752
Application Development	2,853
Corporate Communications	2,851
Engineering & Technical support	1,859
Meter Reading	1,586
Billing	1,369
Other	
Employee Welfare Costs	44,584
Customer Service Survey	39,638
Non-Regulated Expenses	17,426
Trailblazers	15,493
Media Monitoring	11,887
Lease Payments	10,993
Environmental Policy	8,235
Home Show	7,535
EnviroFest	6,816
Rev Tax/PUC Assessment	4,655
Trucking Cost	4,211
Demand Management	3,252
Software	2,391
Records Storage	2,294
Tools	2,182
Registry Search Fees	1,800
Training	1,668
Total	**$436,939**

Share Purchase Plan

THE PLAN IN SUMMARY

Principal Features of the Plan

The Employee Share Purchase Plan offers eligible employees the opportunity to invest in Fortis. The shares can be purchased through advance payments or through an interest free employee loan, up to an aggregate amount in any year equal to 10% of the employee's salary. The employee loan may be repaid at any time but must be repaid within one year. The Employer will deduct, in each bi-weekly pay period, one twenty-sixth of the loan amount from the Employee's pay. Payroll deductions can also be used for accumulated advance payments.

The price at which shares are acquired under the Plan is the Average Market Price which is calculated using the average of the average of the high and low prices of the Common Shares on The Toronto Stock Exchange over a specified period. The Participant's Employer contributes 10% of the price, enabling the Participant to acquire the shares at 90% of the Average Market Price. Ninety percent of the Common Shares will be issued from Treasury and the remaining ten percent will be purchased in the market.

All administrative costs are borne by Fortis and there is no brokerage commission for the Common Shares acquired under the Plan.

Eligible Employees

All retirees and full-time employees of Fortis and its subsidiaries and affiliates other than probationary, casual and temporary, or seasonal workers are eligible to participate in the Plan. Retirees who are Participants at the time of their retirement are eligible to continue to participate only in the dividend reinvestment portion of the Plan. Employees who quit or are terminated are no longer eligible to participate in the Plan.

How to Participate

To join the Plan an eligible employee must complete, sign and return an Employee Participation Form to their Employer.

The Investment Date

Participation in the Plan becomes effective when the Employer receives the completed Employee Participation Form and the initial payment is received or investment made. Advance payments received from Participants are invested on the dividend payment date following receipt of such payments by Fortis if the payment is received at least one full business day prior thereto. Cash dividends on Common Shares acquired and retained under the Plan are reinvested on the dividend payment date. Employee Loans become effective immediately prior to the investment of the proceeds on the dividend payment date.

Common Share dividend payment dates for Fortis are usually the first day in the months of March, June, September and December.

Administration

Fortis shares are administered by Computershare Trust Co. and they will maintain an account for each Participant. Following each Common Share dividend payment date, a statement of account will be sent to each Participant.

Withdrawal from the Plan

Participants may withdraw from the Plan by notifying Computershare in writing or completing a Withdrawal/Sale form.

CAUTION

The foregoing constitutes only a summary of some of the features of the Plan. The terms and conditions are described in full in this Offering Circular and an employee should read them carefully before signing the Employee Participation Form.

If any interpretation of the Employee Share Purchase Plan is required, the text of the section entitled "Terms and Conditions" shall govern.

FORTIS INC.

Fortis is a corporation existing under the laws of the Province of Newfoundland and has its head office in St. John's. The corporation's business interests include the ownership of all the issued common shares of Newfoundland Power Inc. and Maritime Electric Company, Limited as well as investments in financial services, real estate and telecommunications.

The Common Shares of Fortis are listed on the Montreal and Toronto stock exchanges.

The Common Shares of Fortis Inc. have no par value. Holders of Common Shares are entitled to one vote per share at all meetings of the holders of Common Shares of Fortis. All Common Shares are fully paid when issued and are non-assessable and rank equally in respect of dividend payments and winding-up or dissolution of Fortis.

USE OF PROCEEDS

The net proceeds to Fortis from the sale of Common Shares under the Plan cannot be determined in advance. However, the net proceeds as and when received will be added to the general funds of Fortis and used for its corporate purposes.

FINANCIAL DISCLOSURE

The financial year of Fortis ends on December 31st. An audited financial report is produced annually and distributed to all shareholders. Unaudited financial statements are prepared and distributed each intervening three (3) month period or quarter. A copy of the latest annual report and the latest quarterly report are available from Fortis upon request.

As a publicly traded corporation, Fortis is required to make full, true and plain disclosure of all material facts relating to the Common Shares of Fortis and report any material change on a timely basis with the appropriate securities commissions and similar regulatory authorities in each of the Provinces of Canada. All such disclosure documents (excluding confidential reports) filed with such commissions or authorities from time to time are deemed to be incorporated in this Offering Circular by reference. A copy of any such document is available from Fortis upon request.

No securities commission or similar authority in Canada has in any way passed upon the merits of the Common Shares of Fortis.

TAX CONSIDERATIONS

Fortis has been advised that, based on the laws of Canada, in effect on September 12, 1994, the following tax considerations apply:

Upon the purchase of Common Shares an employee will receive a taxable benefit equal to 10% of the Average Market Price of the Common Shares acquired under the Plan. The amount of that taxable benefit is added to the adjusted cost base of the Common Shares with the result that, upon subsequent disposition of the shares, the employee's capital gain or loss is measured against the undiscounted acquisition cost of the shares. Reinvestment of cash dividends under the Plan does not relieve Participants of any liability for taxes that may be payable on such dividends. For federal income tax purposes Participants will be treated as having received, on the Common Share dividend payment date, a dividend equal to the full amount of the cash dividend paid on such date.

Interest earned on cash payments prior to the purchase of Common Shares is taxable as interest earned. Employees who avail themselves of an interest free loan will be considered to have received a taxable benefit from employment equivalent to the deemed interest. The amount of the deemed interest will also be considered as interest expense for investment purposes.

A Participant will not realize any taxable income when they receive certificates for any Common Shares credited to the Participant's account under the Plan, whether received upon the Participant's request or upon termination of participation in the Plan. A Participant may realize a gain or loss upon disposal of Common Shares purchased under the Plan.

Employees wishing to participate in the Plan should consult their own tax advisers if they are in doubt as to their tax position.

Participants will receive appropriate Canadian tax forms (T5) for use in reporting dividends paid on Common Shares under the Plan. The taxable benefit of the purchase of the Common Shares and of any interest free loan will appear on the T4 tax form provided to the employee at the end of the year.

Computer Purchase Plan

PC PURCHASE PLAN GUIDELINES

I. PURPOSE

The purpose of the Employee Personal Computer Purchase Plan ("the Plan") is to encourage employees to purchase personal computers for home use by assisting them with financing. This will assist employees to increase the effectiveness of their use of technology in the work place.

II. ELIGIBILITY

All full-time regular employees who have successfully completed their probationary period, and all long-term temporary employees who have worked for the Company for a minimum of one consecutive year, are eligible for participation in the Plan.

III. GUIDELINES

To ensure benefits accrue to both employees and the Company, the Plan is guided by a number of underlying principles as follows:

1. The Plan will apply to single personal computers, either a desktop or laptop, (Apple MacIntosh desktops or laptops are not covered under this Plan) consisting of a central processing unit, a monitor, peripheral devices and start-up software such as the operating system. Printers and upgrades purchased to increase the capacity of an existing personal computer are also eligible under the Plan.

2. The Company will provide limited funding to the Plan on an annual basis. The Company reserves the right to amend funding for the Plan at any time.

3. The Company will provide all eligible employees with a grant of 1/3 of the purchase price of approved personal computers and associated components. Where required, an interest free loan will be provided to interested employees and will be paid via payroll deductions over a maximum of 48 pay periods. Both the grant and imputed interest on the loan will be a taxable benefit to employees.

   The maximum loan and maximum grant is calculated as follows:
   $2500 – is the maximum eligible total cost of computer and components
   $ 833 – is the maximum available grant (1/3 of $2500)
   $1667 – is the maximum available interest free loan ($2500 minus $833)

4. The Plan will begin anew every three years to allow employees to remain current with technology. Three years (to the month) after a personal computer is purchased through the Plan (with all requirements being satisfied), an employee may be eligible for another grant.

5. Additional hardware may qualify for the EPCPP within the three year period if the $833 grant or the $1667 loan is not exceeded. Hardware items that qualify within the three year period are memory, hard drive, processing speed upgrades and items such as printers, scanners, and cable or ADSL modems, routers. (Motherboards and/or casing are not considered an upgrade.)

6. The Information Services Department must approve all requests prior to purchase.

7. The purchase of the PC or components may be made in one of two ways:

After the quote is approved by the Information Services Department, the employee may make the purchase and submit the receipt along with a payroll deduction authorization form to the Information Services Department. The Company will reimburse the total cost up to $2500 and recoup 2/3 of the cost up to $1667 through payroll deduction over a maximum of 48 pay periods. If the employee wishes to forgo the interest free loan, the company will reimburse only 1/3 the total cost up to $833.

OR

Employees may send a quote, along with a payroll deduction authorization form, to the Information Services Department for approval. Upon approval, the employee may order the PC and the Information Services Department will then arrange payment with the vendor, if possible, and recoup the loan portion up to $1667 through payroll deduction over 48 pay periods.

8. If an employee leaves the Company before a loan is paid, that employee will be responsible for the outstanding balance of the loan.

9. The Company reserves the right to amend or cancel the Plan at any time. If amended or cancelled, employees who have outstanding accounts will be allowed to make payments until their existing debt is paid.

10. Questions regarding the Plan are to be referred to Celine Sheppard (737-2897) in the Information Services Department.

IV. PROCEDURES

1. All participants of the Plan must contact the Information Services Department to confirm their eligibility.

2. Personal computers purchased through the Plan will be up to date and compatible with those in use within the Company as per minimum specification requirements.

3. If a loan is required, employees must complete a payroll deduction authorization form and return to the Information Services Department for approval.

4. Upon approval and purchase, the employee is responsible for coordinating the delivery of the computer with the vendor.

5. All computer inquiries and maintenance issues are to be directed to the vendor and NOT to the Company.