7 May 2015 Annual Meeting

FORTIS INC.

Notice of Annual Meeting
and
Management Information Circular

20 March 2015

FORTIS INC.

TABLE OF CONTENTS

FORTIS INC.

NOTICE OF ANNUAL MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of FORTIS INC. ("Fortis") will be held in Salon A, Holiday Inn St. John's, 180 Portugal Cove Road, St. John's, Newfoundland and Labrador on Thursday, 7 May 2015, at the hour of 10:30 a.m. (Newfoundland Daylight Time) for the following purposes:

1. to receive the Consolidated Financial Statements of Fortis for its financial year ended 31 December 2014, together with the Report of the Auditors thereon;
2. to elect the directors of Fortis;
3. to appoint auditors and to authorize the directors to fix the auditors' remuneration;
4. to consider and, if supported, pass an advisory resolution on the approach to executive compensation of Fortis; and
5. to transact such other business as may properly be brought before the meeting or any adjournment(s) or postponement(s) thereof.

DATED at St. John's, Newfoundland and Labrador, 20 March 2015.

By Order of the Board

David C. Bennett
Vice President, Chief Legal Officer
and Corporate Secretary

NOTES

A. Shareholders who are unable to be present in person at the meeting are requested to sign and return the accompanying form of proxy in the envelope provided for that purpose.

B. Only holders of Common Shares of record at the close of business on 20 March 2015 will be entitled to vote at the meeting. A shareholder who acquires their shares after 20 March 2015 may request, not later than 10 days before the meeting, that their name be included in the list of Shareholders eligible to vote at the meeting, and upon establishing proper ownership such shareholder shall be entitled to vote such Common Shares at the meeting.

C. A shareholder desiring to appoint another representative (who need not be a shareholder of Fortis) to vote at the meeting on their behalf may do so either by inserting such person's name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of Fortis or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, ON, M5J 2Y1 or by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 5 May 2015, or with the Chair of the meeting on the day of the meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof.

FORTIS INC.

MANAGEMENT INFORMATION CIRCULAR

PROXY SOLICITATION

This Management Information Circular ("Circular") is furnished in connection with the solicitation of proxies by the management of FORTIS INC. ("Fortis" or "Corporation") for use at the 2015 annual meeting ("Meeting") of the holders ("Shareholders") of the common shares ("Common Shares") of Fortis. The Meeting will be held in Salon A, Holiday Inn St. John's, 180 Portugal Cove Road, St. John's, Newfoundland and Labrador, on Thursday, 7 May 2015, at the hour of 10:30 a.m. (Newfoundland Daylight Time). **This solicitation is being made by the management of Fortis.** Proxies solicited by management will be valid for the Meeting, and at any adjournment(s) or postponement(s) thereof, for all purposes described herein.

It is expected that the solicitation of proxies will primarily be by mail but proxies may also be solicited personally, by telephone, e-mail, internet or facsimile by directors, officers or employees of Fortis, or by such agents as Fortis may appoint. Fortis has retained Kingsdale Shareholder Services ("Kingsdale") in connection with the solicitation of proxies at a cost of $45,000 plus reimbursement of expenses related to the solicitation. The cost of solicitation will be borne by Fortis. Shareholders can contact Kingsdale either by mail at Kingsdale Shareholder Services, The Exchange Tower, 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario M5X 1E2, by toll-free telephone in North America at 1-888-518-6828 or collect call outside North America at 416-867-2272, or by e-mail at *contactus@kingsdaleshareholder.com*.

The directors have set 20 March 2015 as the record date for the Meeting (the "Record Date"). Unless otherwise stated, information in this Circular is given as of 20 March 2015.

REVOCABILITY OF PROXIES

Proxies given by Shareholders for use at the Meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer thereof duly authorized. Where shares are held in joint or common ownership of any kind, the signature of each owner is required on the form of revocation. **A form of revocation must be deposited either at the registered office of Fortis or the principal office of the transfer agent at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 5 May 2015 at one of the following addresses:**

Corporation	Transfer Agent
Fortis Inc.	***Computershare Trust Company of Canada***
Fortis Place, Suite 1100	***100 University Avenue, 8th Floor***
5 Springdale Street	***Toronto, ON***
P. O. Box 8837	***M5J 2Y1***
St. John's, NL	
A1B 3T2	

If not deliverable to one of the physical locations noted above, a form of revocation may be deposited by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 5 May 2015, or with the Chair of the Meeting on the day of the Meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof.

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of Fortis and have consented to act as proxy for the Shareholders who so appoint them. **A Shareholder has the right to appoint another representative (who need not be a Shareholder of Fortis) to attend and act for him or her on his or her behalf at the meeting other than the persons named in the enclosed instrument of proxy. A Shareholder desiring to appoint another representative (who need not be a Shareholder of Fortis) may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of Fortis or the principal office of Computershare Trust Company of Canada ("Computershare"), 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1 or by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 5 May 2015, or with the Chair of the Meeting on the day of the Meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion without notice.**

The form of proxy affords the Shareholder an opportunity to specify that the shares registered in the Shareholder's name will be voted, or withheld from voting, in respect of the election of directors and the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors; and will be voted for, or against, in respect of approving an advisory resolution on the approach to executive compensation of Fortis.

On any ballot that may be called for, the shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the specifications made by each Shareholder.

If a proxy does not specify how a proxy nominee is to vote in respect of the matters set forth in the proxy, proxies in favour of management nominees will be voted *FOR*: the election of the directors nominated by management; the appointment of auditors named herein and the authorization of the directors to fix the remuneration of the auditors; and approving an advisory resolution on the approach to executive compensation of Fortis.

The form of proxy confers discretionary authority on the proxy nominee with respect to amendments or variations of matters identified in the form of proxy and with respect to other matters which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. At the time of printing this Circular, management does not know of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any such amendment, variation or matter should properly come before the Meeting, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of such nominees.

ATTENDANCE AT THE MEETING

Shares may be voted at the Meeting by attending in person or by duly appointed proxy, who need not be a Shareholder. Shareholders appointing a proxy, other than a management nominee, should ensure that such person is aware that he or she has been appointed and attends the Meeting.

Non-registered Shareholders wishing to vote their Common Shares at the Meeting must obtain an appointment as proxy from their intermediary. Shareholders or their proxyholder must see a representative of Computershare before entering the Meeting to register his or her attendance at the Meeting.

NON-REGISTERED (BENEFICIAL) SHAREHOLDERS AND NOTICE-AND-ACCESS

In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101"), Fortis is sending proxy-related materials in connection with the Meeting directly to non-objecting beneficial owners of Common Shares and indirectly, through intermediaries, to objecting beneficial owners of Common Shares ("OBOs"). Fortis will also pay the fees and costs of intermediaries for their services in delivering proxy-related materials to OBOs in accordance with NI 54-101.

A person is a non-registered Shareholder if the person's Common Shares are registered in the name of an intermediary (for example, a bank, trust company, investment dealer, clearing agency or other institution). If you are not sure whether you are a registered or a non-registered Shareholder, please contact Kingsdale.

Instead of a form of proxy for use in voting their Common Shares at the Meeting, non-registered Shareholders will receive either a voting instruction form or a pre-authorized proxy form indicating the number of Common Shares to be voted, which Shareholders should complete, date, sign and return to Computershare by mail or fax.

An intermediary is required to ask the Shareholder for his or her voting instructions before the Meeting. If a Shareholder has not received a voting instruction form or pre-authorized proxy from his or her intermediary, then they should contact their intermediary. In order to vote, an OBO should follow the instructions provided on the voting instruction form or pre-authorized proxy form provided by their intermediary.

These security holder materials are being sent to both registered and non-registered owners of the securities. For non-registered owners that have had these materials sent directly to them by the issuer or its agent, all information necessary to provide these materials, such as the non-registered owner's name, address and number of Common Shares, were obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Common Shares on the Shareholder's behalf.

By choosing to send these materials directly, the issuer (and not the intermediary) has assumed responsibility for (i) delivering these materials, and (ii) executing the proper voting instructions.

Fortis does not utilize the notice-and-access delivery procedures provided under NI 54-101.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of Fortis consists of an unlimited number of Common Shares, an unlimited number of First Preference Shares and an unlimited number of Second Preference Shares, in each case, issuable in series, without nominal or par value. As of 20 March 2015, the following Common Shares and Preference Shares were issued and outstanding:

	Issued and Outstanding	Votes per Share
Common Shares	277,408,244	1
First Preference Shares, Series E	7,993,500	0
First Preference Shares, Series F	5,000,000	0
First Preference Shares, Series G	9,200,000	0
First Preference Shares, Series H	10,000,000	0
First Preference Shares, Series J	8,000,000	0
First Preference Shares, Series K	10,000,000	0
First Preference Shares, Series M	24,000,000	0

Only holders of Common Shares of record at the close of business on the Record Date will be entitled to vote at the Meeting. A Shareholder who acquires their Common Shares after the Record Date may request, not later than 10 days before the Meeting, their name be included in the list of Shareholders eligible to vote at the Meeting, and upon establishing proper ownership such Shareholder shall be entitled to vote their Common Shares at the Meeting. Any such request should be submitted to Computershare at its address provided herein.

To the knowledge of the directors and officers of Fortis, no Shareholder beneficially owns, controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares.

MATTERS FOR CONSIDERATION OF SHAREHOLDERS

FINANCIAL STATEMENTS

Fortis will place before the Meeting the Corporation's Consolidated Financial Statements for the year ended 31 December 2014 together with the auditors' report thereon. The Consolidated Financial Statements can be found at pages 72 through 137 of the Corporation's 2014 Annual Report, which has been mailed to all of the registered Shareholders and those beneficial Shareholders who have requested to receive the Annual Report. The 2014 Fortis Annual Report is also available on the Fortis website at *www.fortisinc.com* and on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at *www.sedar.com*.

ELECTION OF DIRECTORS

The Articles of Fortis provide for a minimum of 3 and a maximum of 15 directors. The Fortis Board of Directors (the "Board") currently consists of 9 members. Mr. H. Stanley Marshall retired effective 31 December 2014 and Mr. Barry V. Perry was appointed by the remaining directors to fill the vacancy effective 1 January 2015. Mr. Frank J. Crothers will not be standing for re-election as he has achieved the maximum age of 70 years allowed under the Director Tenure Policy described on page 25 of this Circular and Mr. Michael A. Pavey passed away in February 2015. Shareholders will be asked to elect 8 currently serving directors and nominees Pierre J. Blouin, Paul J. Bonavia and Maura J. Clark to serve as the 11 members of the Board.

Additional details pertaining to each of the nominees can be found on pages 10 through 18 of this Circular. The 11 nominees proposed for election as directors are as follows:

Tracey C. Ball
Pierre J. Blouin
Paul J. Bonavia
Peter E. Case
Maura J. Clark
Ida J. Goodreau
Douglas J. Haughey
R. Harry McWatters
Ronald D. Munkley
David G. Norris
Barry V. Perry

If any of the proposed nominees should for any reason be unable to serve as a director of Fortis, the persons named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion unless the Shareholder has specified in its proxy that their Common Shares are to be withheld from voting in the election of directors.

In accordance with the Fortis Majority Voting Policy, if any nominee for director receives, from the Common Shares voted at the Meeting, a greater number of votes "withheld" than "for" his or her election, such director must promptly tender his or her resignation to the Chair. Any such resignation will take effect only on acceptance by the Board. The Governance and Nominating Committee will expeditiously consider the director's offer to resign and recommend to the Board whether such resignation should be accepted. Within 90 days of the Meeting, the Board will make a final decision on the proposed resignation and announce it by way of media release. Any director who tenders his or her resignation will not participate in the related deliberations of the Governance and Nominating Committee or the Board. The Fortis Majority Voting Policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected. For more information on the Majority Voting Policy, please see the section of this Circular titled "Majority Voting For Directors" on page 27.

Management and the Board recommend that Shareholders vote <u>FOR</u> these nominees. The persons named in your Proxy intend to vote <u>FOR</u> the election of each of these nominees unless you specify that authority to do so is withheld.

APPOINTMENT OF THE AUDITORS AND AUTHORIZATION OF THE DIRECTORS TO FIX AUDITORS' REMUNERATION

The Board, on the recommendation of its Audit Committee, proposes that the Shareholders appoint Ernst & Young LLP as the auditors of Fortis to hold office until the close of the next annual meeting of Shareholders.

The Board negotiates the fees paid to the auditors on an arm's length basis. Such fees are based upon the complexity of the matters dealt with and the time expended by the auditors in providing services to Fortis. Management believes that the fees negotiated in the past with the auditors of Fortis have been reasonable in all circumstances and would be comparable to fees charged by other auditors providing similar services.

Fees incurred by Fortis for work performed by its auditors, Ernst & Young LLP, during each of the last two financial years for audit, audit-related, tax and non-audit services were as follows:

External Auditor Service Fees ($000's)		
Ernst & Young LLP	**2014**	**2013**
Audit Fees	4,601	3,190
Audit-Related Fees	748	673
Tax Fees	119	221
Non-Audit Fees	48	-
Total	5,516	4,084

Audit fees paid to the auditors were higher in 2014 mainly due to work performed by Ernst & Young LLP related to the acquisition, financing, annual audit and quarterly review of UNS Energy Corporation, which was acquired on 15 August 2014. Non-audit services were pre-approved and related to work performed at UNS Energy Corporation during 2014.

Management and the Board recommend that Shareholders vote <u>FOR</u> the appointment of Ernst & Young LLP as the auditors of Fortis for 2015 and <u>FOR</u> the authorization of the Board to fix the remuneration of the auditors for 2015. The persons named in your Proxy intend to vote <u>FOR</u> the appointment and <u>FOR</u> the authorization of the Board to fix the remuneration of the auditors unless you specify that authority to do so is withheld.

ADVISORY VOTE ON APPROACH TO EXECUTIVE COMPENSATION

Compensation Objectives

As part of the Corporation's commitment to strong corporate governance practices, the Board elected to put a non-binding advisory vote regarding the Corporation's approach to executive compensation ("Say on Pay") to the Meeting. The Board believes that the Corporation's executive compensation policies and practices must closely align the interests of executives and Shareholders and be consistent with corporate governance best practices in Canada. The Say on Pay resolution gives Shareholders an opportunity to indicate whether they support the disclosed objectives of the Corporation's executive compensation policies and practices, discussed in more detail in the *Compensation Discussion and Analysis* section of this Circular.

Resolution

"**RESOLVED THAT:**

On an advisory basis and not to diminish the role and responsibilities of the board of directors of the Corporation, the Shareholders of the Corporation accept the approach to executive compensation as described in the *Compensation Discussion and Analysis* section of the Management Information Circular of the Corporation dated 20 March 2015."

The Board recommends that Shareholders vote FOR the non-binding advisory vote on the approach to executive compensation of Fortis and, unless otherwise instructed, the persons named in your Proxy intend to vote FOR the non-binding advisory vote on the approach to executive compensation of Fortis.

Non-Binding Nature of Resolution

Shareholders have the opportunity to vote FOR or AGAINST the non-binding advisory vote on Say on Pay. As this is an advisory vote, the results of the vote will not be binding on the Board. The Board will take the results of the vote into account, as appropriate, when considering future compensation polices, practices and decisions and in determining whether there is a need to increase its engagement with Shareholders on compensation and related matters.

OTHER MATTERS

Management knows of no matters to come before the Meeting other than the foregoing. However, if any other matters should be properly brought before the Meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominees.

Fortis has not adopted an advanced notice policy. However, in accordance with Section 227 of the *Corporations Act* (Newfoundland & Labrador), the Corporation will not permit any Shareholder proposal to be brought before the Meeting unless it has been submitted to the Corporation at least 90 days prior to the anniversary date of the 2014 annual meeting, being 13 February 2015.

Shareholders entitled to vote at the next annual meeting to be held in 2016 and who wish to submit proposals in respect of any matter to be raised at such meeting must ensure that Fortis receives their proposals not later than 7 February 2016.

BOARD OF DIRECTORS

NOMINEES FOR ELECTION AS DIRECTORS

This section provides information on each of the 11 persons nominated for election as director at the Meeting, including the background, experience, meeting attendance, other public board memberships and Fortis securities held. Based on questionnaires completed by each of the proposed nominees, the Board has determined that other than Mr. Bonavia and Mr. Perry, each nominee has no material relationship with Fortis and is, therefore, independent of Fortis. Mr. Bonavia is not considered independent of Fortis under Canadian securities law by virtue of his prior positions as Chief Executive Officer and Executive Board Chair with UNS Energy Corporation. Mr. Bonavia will be considered independent of Fortis on 15 August 2017. Mr. Perry is not independent because he is the President and Chief Executive Officer of Fortis. Each of the nominees was elected to his or her present term of office at the annual meeting of Shareholders held on 14 May 2014, with the exception of Mr. Perry who was appointed by the remaining directors to fill a vacancy effective 1 January 2015, and Ms. Clarke and Messrs. Blouin and Bonavia, each of whom are being nominated for the first time.

There are no contracts, arrangements or understandings between any director or executive officer or any other person pursuant to which any of the nominees has been nominated for election as a director of the Corporation.

TRACEY C. BALL

Corporate Director
Edmonton, Alberta

Age: 57
Director since: May 2014

Independent

Areas of Expertise:
- Finance
- Capital Markets
- Public Issuer Executive
- Western Canadian Markets

Ms. Ball retired in September 2014 as Executive Vice President and Chief Financial Officer of Canadian Western Bank Group. Prior to joining a predecessor to Canadian Western Bank Group in 1987, she worked in public accounting and consulting. Ms. Ball has served on several private and public sector boards, including the Province of Alberta Audit Committee and the Financial Executives Institute of Canada. She currently serves on the City of Edmonton LRT Governance Board.

Ms. Ball graduated from Simon Fraser University with a Bachelor of Arts (Commerce). She is a member of the Canadian Chartered Professional Accountants of Canada, the Institute of Chartered Accountants of Alberta, and the Association of Chartered Professional Accountants of British Columbia. Ms. Ball was elected as a Fellow of the Institute of Chartered Accountants of Alberta in 2007. She holds an ICD.D designation from the Institute of Corporate Directors.

Ms. Ball was appointed to the Audit Committee on 14 May 2014. Ms. Ball serves as a director of FortisAlberta Inc. and is Chair of that Company's Audit Committee.

Board / Committee Membership		Attendance	Voting Results 2014 Annual Meeting		
Board of Directors		7 of 7 (1)	Year	For	Withheld
Audit		5 of 5 (2)	2014	99.76%	0.24%
Securities Held (3) and Total Market Value as at 27 March 2014 and 20 March 2015(4)					
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target	
March 2014	350	0	$10,997	Not Applicable	
March 2015	350	3,234	$139,525		

PIERRE J. BLOUIN

Corporate Director
Ile Bizard, Quebec

Age: 57
Director since: New Nominee

Independent

Areas of Expertise:
- Finance
- Capital Markets
- Public Issuer Executive
- Executive Compensation

Mr. Blouin served as the Chief Executive Officer of Manitoba Telecom Services, Inc. until his retirement in December 2014. Prior to joining Manitoba Telecom Services, Inc. as its Chief Executive Officer in 2005, Mr. Blouin held various executive positions in the Bell Canada group of companies, including Group President, Consumer Markets for Bell Canada, Chief Executive Officer of BCE Emergis, Inc. and CEO of Bell Mobility.

Mr. Blouin graduated from Hautes Etudes Commerciales with a Bachelor of Commerce in Business Administration. He is a Certified Purchasing Manager (Canada) and a member of the Institute of Bankers (Canada).

Board / Committee Membership		Attendance		
New Nominee		Not Applicable		
Securities Held [(3)] and Total Market Value as at 20 March 2015[(4)]				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2015	1,750	-	$68,128	Not Applicable

PAUL J. BONAVIA

Corporate Director
Dallas, Texas

Age: 63
Director since: New Nominee

Not Independent

Areas of Expertise:
- Capital Markets
- Utilities
- Public Issuer Executive
- Executive Compensation
- International Business

Mr. Bonavia resigned as Executive Chairman of UNS Energy Corporation upon its acquisition by Fortis Inc. Prior to holding this position Mr. Bonavia served UNS Energy Corporation in the roles of Chairman and CEO, and Chairman, President and CEO since 2009.

Mr. Bonavia graduated from Drake University with a Bachelor of Arts and from the University of Miami with a Juris Doctorate. He also attended the Advanced Management Program at Harvard University Business School.

Board / Committee Membership		Attendance		
New Nominee		Not Applicable		
Securities Held [(3)] and Total Market Value as at 20 March 2015[(4)]				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2015	-	-	-	Not Applicable

PETER E. CASE

Corporate Director
Kingston, Ontario

Age: 60
Director since: May 2005

Independent

Areas of Expertise:
- Finance
- Capital Markets
- Utilities

Mr. Case retired in February 2003 as Executive Director, Institutional Equity Research at CIBC World Markets. During his 17-year career as senior investment analyst with CIBC World Markets and BMO Nesbitt Burns and its predecessors, Mr. Case's coverage of Canadian and selected U.S. pipeline and energy utilities was consistently rated among the top rankings.

Mr. Case graduated from Queen's University with a Bachelor of Arts and an MBA and from Wycliffe College, University of Toronto, with a Master of Divinity.

Mr. Case was appointed Chair of the Audit Committee in March 2011 and was appointed to the Governance and Nominating Committee in May 2013. Mr. Case served on the Board of FortisOntario Inc. from 2003 through 2010 and as Chair of that Board from 2009 through 2010.

Board / Committee Membership	Attendance	Voting Results of 2013 and 2014 Annual Meeting		
Board of Directors	12 of 12	Year	For	Withheld
Audit (Chair)	9 of 9	2013	99.75%	0.25%
Governance & Nominating	7 of 7	2014	99.73%	0.27%

Securities Held (3) and Total Market Value as at 27 March 2014 and 20 March 2015 (4)				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2014	18,500	14,981	$1,051,973	Yes (6.4x)
March 2015	18,500	18,425	$1,437,490	Yes (8.7x)

MAURA J. CLARK

Corporate Director
New York, New York

Age: 56
Director since: New Nominee

Independent

Areas of Expertise:
- Finance
- Capital Markets
- Utilities
- Public Issuer Executive
- International Business

Ms. Clark retired from Direct Energy, a subsidiary of Centrica plc, in March 2014 where she was President of Direct Energy Business, a leading energy retailer in Canada and the United States. Previously Ms. Clark was Executive Vice President of North American Strategy and Mergers and Acquisitions for Direct Energy. Ms. Clark's prior experience includes investment banking and serving as Chief Financial Officer of an independent oil refining and marketing company.

Ms. Clark graduated from Queen's University with a Bachelor of Arts in Economics. She is a member of the Association of Chartered Professional Accountants of Ontario.

Board / Committee Membership	Attendance	
New Nominee	N/A	

Securities Held (3) and Total Market Value as at 20 March 2015 (4)				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2015	-	-	-	Not Applicable

IDA J. GOODREAU

Professor and Corporate Director
Vancouver, British Columbia

Age: 63
Director since: May 2009

Independent

Areas of Expertise:

- Public Issuer Executive
- Executive Compensation
- Western Canadian Markets

Ms. Goodreau is an Adjunct Professor at Sauder School of Business, University of British Columbia. She is a past President and Chief Executive Officer of LifeLabs. Prior to joining LifeLabs in March 2009, Ms. Goodreau served as President and Chief Executive Officer of Vancouver Coastal Health Authority from 2002. She has held senior leadership roles in several Canadian and international pulp and paper and natural gas companies.

Ms. Goodreau graduated from the University of Windsor with a Bachelor of Commerce, Honours, and an MBA, and from the University of Western Ontario with a Bachelor of Arts (English and Economics).

Ms. Goodreau serves on the Human Resources Committee. She serves as a director of FortisBC Holdings Inc. and FortisBC Inc. and is Chair of those companies' Governance Committees.

Board / Committee Membership	Attendance	Voting Results of 2013 and 2014 Annual Meeting		
Board of Directors	12 of 12	Year	For	Withheld
Human Resources	10 of 10	2013	99.51%	0.49%
		2014	98.92%	1.08%

Securities Held [3] and Total Market Value as at 27 March 2014 and 20 March 2015 [4]				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2014	-	17,900	$562,418	Yes (3.9x)
March 2015	-	21,451	$835,087	Yes (5.8x)

DOUGLAS J. HAUGHEY

Corporate Director
Calgary, Alberta

Age: 58
Director since: May 2009
Independent

Areas of Expertise:
- Finance
- Utilities
- Public Issuer Executive
- Executive Compensation
- Western Canadian Markets

From August 2012 through May 2013, Mr. Haughey was Chief Executive Officer of The Churchill Corporation, a commercial construction and industrial services company focused on the western Canadian market. From 2010 through its successful sale to Pembina Pipeline in April 2012, he served as President and Chief Executive Officer of Provident Energy Ltd., an owner/operator of natural gas liquids midstream facilities. From 1999 through 2008, Mr. Haughey held several executive roles with Spectra Energy and predecessor companies. He had overall responsibility for its western Canadian natural gas midstream business, was President and Chief Executive Officer of Spectra Energy Income Fund and also led Spectra's strategic development and mergers and acquisitions teams based in Houston, Texas.

Mr. Haughey graduated from the University of Regina with a Bachelor of Administration and from the University of Calgary with an MBA. He holds an ICD.D designation from the Institute of Corporate Directors.

Mr. Haughey serves on the Audit Committee and the Human Resources Committee. He serves as Chair of the Board of Directors of FortisAlberta Inc.

Board / Committee Membership	Attendance	Voting Results of 2013 and 2014 Annual Meeting		
Board of Directors	11 of 12	Year	For	Withheld
Audit	8 of 9	2013	99.67%	0.33%
Human Resources (Chair) (5)	10 of 10	2014	99.70%	0.30%

Securities Held (3) and Total Market Value as at 27 March 2014 and 20 March 2015 (4)				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2014	10,000	10,001	$628,431	Yes (4.3x)
March 2015	10,000	13,261	$905,551	Yes (6.2x)

R. HARRY McWATTERS

President
Vintage Consulting Group Inc.
Summerland, British Columbia

Age: 69
Director since: May 2007

Independent

Areas of Expertise:
- Public Policy
- Public Issuer Executive
- Western Canadian Markets

Mr. McWatters is President and CEO of Encore Vineyards Ltd., President of Vintage Consulting Group Inc., Harry McWatters Inc., and TIME Estate Winery, all of which are engaged in various aspects of the British Columbia wine industry. He is the founder and past President of Sumac Ridge Estate Wine Group.

Mr. McWatters serves on the Governance and Nominating Committee. He is a former director of FortisBC Holdings Inc. and FortisBC Inc., where he served as Chair from 2006 through 2010.

Board / Committee Membership	Attendance	Voting Results of 2013 and 2014 Annual Meeting		
Board of Directors	12 of 12	Year	For	Withheld
Governance & Nominating	7 of 7	2013	99.52%	0.48%
		2014	99.41%	0.59%

Securities Held (3) and Total Market Value as at 27 March 2014 and 20 March 2015 (4)				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2014	1,100	21,891	$722,377	Yes (5.2x)
March 2015	1,100	25,588	$1,038,964	Yes (7.2x)

RONALD D. MUNKLEY

Corporate Director
Mississauga, Ontario

Age: 69
Director since: May 2009

Independent

Areas of Expertise:

- Finance
- Capital Markets
- Utilities
- Public Issuer Executive
- Executive Compensation

Mr. Munkley retired in April 2009 as Vice Chairman and Head of the Power and Utility Business of CIBC World Markets. While there he acted as lead advisor on over 175 capital markets and strategic and advisory assignments for North American Utility clients. Prior to that he was COO at Enbridge Inc. and Chairman of Enbridge Consumer Gas. Previously he was President and CEO of Consumer Gas where he led the company through deregulation and restructuring in the 1990s.

Mr. Munkley graduated from Queen's University with a Bachelor of Science (Engineering), Honours. He is a professional engineer and has completed the Executive and Senior Executive Programs of the University of Western Ontario and the Partners, Directors and Senior Officers Certificate of the Canadian Securities Institute.

Mr. Munkley was appointed Chair of the Governance and Nominating Committee on 14 May 2014 and also serves on the Human Resources Committee.

Board / Committee Membership	Attendance	Voting Results of 2013 and 2014 Annual Meeting		
Board of Directors	12 of 12	Year	For	Withheld
Human Resources	10 of 10	2013	99.61%	0.39%
Governance & Nominating (Chair)	7 of 7	2014	99.64%	0.36%

Securities Held [3] and Total Market Value as at 27 March 2014 and 20 March 2015 [4]

Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2014	12,000	10,001	$691,271	Yes (4.8x)
March 2015	12,000	13,261	$983,411	Yes (6.8x)

DAVID G. NORRIS
Corporate Director
St. John's, Newfoundland and Labrador

Age: 67
Director since: May 2005

Independent

Areas of Expertise:
- Finance
- Public Policy
- Public Issuer Executive
- Executive Compensation

Mr. Norris was a financial and management consultant from 2001 until his retirement in December 2013. Prior to that he was Executive Vice President, Finance and Business Development of Fishery Products International Limited. Previously, he held Deputy Minister positions with the Department of Finance and Treasury Board of the Government of Newfoundland and Labrador.

Mr. Norris graduated from Memorial University of Newfoundland with a Bachelor of Commerce, Honours, and from McMaster University with an MBA.

Mr. Norris was appointed Chair of the Board of Fortis in December 2010 and serves on all Board Committees. He served as Chair of the Audit Committee from May 2006 through March 2011. He served as a director of Newfoundland Power Inc. from 2003 through 2010 and served as Chair of that Board from 2006 through 2010. Mr. Norris served as a director of Fortis Properties Corporation from 2006 through 2010.

Board / Committee Membership	Attendance	Voting Results of 2013 and 2014 Annual Meeting		
		Year	For	Withheld
Board of Directors (Chair)	12 of 12	2013	99.66%	0.34%
Audit	9 of 9	2014	99.57%	0.43%
Human Resources	10 of 10			
Governance & Nominating	7 of 7			

Securities Held [3] and Total Market Value as at 27 March 2014 and 20 March 2015 [4]				
Date	Common Shares	DSUs	Market Value of Securities	Meets Share Ownership Target
March 2014	8,414	35,990	$1,395,174	Yes (4.8x)
March 2015	13,265	41,055	$2,114,678	Yes (7.3x)

BARRY V. PERRY

President and Chief Executive Officer
Fortis Inc.
Mount Pearl, Newfoundland and Labrador

Age: 50
Director since: January 2015

Not Independent

Mr. Perry is President and Chief Executive Officer of Fortis. Prior to his current position at Fortis, Mr. Perry served as President from 30 June 2014 to 31 December 2014 and prior to that served as Vice President, Finance and Chief Financial Officer of the Corporation since 2004. Mr. Perry joined the Fortis organization in 2000 as Vice President, Finance and Chief Financial Officer of Newfoundland Power Inc.

He graduated from Memorial University of Newfoundland with a Bachelor of Commerce and is a member of the Association of Chartered Professional Accountants of Newfoundland and Labrador.

Mr. Perry serves as a director of Fortis utility subsidiaries in Alberta, British Columbia, Arizona, and New York, as well as Fortis Properties Corporation.

Board / Committee Membership [(6)]	Attendance	
Board of Directors	Not Applicable	
Securities Held [(7)]		

[(1)] There were five meetings of the Board in 2014 prior to Ms. Ball being elected to the Board. Ms. Ball attended all meetings of the Board since her election.
[(2)] There were four meetings of the Audit Committee in 2014 prior to Ms. Ball being appointed to that Committee. Ms. Ball has attended all meetings of the Audit Committee since her appointment.
[(3)] Represents Common Shares and/or Deferred Share Units ("DSUs"), beneficially owned, controlled or directed, directly or indirectly. This information has been furnished by the respective nominee. Additional details can be found in the "Report On Director Compensation" section starting on page 20 of this Circular.
[(4)] Calculated using the closing price of Common Shares on the TSX as at 27 March 2014 of $31.42 and as at 20 March 2015 of $38.93.
[(5)] Mr. Haughey was appointed Chair of the Human Resources Committee on 2 March 2015 following the passing of Mr. Pavey.
[(6)] Mr. Perry was appointed as a director following the vacancy created upon the resignation of Mr. H. Stanley Marshall from the Board.
[(7)] Options are granted to Mr. Perry in his capacity as President and CEO of Fortis and are detailed on page 70 of this Circular. Mr. Perry does not receive any compensation for his role as a director of the Corporation.

OVERALL ATTENDANCE IN 2014

Below is a summary of attendance by all directors at Board and Committee meetings held during 2014, including Mr. Marshall, who retired from the Board on 31 December 2014, Mr. Crothers, who will not stand for election by reason of reaching the maximum service allowed under the Director Tenure Policy and Mr. Pavey who passed away in February 2015. The Meeting attendance for each current nominee is reported above in their respective biographies under the heading *Nominees for Election as Directors* and summarized below in the table *2014 Attendance Record of Non-Executive Directors Standing for Re-Election*.

Board/Committee	Number of Meetings	Attendance at all Meetings
Board	12	93%
Audit Committee	9	98%
Human Resources Committee	10	100%
Governance and Nominating Committee	7	94%
Total number of meetings held	38	96%

Fortis believes that an active board governs more effectively. We expect that directors attend all regularly scheduled meetings of the Board, all regularly scheduled meetings of committees of which they are members, and the annual meeting of Shareholders. While we recognize that the short notice of special Board meetings may sometimes conflict with directors' schedules, the directors are expected to use reasonable efforts to attend all special meetings of the Board. Directors may participate by teleconference if they are unable to attend in person.

The tables below summarize the number of Board and committee meetings attended by each non-executive director during 2014.

2014 Attendance Record of Non-Executive Directors Standing for Re-Election

	Board Meetings		Committee Meetings		Total Board and Committee Meetings	
Director	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
T.C. Ball	7 of 7	100%	5 of 5	100%	12 of 12	100%
P.E. Case	12 of 12	100%	16 of 16	100%	28 of 28	100%
I.J. Goodreau	12 of 12	100%	10 of 10	100%	22 of 22	100%
D.J. Haughey	11 of 12	92%	18 of 19	95%	29 of 31	94%
R.H. McWatters	12 of 12	100%	7 of 7	100%	19 of 19	100%
R.D. Munkley	12 of 12	100%	17 of 17	100%	29 of 29	100%
D.G. Norris	12 of 12	100%	26 of 26	100%	38 of 38	100%

2014 Attendance Record of Directors Not Standing for Re-Election

	Board Meetings		Committee Meetings		Total Board and Committee Meetings	
Director	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
F.J. Crothers (1)	8 of 12	67%	5 of 7	71%	13 of 19	68%
H.S. Marshall (2)	9 of 12	75%	-	-	9 of 12	75%
M.A. Pavey	12 of 12	100%	19 of 19	100%	31 of 31	100%

(1) *Mr. Crothers was enroute from Nassau, Bahamas to attend three Board meetings, and the annual meeting of shareholders, when upon arrival in Toronto he received word of his Mother's passing and had to return home immediately.*
(2) *Mr. Marshall was not a member of any Committees.*

ADDITIONAL DISCLOSURE RELATED TO DIRECTORS

Within the 10-year period ended 20 March 2015, Fortis is not aware of any proposed director of Fortis who had been a director or executive officer of any issuer which, while that person was acting in that capacity or within a year of ceasing to act in that capacity, (i) became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or (ii) was subject to an order that was issued while the director was acting in such capacity, or that was issued after the director ceased to be acting in such capacity and which resulted from an event that occurred while the director was acting in such capacity. The term "non-executive directors" in this Circular refers to those directors who are not officers or employees of Fortis.

REPORT ON DIRECTOR COMPENSATION

Principles of Director Compensation

The compensation of non-executive directors is intended to attract and retain highly qualified individuals with the capability to meet the responsibilities of Board members and to align closely directors' interests with those of our shareholders. Non-executive directors receive a significant portion of their compensation in the form of DSUs and are subject to minimum share ownership requirements to promote long-term alignment with shareholder interest. Non-executive directors have not received stock options since 2006.

Benchmarking

Non-executive director compensation is reviewed annually by the Governance and Nominating Committee to ensure that it is reasonable in light of the time required from directors and aligns directors' interests with those of shareholders. As part of this review in 2014, the Governance and Nominating Committee engaged Towers Watson to assess the Corporation's compensation of non-executive directors against a comparator group of 36 publicly traded North American utility companies. Towers Watson concluded that the Corporation's total non-executive director compensation is positioned below the 50th percentile of the Corporation's peer group.

Components of Director Compensation

During 2014, annual compensation for directors, other than Mr. Marshall, consisted of:

(i) an annual cash retainer;
(ii) meeting attendance fees (other than Mr. Norris as independent Chair of the Board); and
(iii) a grant of DSUs.

Each of these components of director compensation is described in more detail below. Fortis does not provide option-based compensation, non-equity based incentive compensation or a pension program to its directors. The following table summarizes the director fee schedule for 2014 *(1)* as compared to the previous two years:

Compensation Type	2014	2013	2012
Annual Non-Executive Board Chair Retainer (cash or optional DSUs)	$ 170,000	$ 170,000	$ 170,000
Annual Director Retainer (cash or optional DSUs)	$ 50,000	$ 50,000	$ 45,000
Annual Audit Committee Chair Retainer (cash or optional DSUs)	$ 20,000	$ 20,000	$ 20,000
Annual Human Resources and Governance and Nominating Committee Chair Retainers (cash or optional DSUs)	$ 15,000	$ 15,000	$ 15,000
Annual Non-Executive Board Chair Share-Based Compensation (mandatory DSUs)	$ 120,000	$ 120,000	$ 60,000
Annual Share-Based Compensation (mandatory DSUs)	$ 95,000	$ 95,000	$ 60,000
Board and Committee Meeting Attendance Fee (cash) (2)	$ 1,500	$ 1,500	$ 1,500

(1) *As referenced on page 20, in 2014 directors reviewed director compensation with the assistance of Towers Watson and changed director compensation for 2015 and 2016 as follows: 2015 Director Retainer $55,000 and DSU Grant $100,000; 2016 Director Retainer $60,000 and DSU Grant $105,000. The compensation of the Chair was also reviewed, with the assistance of Towers Watson, and was changed for 2015 and 2016 as follows: 2015 Chair Retainer $190,000 and DSU Grant $140,000; 2016 Chair Retainer $205,000 and DSU Grant $155,000. After effecting these changes, the Corporation's non-executive director compensation will continue to be below the 50th percentile of the Corporation's peer group.*

(2) *Since 1 January 2013, the Chair of the Board ceased to receive meeting fees.*

The following table details the director compensation for 2014:

Individual Director Compensation – 2014

	Fees Earned (1) $	Share-Based Awards (DSUs) (2) $	All Other Compensation (3) $	Total $
Tracey C. Ball	19,500	72,500	41,061	133,061
Peter E. Case	112,000	95,000	20,696	227,696
Frank J. Crothers	69,500	95,000	52,174	216,674
Ida J. Goodreau	83,000	95,000	81,200	259,200
Douglas J. Haughey	93,500	95,000	78,041	266,541
H. Stanley Marshall (4)	-	-	-	-
John S. McCallum (5)	16,500	80,000	60,998	157,498
R. Harry McWatters	78,500	95,000	29,583	203,083
Ronald D. Munkley	101,000	95,000	14,291	210,291
David G. Norris	170,000	120,000	51,395	341,395
Michael A. Pavey	111,500	95,000	32,659	239,159
Total	855,000	937,500	462,098	2,254,598

(1) *These amounts include all cash fees earned for services as a director of Fortis, including annual director and committee chair retainers and meeting fees, where applicable.*

(2) *These amounts represent the annual share-based compensation in the form of DSUs granted to a director of Fortis. These include both the mandatory equity component of the annual retainer of $95,000 for a director and $120,000 for the Chair of the Board and an optional component of the annual director retainer or committee chair retainer paid in DSUs rather than in cash at the election of the director. The amounts represent the cash equivalent at the time of issue. The cumulative DSU holdings of participants also increased through the notional reinvestment of dividends on their outstanding DSUs.*

(3) *These amounts include the value of notional reinvestment of dividends earned on outstanding DSUs on dividend payment dates, as well as all fees paid or payable by a subsidiary of Fortis to a director in his or her capacity as a director of the payor subsidiary and other amounts paid to or for the benefit of directors. In the case of Mr. Crothers, director fees of $27,000 were paid by Caribbean Utilities Company, Ltd. in US dollars and converted into Canadian dollars at a rate of 1.1047%.*

(4) *In his role as CEO, Mr. Marshall did not receive compensation as a director of Fortis. Director fees paid to Mr. Marshall from subsidiaries of Fortis are reported in footnote 5 of the Summary Compensation Table on page 68 of this Circular. Mr. Marshall resigned from the Board and retired as CEO effective 31 December 2014.*

(5) *Mr. McCallum retired from the Board on 14 May 2014. As of 31 December 2014, he no longer held DSUs.*

Outstanding Option-Based and Share-Based Awards Table
(as at 31 December 2014)

Name	Year Option Granted	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration Date	Value of unexercised in-the-money options (1) ($)	Number of shares or units that have not vested (2) (#)	Market or payout value of share-based awards that have not vested (2) (3) ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
	Option-Based Awards					*Share-Based Awards*		
Tracey C. Ball	-	-	-	-	-	2,210	86,102	-
Peter E. Case	-	-	-	-	-	17,624	686,631	-
Frank J. Crothers	-	-	-	-	-	18,943	738,019	-
Ida J. Goodreau	-	-	-	-	-	20,624	803,511	-
Douglas J. Haughey	-	-	-	-	-	12,505	487,195	-
H. Stanley Marshall (4)	-	-	-	-	-	-	-	-
J. S. McCallum (5)	-	-	-	-	-	-	-	-
R. Harry McWatters	-	-	-	-	-	24,726	963,325	-
Ronald D. Munkley	-	-	-	-	-	12,505	487,195	-
David G. Norris	-	-	-	-	-	39,803	1,550,725	-
Michael A. Pavey (6)	2005	12,000	18.405	1 Mar 2015	246,660	27,185	1,059,127	-
Total		12,000			246,660	176,125	6,861,830	-

(1) Calculated as the difference between the option exercise price and the closing price of the Common Shares on the TSX as at 31 December 2014 of $38.96.
(2) The DSUs are vested upon being granted but are not redeemable until the director has ceased to be a director.
(3) Calculated by multiplying the number of share-based awards that have not vested by the closing price of the Common Shares on the TSX as at 31 December 2014 of $38.96.
(4) In his role as CEO, Mr. Marshall did not receive compensation as a director of Fortis. Director fees paid to Mr. Marshall from subsidiaries of Fortis are reported in footnote 5 of the Summary Compensation Table on page 68 of this Circular. Mr. Marshall resigned from the Board and retired as CEO effective 31 December 2014.
(5) Mr. McCallum retired from the Board on 14 May 2014. He had no DSUs as of 31 December 2014.
(6) Mr. Pavey exercised his options prior to the Record Date.

DIRECTORS DEFERRED SHARE UNIT PLAN

The Board introduced a Directors Deferred Share Unit Plan in 2004 as a vehicle for directors to elect to receive their annual retainer in DSUs rather than cash. Each DSU represents a notional interest in a Common Share and no payment or other redemption of a DSU may be made prior to the retirement of the holder from the Board, or any other role with Fortis. This plan also allowed the Board to determine, from time to time, that special circumstances exist to justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled.

During 2006, the Board elected to discontinue the grant of stock options to directors and initiated an annual grant of DSUs as the equity component of director compensation to more closely align director interests with those of Shareholders. Effective 1 January 2013, the Board adopted an amended and restated DSU Plan ("DSU Plan"), which provides for equal quarterly grants of the equity component of director compensation ("Mandatory DSUs") and any optional DSUs received in lieu of their cash Board retainer at the election of the individual director ("Optional DSUs"). The DSU Plan also extended the final date for payout upon retirement from 15 March to 15 December of the year following retirement or termination of any other relationship with Fortis and increased the maximum number of payouts to a retiring director from two to four.

Mandatory DSUs and Optional DSUs are credited, as applicable, on the first day of each calendar quarter during the year by dividing one fourth of the applicable retainer by the Market Price of Common Shares on the date of the grant. The "Market Price" of a Common Share is the volume weighted average trading price of Common Shares determined by dividing the total value of the Common Shares traded on the TSX during the five trading days immediately preceding the determination date by the total volume of the Common Shares traded on the TSX on the relevant trading days. Directors also receive DSUs on each dividend payment date, as each DSU entitles the holder to a notional dividend which is notionally reinvested in additional DSUs pursuant to the terms of the plan.

On 1 January 2015, the Chair of the Board and each of the independent directors were granted 899 and 643 Mandatory DSUs, respectively, at a Market Price of $38.90. One independent director elected to receive Optional DSUs and received DSUs equivalent to her annual Board retainer.

Upon retirement from the Board or other relationship with the Corporation, a director will receive cash payment(s) in respect of the redemption of DSUs in their DSU account in up to four instalments. All such redemptions must be made prior to 15 December of the first calendar year following the year of retirement. Directors are entitled to elect a percentage of their DSUs to be redeemed on each elected redemption date. The amount of any payment is determined by multiplying the number of DSUs redeemed on such date by the Market Price as of such date. DSUs continue to attract notional dividends until redeemed.

DIRECTOR EQUITY OWNERSHIP

The Board has a policy requiring directors to acquire Common Shares and/or DSUs equivalent in value to three times their annual retainer (inclusive of Mandatory DSUs) within four years from the date of first election to the Board. As of the date of this Circular, all of the nominees meet the Corporation's share ownership requirements of the policy. First-time nominees Pierre J. Blouin, Paul J. Bonavia and Maura J Clark, if elected, will each have until 2019 to satisfy the share ownership requirements. Tracey C. Ball was elected as a director on 14 May 2014 and has until 2018 to satisfy the share ownership requirement.

The following table shows the Common Share and DSU holdings of each of the director nominees as at 20 March 2015 and their comparable holdings for the previous year:

	Equity Ownership 20 March 2015		**Equity Ownership 27 March 2014**		**Net Change in Equity Ownership**			
Director [1]	Common Shares	DSUs	Common Shares	DSUs	Common Shares	DSUs	**Market Value of Equity Ownership 20 March 2015** [2]	**Multiple of 2014 Annual Retainer (x)**
T.C. Ball	350	3,234	350	-	-	3,234	139,525	1.9
P.J. Blouin[3]	1,750	-	-	-	-	-	68,128	-
P.J. Bonavia[3]	-	-	-	-	-	-	-	-
P.E. Case	18,500	18,425	18,500	14,981	-	3,444	1,437,490	8.7
M.J. Clark[3]	-	-	-	-	-	-	-	-
I.J. Goodreau	-	21,450	-	17,900	-	3,551	835,087	5.8
D.J. Haughey	10,000	13,261	10,000	10,001	-	3,260	905,551	6.2
R.H. McWatters	1,100	25,588	1,100	21,891	-	3,697	1,038,964	7.2
R.D. Munkley	12,000	13,261	12,000	10,001	-	3,260	983,411	6.8
D.G. Norris	13,265	41,055	8,414	35,990	4,851	5,065	2,114,678	7.3

(1) *Mr. Perry's equity ownership is not reported here as he does not receive compensation as a director of Fortis. Mr. Perry is compensated as President and CEO of Fortis and his Common Share ownership value as a multiple of his 2014 base salary is outlined on page 64 of this Circular.*

(2) *Calculated using the closing price of Common Shares on the TSX as at 20 March 2015 of $38.93.*

(3) *Messrs. Blouin and Bonavia and Ms. Clark are first-time nominees to the Board.*

DIRECTOR EDUCATION

The Board concentrates its education and training sessions on the specific business of the Corporation and its subsidiaries with occasional presentations on matters of more general application. Consequently, in addition to the group-wide strategic planning session held on 23 and 24 September 2014, where the Board received presentations from, and dialogued with, all subsidiary CEOs, the Board and committees conducted specific briefing sessions during 2014 as follows:

DATE	LOCATION	DESCRIPTION	ATTENDEES
10 February 2014	Vancouver, BC	Presentation on operations of FortisBC and tour of Tilbury and Surrey gas operations.	All Directors (except Mr. McCallum)
24 February 2014	Toronto, ON	Presentation on cyber risk and trends in cybersecurity.	All Audit Committee Members
15 May 2014	St. John's, NL	Presentation on operations of Newfoundland Power Inc. and met with executives of Newfoundland Power Inc.	All Directors (except Mr. Crothers)
23 & 24 September 2014	Banff, AB	Presentation from external consultants on disruptive threats to the utility industry, and on LNG markets.	All Directors
25 November 2014	Toronto, ON	Review of corporate governance trends and disclosure requirements. Presentation by external counsel.	All Human Resources Committee Members
26 November 2014	Toronto, ON	Review of corporate governance trends and disclosure requirements. Presentation by external counsel.	All Governance and Nominating Committee Members
17 December 2014	Toronto, ON	Review of director duties, responsibilities and liabilities. Presentation by external counsel.	All Directors (except Mr. Marshall)

DIRECTOR TENURE POLICY AND BOARD COMPOSITION

The Board policy in respect of the tenure of directors provides that directors are to be elected for a term of one year and, except in exceptional circumstances determined by the Board, will be eligible for re-election until the annual meeting of Shareholders next following the earlier of the date on which they achieve age 70 or the 12th anniversary of their initial election to the Board. The policy does not apply to Mr. Perry whose service on the Board is related to his tenure as President and CEO.

The Governance and Nominating Committee is responsible for identifying new candidates for the Board. The Committee annually assesses the skill, experience and diversity characteristics of the directors, having regard to projected retirements, and oversees a director recruitment search and nomination process. The significant utility subsidiaries of Fortis operate with boards composed of a majority of independent directors, affording the Corporation an opportunity to observe the performance and assess the suitability for service on the Board of a pool of prospective nominees in an appropriate and comparable environment. Subsidiary boards have been the source of seven of our nominees for election as directors. In 2014, the Governance and Nominating Committee engaged SpencerStuart to aid in the identification of potential director candidates.

The table below summarizes information regarding the age, tenure and areas of expertise of the director nominees set out in the "*Nominees For Election As Director"* section of this Circular, commencing on page 10. These factors, together with experience, skill set, gender, ethnic background, geographic representation and other personal characteristics that contribute to diversity among Board members are considered by the Governance and Nominating Committee when assessing issues related to Board composition and renewal.

Name	**Age**			**Tenure at Fortis**		**Areas of Expertise**							
	Under 60	60-64	65-70	1-6 Years	7-12 Years	Finance	Capital Markets	Utilities	Public Policy	Public Issuer Executive	Executive Compensation	Western Canadian Markets	International Business
T.C. Ball	X			X		X	X			X		X	
P.J. Blouin [(1)]	X					X	X			X	X		
P.J. Bonavia [(1)]		X					X	X		X	X		X
P.E. Case		X			X	X	X	X					
M.J. Clark [(1)]	X					X	X	X		X			X
I.J. Goodreau		X		X						X	X	X	
D.J. Haughey	X			X		X		X		X	X	X	
R.H. McWatters			X		X				X	X		X	
R.D. Munkley			X	X		X	X	X		X	X		
D.G. Norris (Chair)			X		X	X			X	X	X		

[(1)] *New nominee*

MAJORITY VOTING FOR DIRECTORS

The Board has a Majority Voting Policy which stipulates that if any nominee for director receives, from the Common Shares voted at an annual meeting, a greater number of votes "withheld" than "for" his or her election, such director must promptly tender his or her resignation to the Chair. Any such resignation will take effect on acceptance by the Board. The Governance and Nominating Committee will expeditiously consider the director's offer to resign and recommend to the Board whether such resignation should be accepted. Within 90 days of the annual meeting, the Board will make a final decision on the proposed resignation and announce it by way of media release. Any director who tenders his or her resignation will not participate in the deliberations of the Governance and Nominating Committee or the Board relating to his or her resignation. This Majority Voting Policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

The table below sets forth the results of the Shareholder voting for directors at the preceding three annual meetings.

Nominees	Votes For (%)			Votes Withheld (%)		
	2014	2013	2012	2014	2013	2012
T.C. Ball	99.76	–	–	0.24	–	–
P.E. Case	99.73	99.75	99.79	0.27	0.25	0.21
F.J. Crothers	99.44	99.34	99.19	0.56	0.66	0.81
I.J. Goodreau	98.92	99.51	99.33	1.08	0.49	0.67
D.J. Haughey	99.70	99.67	99.69	0.30	0.33	0.31
H.S. Marshall	99.55	99.47	99.50	0.45	0.53	0.50
R.H. McWatters	99.41	99.52	99.58	0.59	0.48	0.42
R.D. Munkley	99.64	99.61	99.69	0.36	0.39	0.31
D.G. Norris	99.57	99.66	99.71	0.43	0.34	0.29
M.A. Pavey	99.55	99.65	99.70	0.45	0.35	0.30

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and officers' liability insurance has been purchased for the benefit of the directors and officers of Fortis. This policy is renewable effective 1 July each year. The premium for such insurance for 2014 was $314,143. The insurance coverage obtained under the current policy is $125,000,000 in respect of any one incident, subject to a $250,000 deductible for securities claims and a $100,000 deductible for other claims.

REPORT ON CORPORATE GOVERNANCE

The Board and the management of Fortis acknowledge the critical importance of good corporate governance practices in the proper conduct of the affairs of the Corporation. The Corporation's governance framework is routinely reviewed and examined against evolving best practices and to ensure that the Board continues to effectively oversee the management and business affairs of the Corporation. The Corporation's corporate governance practices comply with the Corporate Governance Guidelines promulgated in National Policy 58-201 – *Corporate Governance Guidelines*.

Schedule A of this Circular contains a detailed description of the Corporation's corporate governance practices in accordance with the applicable rules and standards of the Canadian Securities Administrators and the Toronto Stock Exchange.

A list of the Corporation's key corporate governance policies and strengths include the following:

BOARD AND GOVERNANCE INFORMATION	
Size of Board	11*
Number of Independent Directors	9 (82%)*
Fully Independent Audit, Human Resources and Governance and Nominating Committees	YES
Annual Election of Directors	YES
Directors Elected Individually (not by slate)	YES
Majority Voting Policy for Directors	YES
Separate Board Chair & CEO	YES
Independent Chair	YES
In Camera Sessions of Independent Directors	YES
Share Ownership Policies for Directors and Executives	YES
Board Education Program	YES
Code of Business Conduct and Ethics	YES
Annual Advisory Vote on Executive Compensation	YES
Formal Board Evaluation Process	YES
Dual-Class Shares	NO
Compensation Claw-back Policy	YES

** Effective following the Meeting, assuming the election of all director nominees.*

The Board is assisted in carrying out its stewardship of the Corporation by the corporate structure of Fortis as a holding company of substantially autonomous operating subsidiaries. Each of the significant operating subsidiaries is governed by its own board of directors composed of a majority of independent directors. Subsidiary boards also generally include the subsidiary's CEO to contribute operating expertise and one or more directors or officers of Fortis. This structure ensures that subsidiary boards exercise effective independent oversight and administration of their governance and operations with regard to their particular customer needs, regulatory environment and business objectives, while operating within the broad parameters of Fortis policies and best practices.

Most of the Corporation's significant operating subsidiaries, including FortisBC Energy Inc., FortisBC Inc., FortisAlberta Inc., Newfoundland Power Inc., Caribbean Utilities Company, Limited and Tucson Electric Power Company are reporting issuers with independent governance and reporting obligations under applicable Canadian or U.S. securities laws. Accordingly, each of these subsidiaries has established or made arrangements for audit and human resources committees in accordance with applicable rules and policies regarding such matters as independence and financial literacy. The boards and relevant committees of each subsidiary also independently prepare and publicly file continuous disclosure documents in accordance with securities rules and form requirements which include, among other things, financial statements, management discussion and analysis and executive compensation. The public filings of each, or on behalf of each, reporting issuer subsidiary can be accessed at *www.sedar.com* or, in the case of Tucson Electric Power Company, at *www.sec.gov/edgar*.

THE BOARD OF DIRECTORS

The Board has concluded that 9 of the 11 nominees for election as directors as outlined in the *Board of Directors* section of this Circular are independent under the applicable definition in National Instrument 52-110 – *Audit Committees*. Mr. Norris, the current Chair of the Board, is an independent director. He is responsible for providing leadership that enhances the effectiveness and independence of the Board. Mr. Bonavia is not considered independent of Fortis under Canadian securities law by virtue of his prior positions as Chief Executive Officer and Executive Board Chair with UNS Energy Corporation. Mr. Bonavia will be considered independent of Fortis on 15 August 2017. Mr. Perry is not independent because he is the President and CEO of Fortis.

Currently, there are no instances where directors of Fortis serve as directors on the same board of another reporting issuer, other than a subsidiary of Fortis. The following table lists directors who serve on the boards of reporting issuers, other than subsidiaries of Fortis, together with their committee involvement on such boards:

Director	**Reporting Issuer**	**Committee**
M.J. Clark	Elizabeth Arden, Inc.	Audit (Chair); Nominating and Corporate Governance
D.J. Haughey	Keyera Corporation (Lead Director)	Compensation and Governance
R.D. Munkley	Bird Construction Inc.	Audit; Personnel and Safety

The Board is responsible for supervising the management of the business and affairs of Fortis. It carries out its stewardship responsibilities directly and through three standing committees, appointed from amongst its members: the Audit Committee, the Human Resources Committee, and the Governance and Nominating Committee. Fortis does not have an executive committee of the Board. Each of the committees has a written mandate which sets out the activities or areas of Fortis business to which the committee is required to devote its attention. All committees are currently composed of independent and unrelated directors.

Mr. Perry attends committee meetings in his capacity as President and CEO of Fortis at the invitation of the committees and is not a member of any of the committees. The Board meets in camera, without the attendance of members of management, following each of their respective regularly scheduled meetings. The committees also hold in camera meetings following each of their respective regularly scheduled meetings.

The committee mandates authorize each Fortis committee to, in its sole discretion, engage external advisors as necessary at the expense of Fortis. Since the Corporation′s last annual meeting, each committee has reviewed its mandate to ensure it reflects best practices and applicable regulatory requirements. All changes to committee mandates from time to time are approved by both the Governance and Nominating Committee and the Board.

Diversity

Diversity is an important consideration for the Corporation in determining Board composition and executive leadership. Fortis has adopted a Diversity Policy that describes the principles underlying the Corporation's approach to diversity and its objectives with respect to diversity among its leadership team at the Board and executive level. The Diversity Policy does not specifically define diversity, but refers to the many characteristics that make individuals different from each other including, but not limited to, gender, ethnicity, geographic representation, education, cultural background, experience and age. The Corporation believes that having a diverse Board enhances Board operations, and diversity is among the factors that the Corporation considers when evaluating the composition of the Board.

The Corporation's Diversity Policy does not establish fixed targets regarding gender representation on the Board or in executive officer positions. It is the Board's belief that establishing quotas or a formulaic approach does not necessarily result in the identification or selection of the best candidates. Rather, selection is made per the criteria described on page 25 of the Circular, with a commitment to increase female representation on the Board and at the executive level.

In identifying and selecting candidates for the Board and assessing the relative effectiveness of the Board and its individual members, the Corporation also has regard to an attributes and skills matrix (set out on page 26 of this Circular), that outlines different categories of background, experience and expertise that the Governance and Nominating Committee has identified as being important to achieving the objectives of the Corporation and its business. To this end and in accordance with the Diversity Policy, the Governance and Nominating Committee considers diversity within the context of the Corporation's needs and objectives, its diverse customer base and its domestic and international operations.

Accordingly, in searches for potential new directors, the Governance and Nominating Committee considers the level of female representation and diversity on the Board as one of several factors used in its search and identification process. In 2014, the Governance and Nominating Committee engaged SpencerStuart to help identify potential board nominees and requested SpencerStuart to consider diversity, including female representation, in bringing forward candidates for consideration. The Corporation believes that the current nominees reflect an appropriately diverse group of talented individuals, which includes three women who collectively represent 27% of the Board (in 2014 the Corporation's two female directors collectively represented 20% of the Board). The Corporation is committed to continuing to consider diversity issues in evaluating the composition of the Board. The Governance and Nominating Committee is responsible for regularly reviewing and monitoring performance with the Diversity Policy.

In identifying and considering potential candidates for executive appointments, the Corporation looks first to individuals within the Corporation and its subsidiaries and considers diversity, as well as factors such as years of service, regional background, merit, experience and qualification. The diversity of the Corporation's executive team is also driven by other factors, some of which are outside of the control of the Corporation, including the level of staff turnover, when hiring and promotion opportunities arise, the available pipeline of staff with the necessary skills and experiences and various other factors. Accordingly, the Board does not set specific gender representation targets when identifying potential candidates for executive officer positions, but does consider diversity and seeks to ensure that a representative list of females is included among the group of prospective candidates for executive positions. The Corporation is committed to continuing to consider diversity issues in evaluating the composition of the executive team. The Human Resources Committee is responsible for ensuring that the objectives of the Diversity Policy are applied in identifying and evaluating candidates for executive leadership positions.

Although currently none of the Corporation's five named executive officers are female, there is significant female representation at two of the Corporation's largest subsidiaries. Three of the eight executive officers at FortisBC are women (37.5%) and three of the eleven executive officers at UNS Energy are women (27.3%). As well, the President and Chief Executive Officer of Fortis Properties Corporation is female. The Corporation is committed to continuing to consider diversity in evaluating the composition of its executive team.

AUDIT COMMITTEE

The Audit Committee provides assistance to the Board by overseeing the external audit of the annual financial statements and the accounting and financial reporting and disclosure processes of Fortis. Details regarding the Audit Committee and its mandate can be found in Section 11 of the Fortis 2014 Annual Information Form which can be viewed at either *www.fortisinc.com* or on SEDAR at *www.sedar.com*.

The members of the Audit Committee during 2014, who are all independent, were Peter E. Case (Chair), David G. Norris, Tracey C. Ball, Douglas J. Haughey, John S. McCallum and Michael A. Pavey. Mr. McCallum served on the Audit Committee until his retirement from the Board on 14 May 2014. Ms. Ball was appointed to the Audit Committee following the annual meeting of Shareholders on 14 May 2014.

Members of the Audit Committee bring significant financial expertise to the function of the committee. During his career as a financial analyst, Mr. Case was regularly involved in evaluating the financial performance of utilities and other public companies. Ms. Ball served as the Chief Financial Officer of Canadian Western Bank Group until her retirement in September 2014. Both Messrs. Norris and Pavey served as Chief Financial Officers of public companies. Mr. Haughey has held several Chief Executive Officer positions of public companies. Mr. McCallum holds a doctorate in finance and has taught graduate level finance studies for many years and served on audit committees of other public companies.

The Audit Committee held nine meetings during 2014.

HUMAN RESOURCES COMMITTEE

The compensation committee functions of Fortis are fulfilled by the Human Resources Committee whose mandate requires the committee, among other things, to:

- (i) assist and advise the Board in appointing officers of the Corporation;
- (ii) assist the Board in the ongoing evaluation of the CEO;
- (iii) oversee and advise the Board on human resources planning, including the development and succession of senior management;
- (iv) oversee the form and adequacy of the compensation and benefits provided by Fortis to its senior management; and
- (v) administer all incentive compensation plans and arrangements, including the 2012 Stock Option Plan, the Annual Incentives, the Performance Share Unit Plan and any other stock option, stock appreciation rights, restricted share, or other form of incentive compensation plans.

The members of the Human Resources Committee during 2014, who are all independent, were Michael A. Pavey (Chair), David G. Norris, Ida J. Goodreau, Douglas J. Haughey and Ronald D. Munkley.

Fortis recognizes the importance of appointing knowledgeable and experienced individuals to its Human Resources Committee. All Committee members have the necessary background and skills to provide effective oversight of executive compensation and ensure that sound risk-management principles are being adhered to in order to align management and Shareholder interests. More specifically, all Committee members have significant senior leadership experience from their tenures at large organizations, as well as direct operational or functional experience overseeing executive compensation at large organizations similar in complexity to Fortis.

One of the Committee's most important responsibilities is its oversight of the development of succession plans for each executive role. Please see "Report on Corporation Governance – Succession Planning" below for a description of the process undertaken by the Human Resources Committee and the Board with respect to succession planning at the executive level.

In fulfilling its duties and responsibilities, the Human Resources Committee seeks periodic input, advice and recommendations from various sources, including the Board, executive officers and external independent compensation consultants. Hay Group Limited ("Hay Group") has served as the primary external independent advisor and consultant to the Human Resources Committee on matters relating to executive compensation since 1997. In addition to any mandates directed by the Human Resources Committee, Hay Group also provides Fortis and its subsidiaries with market compensation data from its national database. In 2014, with the assistance of Hay Group, the Human Resources Committee conducted a thorough analysis of the 2013 Executive Compensation Policy and its ongoing appropriateness. In addition, in 2014, as part of the executive compensation review the Human Resources Committee engaged Towers Watson to review executive compensation. More details in respect of this review can be found commencing on page 37 of this Circular.

The Human Resources Committee retains discretion in its executive compensation decisions and is not bound by the input, advice and/or recommendations received from external consultants.

The Human Resources Committee held ten meetings during 2014.

Governance and Nominating Committee

The mandate of the Governance and Nominating Committee requires the Committee, among other things, to:

- (i) develop and recommend an approach to corporate governance issues to the Board;
- (ii) propose new nominees for election to the Board;
- (iii) carry out procedures specified by the Board for assessing the effectiveness of the Board, the directors and each Board committee;
- (iv) approve any engagement of an outside expert, or experts, by the Committee or any director at the expense of the Corporation; and
- (v) review and make recommendations to the Board with respect to the compensation of directors.

The members of the Governance and Nominating Committee during 2014, who are all independent, are Ronald D. Munkley (Chair), David G. Norris, Peter E. Case, Frank. J. Crothers, John S. McCallum and Harry McWatters. Mr. McCallum was Chair of the Committee until his retirement from the Board on 14 May 2014 and Mr. Munkley was appointed Chair at that time.

The Governance and Nominating Committee, together with the Chair of the Board, carries out an annual assessment of the Board, the committees, the Chair and each director, as required by the Governance and Nominating Committee Mandate. The annual assessment process includes:

(i) a survey completed by each director in which the directors rate the effectiveness of the Board and its members, the effectiveness of each committee on which they sit, the effectiveness of the Board and committee processes, the effectiveness of the Chair, and the Board's relationship with management, and, in each case, provide suggestions for improvement;

(ii) one-on-one meetings with the Chair, during which the Chair conducts peer evaluation interviews and solicits general feedback; and

(iii) a Board meeting held without the Chair present, during which feedback on the Chair is collected.

The evaluation process assists the Committee and the Board in assessing overall Board performance and measuring the contributions made by the Board, each committee and each individual director. This annual assessment also assists the Committee by identifying gaps in skills and educational opportunities for the Board and individual directors in the coming year and developing the Board's succession plan and recruitment efforts.

The Governance and Nominating Committee held seven meetings during 2014.

SUCCESSION PLANNING

The Board considers succession planning for the CEO and other executive positions in the Corporation as a continuing process and one of its most critical functions. The CEO transition in 2014 was the culmination of a formal process undertaken by the Human Resources Committee that included an assessment of the executive talent within the Corporation to identify the leadership strengths, capabilities and any relevant gaps of selected key executives. Korn/Ferry International ("Korn/Ferry") was engaged and advised the Human Resources Committee in this process, interviewing the Corporation's key executives, analyzing the relevant information and data and considering potential external candidates. Korn/Ferry's report assisted the Human Resources Committee in its deliberations and assessments, resulting in its recommendation to the Board that Mr. Perry be appointed President and Chief Executive Officer upon Mr. Marshall′s retirement.

In addition to the CEO transition, the Corporation also undertook a restructuring of its executive suite in 2014 having regard to the significant and transformational growth in multiple jurisdictions over the past several years. The succession planning process and resultant executive restructuring culminated in the appointment of a new Executive Vice President, Chief Financial Officer and the creation of two new executive positions: Executive Vice President, Western Canadian Operations, and Executive Vice President, Eastern Canadian and Caribbean Operations. Based on its assessment of the Corporation's executive talent, the Human Resources Committee recommended that three of the Corporation's long-serving executives be promoted into these key roles. See "Discussion of Changes to Named Executive Officers – New Executive Vice Presidents".

In addition, the Corporation is in the process of implementing a talent management plan across the Fortis group of companies. This plan will enhance the Corporation's ability to identify, develop, evaluate and promote individuals who may be candidates for executive positions in the future. This initiative will support and enhance the work of the Human Resources Committee and the Board in the ongoing succession planning process.

REPORT ON EXECUTIVE COMPENSATION

2014 REPORT OF THE HUMAN RESOURCES COMMITTEE OF THE BOARD

The *Compensation Discussion and Analysis* that follows summarizes the Corporation's executive compensation programs and policies. The primary elements of the Human Resources Committee's mandate are oversight of the Corporation's succession planning, CEO selection, evaluation, and compensation programs and policies. As a function of the role of the Human Resources Committee in overseeing executive compensation, the Human Resources Committee has participated in the preparation of the *Compensation Discussion and Analysis* which follows and has recommended to the Board the inclusion of the *Compensation Discussion and Analysis* in this Circular.

Human Resources Committee Members in 2014:

Michael A. Pavey (Chair)	Ida J. Goodreau
David G. Norris	Ronald D. Munkley
Douglas J. Haughey	

The following discussion pertains to the following five Named Executive Officers ("NEOs") of Fortis for fiscal year 2014:

1. H. Stanley Marshall – Chief Executive Officer ("CEO");
2. Barry V. Perry – President;
3. Karl W. Smith – Executive Vice President, Chief Financial Officer ("EVP CFO");
4. John C. Walker – Executive Vice President, Western Canadian Operations ("EVP Western Canada"); and
5. Earl A. Ludlow – Executive Vice President, Eastern Canadian and Caribbean Operations ("EVP Eastern Canada and Caribbean").

DISCUSSION OF CHANGES TO NAMED EXECUTIVE OFFICERS

CEO Transition

At the end of 2014, Mr. Marshall retired as CEO and resigned as a director of the Corporation. Mr. Marshall's career spanned 35 years and he has been President and CEO for the last 18 years. Under Mr. Marshall's leadership, the Corporation's assets grew from $1 billion to $26.6 billion and Fortis was transformed from a regional electric utility to a leader in the electricity and gas utility business in North America.

Mr. Marshall led the Corporation's expansion to western Canada with the purchase of electric utilities in Alberta and British Columbia. The Corporation′s strategic vision was further realized when Mr. Marshall led the purchase of the Corporation′s natural gas distribution business in British Columbia which, at the time, made Fortis the largest investor owned distribution utility company in Canada. More recently, Mr. Marshall led the acquisitions of utilities in New York State and Arizona, further transforming Fortis into a leading North American utility organization. During Mr. Marshall's tenure as CEO commencing in 1996, the Corporation's total shareholder return approached 1,100% and the average annual total shareholder return was approximately 14%.

Mr. Marshall's retirement compensation package includes a retirement award of two times the sum of his annual base salary and target annual incentive equal to $4,440,000. This retirement award was determined by the Board acting on the recommendation of the Human Resources Committee and consideration of external advice in respect of market practice in similar circumstances. The quantum of Mr. Marshall's retirement compensation package was determined following the consideration of all relevant factors, including ensuring a successful CEO transition, Mr. Marshall's long tenure as CEO, his founding role in the Corporation, his leadership in the transformational growth of the Corporation's business, the strong shareholder returns generated under his stewardship and his role in developing a talented group of senior executives well-positioned to build upon the Corporation's success after his retirement.

Mr. Perry, who had been Vice President, Finance & Chief Financial Officer of the Corporation since 2004, was selected by the Board as successor to Mr. Marshall after an extensive executive assessment process. Mr. Perry assumed the role of President on 30 June 2014 and the role of CEO following the retirement of Mr. Marshall. Mr. Perry's appointment ensures continuity of the strategy, culture and values of the Corporation. Under Mr. Perry's leadership, Fortis will maintain its focus on the provision of safe, reliable and cost-efficient energy service to its customers and on profitable growth.

New Executive Vice Presidents

To better support the increased complexity of the Corporation and to strengthen the leadership structure, three new executive vice president roles were created in 2014. The Corporation was able to draw on the senior leadership talent available in its subsidiaries to fill these roles. Upon Mr. Perry's appointment as President, Mr. Smith, then President and CEO of FortisAlberta, was appointed as the EVP CFO of the Corporation. Effective 1 August 2014, Mr. Walker, then President and CEO of FortisBC, was appointed EVP Western Canada and Mr. Ludlow, then President and CEO of Newfoundland Power, was appointed EVP Eastern Canada and Caribbean. The new EVP Western Canada role has responsibility for FortisBC, FortisAlberta, and non-regulated energy-related operations in western Canada. The new EVP Eastern Canada and Caribbean role has responsibility for Newfoundland Power, Maritime Electric, FortisOntario, and the Corporation's Caribbean subsidiaries. The CEO transition and appointment of three new Executive Vice Presidents in 2014 will hereinafter collectively be referred to as the "Executive Transition".

In conjunction with the Executive Transition, Messrs. Perry, Smith, Walker and Ludlow were eligible for new compensation arrangements which were incorporated in new employment agreements that reflect their broader responsibilities and competitive compensation values. The employment agreements of Messrs. Smith, Walker and Ludlow included a retention arrangement. The Board considered a number of factors in determining the provision, structure, and value of these retention incentives, including ensuring an effective transition between Mr. Marshall and Mr. Perry as President and Chief Executive Officer of the Corporation, securing the core leadership team to sustain the ongoing success and growth of the Corporation, and the ability of each NEO to contribute immediately to their respective new roles relative to external hires. In this regard, under the new employment agreements entered into between Fortis and each of Messrs. Smith, Walker, and Ludlow as a component of the Executive Transition, each of these individuals is eligible for a retention incentive in the form of a one-time payment of $1,870,000, $2,125,000 and $850,000, respectively, to be paid out on the last day of the relevant prescribed employment terms which are 31 December 2018, 31 December 2019, and 31 December 2017, respectively. In respect of Mr. Smith and Mr. Walker, the value of the one-time retention incentive is equal to two times the sum of the respective base salary and annual incentive and in respect of Mr. Ludlow the retention incentive is one time the sum of the base salary and annual incentive. The retention incentives are payable on the respective vesting dates, with payment subject to continued employment. This had no impact on 2014 compensation.

Discussion contained under "Compensation Discussion and Analysis" refers to the roles held by the NEOs following the Executive Transition. A discussion of these compensation changes are included in the 2014 Discussion of Executive Compensation section of this Circular beginning on page 52.

COMPENSATION DISCUSSION AND ANALYSIS

The Corporation's executive compensation program is designed to attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive's level of responsibility.

EXECUTIVE COMPENSATION POLICY

Objectives

Executive compensation practices at Fortis are specifically designed to:

- Motivate executives to deliver strong business performance;
- Attract and retain highly qualified executives;
- Align the interests of executives and Shareholders;
- Balance executive compensation paid for short-term, medium-term and long-term results;
- Mitigate any potential risks inherent in the Corporation's compensation structure;
- Ensure that a significant portion of executive compensation is dependent upon individual and corporate performance while contributing to increasing Shareholder value; and
- Keep the executive compensation program simple to communicate and administer.

Compensation Review Framework

Annual Review

Fortis monitors, reviews, and evaluates its executive compensation program annually to ensure that it provides reasonable compensation ranges at appropriate levels while remaining competitive and effective.

As part of the annual review process, Fortis engages Hay Group, its primary compensation consultant, to provide comparative analyses of market compensation data reflecting the pay levels and practices of Hay Group's Canadian Commercial Industrial companies. Using this data, a detailed review is conducted to analyze the competitive compensation positioning of Fortis against its reference group. Hay Group provides preliminary compensation recommendations on the basis of pay competitiveness, emerging market trends and best practices.

Every year the Human Resources Committee takes into account the corporate performance against pre-determined objectives and determines a set of new performance objectives for the following year. Individual performance reviews, incentive award payouts and compensation adjustments, if any, are also determined as part of the Human Resources Committee's review.

In the final step, the Human Resources Committee seeks approval from the Board regarding current year's compensation payouts and next year's performance objectives. The Human Resources Committee and the Board may exercise discretion when making compensation decisions in appropriate circumstances and make deviations from the prescribed incentive award formulas.

Accelerated Triennial Review

Historically, Fortis conducted a triennial review of its executive compensation programs using the services of its primary compensation consultant and another compensation consultant. The triennial review sought to address organizational and market changes that may affect the competitiveness of the Corporation's existing compensation programs, identify and mitigate risks inherent in the current pay structure, and assess the ongoing compliance with disclosure and corporate governance requirements. As part of the triennial review, Fortis engaged the services of an additional compensation consultant and compared the recommendations from its primary consultant and the additional consultant.

The Corporation's next triennial review of executive compensation was originally scheduled to take place in 2015. However, in light of the transformational growth, having operations in multiple jurisdictions, and the Executive Transition as well as the pace of executive compensation development in North America, the Human Resources Committee decided to accelerate the triennial review to 2014 and conduct reviews on a biennial basis going forward ("2014 Biennial Review"). With the assistance of Hay Group, as primary consultant, and Towers Watson, as additional consultant, the Human Resources Committee conducted a thorough analysis of the 2013 Executive Compensation Policy and its ongoing appropriateness. More specifically, the 2014 Biennial Review addressed the following areas:

- Relative ranking of jobs by value;
- Assessment of the newly established executive positions;
- Comparator group relevance and appropriateness;
- Compensation mix review;
- Annual and long-term incentive plan design and performance measurement;
- Compensation risk; and
- Other policies and provisions.

Changes to the Corporation's Executive Compensation Policy contemplated for 2015, as a result of findings from this review, are described in greater detail commencing on page 74 of this Circular.

Competitive Positioning

As a general policy, Fortis compensates executives at a level approximately at the median of a broad reference group of 260 Canadian Commercial Industrial companies from the Hay Group database. This reference group does not include organizations in the financial services and broader public sectors. It does include organizations from the energy, mining and manufacturing sectors. This reference group represents a broad spectrum of Canadian Commercial Industrial organizations with which Fortis competes for executive talent. For greater clarity, Fortis does not benchmark actual executive compensation against a particular reference group.

The Human Resources Committee, at the recommendation of Hay Group, decided to use a blended approach when developing the CEO comparator group due to data limitation in the Hay Group database at the Fortis CEO level. The CEO's compensation is referenced against a group of 24 companies combining Hay Group and publicly disclosed compensation data. The selected companies comprise mainly large organizations that occupy leading positions in their respective industries and are comparable in scale and complexity to Fortis. This group of companies represents the comparative talent market for the CEO on a national level with comparable responsibilities and experience and preserves the multi-industry characteristics of the Hay Group's Canadian Commercial Industrial database that is used to assess compensation for other Fortis executives.

The 24 companies considered as the comparator group for the purpose of assessing the 2014 compensation of the CEO were as follows:

Atco Ltd.	Goldcorp Inc.	Suncor Energy Inc.
Barrick Gold Corporation	IAMGOLD Corp.	Teck Resources Limited
Canadian Pacific Railway	Imperial Oil Ltd.	Tembec Inc.
Canadian Tire Corp Ltd.	Kinross Gold Corporation	Toromont Industries Inc.
Capital Power Corp.	Methanex Corp.	TransAlta Corp.
Emera Inc.	Potash Corp of Saskatchewan Inc.	TransCanada Corp.
Enbridge Inc.	Russel Metals Inc.	Wajax Corp.
Finning International Inc.	Sherritt International Corporation	Xstrata Nickel Corp.

Essentially the same group of comparators, less Xstrata Nickel Corp. due to unavailability of publicly disclosed data, was used to develop the compensation of the President during the Executive Transition in 2014.

The Human Resources Committee uses the median compensation data from the appropriate reference group to compare each executive position to jobs of similar responsibility within the reference group. This framework serves as a guide for the Human Resources Committee's deliberations. The actual total compensation and/or amount of each compensation element for an executive officer may be higher or lower than the median compensation levels based on a number of factors, including whether the executives have met their pre-determined performance objectives.

Say On Pay

In 2013 and 2014, Fortis undertook a Shareholder advisory vote on its approach to executive compensation and received a 95.59% and 95.83% endorsement, respectively. In 2015 Fortis will again request the input of the Shareholders by holding an advisory vote on the approach to executive compensation which is more particularly described on page 9 of this Circular.

COMPENSATION RISK CONSIDERATIONS

The Board annually reviews and approves the Corporation's strategic plan, considering business opportunities, earnings forecasts, and the level of risk faced by the Corporation and the expenditure implications associated with those risks. Cross-committee membership is in place to facilitate information sharing and ensure that issues of mutual interest are appropriately addressed by the committees and the Board.

Risk is formally considered throughout the Fortis annual and biennial compensation review processes to ensure that effective control systems are in place to mitigate the perceived risks inherent in the compensation design, structure and decision making processes, both at the parent and at the subsidiary levels. The Human Resources Committee has identified the following external and internal risk controls within the Fortis executive compensation program:

External Compensation Risk-Mitigating Controls

For the regulated gas and electric utility operations of the Corporation, there are extensive regulatory frameworks, as well as reporting and approval mechanisms that govern the operation of regulated utility subsidiaries. At the corporate level, the Corporation's ongoing compliance with existing regulatory requirements and emerging best practices ensures that risks within its compensation program are being continually identified, monitored and controlled.

Internal Compensation Risk-Mitigating Controls

The Fortis executive compensation program is designed such that risk is taken into consideration throughout the compensation review process:

Annual Salary	• Annual salaries are targeted approximately at market median levels so as not to encourage excessive risk taking.
Annual Incentives	• ***Board Discretion*****:** The Board following the recommendation of The Human Resources Committee retains the discretion to adjust upward or downward the prescribed incentive payout formulas and actual payouts based on its assessment of the risk assumed to generate financial results, and circumstances that may have influenced individual performance, as well as external factors that may have impacted the Corporation's financial performance. • ***Award Cap****:* Annual Incentives awarded to executives are capped at 150% of targeted annual incentive. However, the Board following the recommendation of the Human Resources Committee retains the discretion to award up to a maximum of 200% of targeted annual incentive in recognition of individual response to exceptional challenges or opportunities and may make deviations from the guidelines in appropriate circumstances. • ***Multiple-Performance Factors and Prudent Financial Metrics****:* Fortis does not use a single performance factor and its Annual Incentives encourage behaviours that align with the interests of the Corporation and Shareholders by heavily weighting the achievement of Earnings per Common Share ("EPS") targets, along with operational excellence and sustained individual performance. To a large extent the Corporation's earnings reflect a roll-up of earnings from its substantially autonomous regulated subsidiaries. Fortis accordingly concluded that the use of an EPS-based annual target performance measure including a + or - 5% performance range is appropriate. This narrow band is consistent with the financial metric band being used in the utility industry and does not incentivize excessive risk taking and/or short-term decision making. EPS has been used as a key factor in determining incentive payments for the Corporation's executive officers for more than 10 years and Fortis has achieved sustained growth and success over this time period. The use of EPS has proven to be an effective performance objective which has not led to imprudent management practices and encourages continuation of the Fortis record of providing 42 consecutive years of annual Common Share dividend payment increases.

Medium-Term Incentives	• ***Performance Share Units ("PSUs"):*** Effective 1 January 2013 the granting of PSUs was extended to executives in addition to the CEO to promote greater alignment of interests between senior management and Shareholders. Executives, including the CEO and other NEOs, are eligible to receive PSU grants under the 2013 Performance Share Unit Plan ("PSUP"), which links pay directly to the Corporation's performance evaluated against its primary business objectives. The PSUP replaces the previous performance share unit plan for the CEO. More detail on the PSUP can be found on page 48 of this Circular. • Awarding PSUs also strengthens the proportion of deferred compensation in the overall pay mix. The deferred component provides for an appropriate alignment between incentive compensation payouts and an appropriate timeframe in which the Human Resources Committee can evaluate whether the relevant incentive compensation was earned through undue risk to the Corporation.
Long-Term Incentives	• ***Stock Option Grants linked directly to Share Ownership Requirements***: Stock options are awarded to all NEOs and certain management personnel of Fortis and its subsidiaries to encourage ownership of Common Shares and enhance the Corporation's ability to attract, retain and motivate key personnel and reward significant performance achievements. • Fortis' executive share ownership policy requires executives, including all NEOs, to hold a number of Common Shares equivalent in value to a specified multiple of base salary within 5 years of appointment to an applicable position. Additional detail on the share ownership policy as it applies to the Corporation's NEOs in 2014 as well as their current holdings can be found on page 64 of this Circular. Common Share ownership for executives, including the NEOs, is also encouraged through the Fortis Executive Compensation Policy, which limits the number of options granted each year to any executive who has been granted stock options for five or more years to the lesser of the number of options prescribed to that particular position and the minimum number of Common Shares actually owned by the individual since the beginning of the previous calendar year. • ***Anti-Hedging Policy*****:** Executive officers are not permitted to hedge against declines in the market value of equity securities received from the Corporation as compensation.

Compensation Recoupment Policy

The Corporation adopted a compensation recoupment policy as an element of its 2013 Executive Compensation Policy. In the event of a material restatement of the financial results of the Corporation caused by the fraud or intentional misconduct of one or more employees of the Corporation or a subsidiary of the Corporation, the Human Resources Committee may determine to recoup or require repayment of any compensation linked to the financial or Common Share performance of the Corporation that was paid, awarded or granted to any employee of the Corporation or any of its subsidiaries over such time period as the Human Resources Committee determines to be appropriate in the specific circumstances.

Compensation Risk Review

As part of the Corporation's review of executive compensation completed in 2012, a compensation risk review was conducted by Hay Group. This assessment was conducted for Fortis and a representative selection of significant subsidiaries. The review affirmed that executive compensation programs and practices at Fortis and the representative subsidiaries do not tend to promote significant risks that are likely to have a material adverse effect on the Corporation or its subsidiaries. It also suggested a compensation recoupment policy in the event of misconduct or material financial restatement to strengthen the Corporation's risk management position. Based on the recommendation of the Hay Group and the Human Resources Committee, the Board adopted a compensation recoupment policy as an element of the executive compensation policy effective 1 January 2013, as described above.

The Corporation is mindful of the compensation risks and mitigating controls inherent in its compensation programs and the Human Resources Committee will undertake periodic review to ensure appropriate recognition and effective management of compensation risks.

Elements of 2014 Total Compensation

Considering the objectives above, NEOs are rewarded for performance through the following three components of compensation:

Current-Year Performance	+	**Medium- and Long-Term Performance**	+	**Full-Career Performance**

Current-Year Performance		
Compensation Element	**Description**	**Compensation Objectives**
Annual Base Salary	Salary is a market competitive, fixed level of compensation.	Attract and retain highly qualified executives. Motivate strong business performance.
Annual Incentive	Combined with salary, the target level of annual incentive is intended to provide executives with a market-competitive total cash opportunity. Annual Incentive payouts depend on individual and corporate performance. EPS is the corporate performance metric.	Attract and retain highly qualified executives. Motivate strong business performance. Compensation dependent on individual and corporate performance. Simple to communicate and administer.

Medium-Term Performance		
Compensation Element	**Description**	**Compensation Objectives**
PSUs	PSU grant value is based on performance and retention objectives for the NEOs. Grant value is converted to a number of units by dividing the grant value by the market price of a Common Share calculated as the volume weighted average price of the Common Shares for five trading days preceding the 1 January grant date. At the end of the three-year performance period, the Human Resources Committee assesses the competitive performance of the Corporation against the median performance of a group of publicly traded North American comparator gas and electric utilities on predefined metrics and, if thought fit, authorizes payment of the appropriate applicable percentage of the accumulated PSU balance (inclusive of notional dividends) in accordance with the plan. Paid in cash upon completion of the three-year performance period.	Align executive and Shareholder interests by tying incentive compensation to the value of the Common Shares. Attract and retain highly qualified executives. Encourages sustained, medium-term growth by linking a portion of compensation to medium-term performance. Encourage strong longer-term business performance. Balance compensation for short-, medium- and long-term results. Compensation dependent on sustained corporate performance. Simple to communicate and administer.

Long-Term Performance		
Compensation Element	**Description**	**Compensation Objectives**
Stock Options	Annual equity grants are made in the form of stock options. The amount of each annual grant is dependent on the level of the executive and his/her current share ownership. Planned grant value is converted to a number of options by dividing the grant value by a price per share derived pursuant to the plan and using the Black-Scholes Option Pricing Model. Options have a term of ten years and vest over a four-year period.	Align executive and Shareholder interests by encouraging share ownership. Attract and retain highly qualified executives. Encourage strong longer-term business performance. Balance compensation for short-, medium- and long-term results. Simple to communicate and administer.

Full-Career Performance		
Compensation Element	**Description**	**Compensation Objectives**
Employee Share Purchase Plan ("ESPP")	NEOs can participate in the ESPP under the same terms and conditions as other employees.	Align executive and Shareholder interests by encouraging share ownership. Attract and retain highly qualified executives.
Self-directed Registered Retirement Savings Plan ("RRSP") and Defined Contribution Supplemental Employee Retirement Plan ("DC SERP")	<u>RRSP:</u> Fortis contributes on a matching basis to self-directed RRSPs for each NEO, other than Mr. Walker, up to the maximum RRSP contribution limit. <u>DC SERP:</u> Accrual of 13% of base salary and annual incentive in excess of the maximum RRSP contribution limit. Notionally accrues interest at the 10-year Government of Canada bond yield rate plus a premium of 1% to 3% dependent upon years of service. At time of retirement, paid in one lump sum or in equal payments up to 15 years at the option of the NEO.	Attract and retain highly qualified executives. Simple to communicate and administer.
Retirement Income Plan ("DB RPP") and Pension Uniformity Plan ("DB PUP") *Only one NEO (Mr. Walker) participates in this plan*	<u>DB RPP:</u> Annual accrual of 1.33% up to a final average years maximum pensionable earnings ("YMPE") as defined under the Canada Pension Plan and 2% in excess of the final average YMPE up to the NEO's best 36-month average earnings. <u>DB PUP:</u> Provides the portion of the calculated pension that cannot be provided under the DB RPP due to limits prescribed by the Income Tax Act. Recognized earnings are limited to the base earnings rate that was in effect at 31 December 1999 (limited to $182,000 per year).	Legacy plans to retain highly qualified executives. Both DB RPP and DB PUP are closed to new members.

Annual Base Salary

Annual base salaries for the NEOs are reviewed by the Human Resources Committee and established annually in the context of total compensation and by reference to the range of salaries paid by Hay Group's Canadian Commercial Industrial Companies comparator group in the case of the NEOs, other than CEO and the President following the Executive Transition, and to the specific group of companies described on page 38 of this Circular for the CEO and the President following the Executive Transition. Fortis policy is to pay executives at approximately the median of the salaries paid to executives in the relevant comparator group.

Annual Incentive

Fortis uses an annual incentive plan that provides for cash payouts to reward NEOs for performance during each calendar year. The amount of each NEO's annual incentive is determined by the Board upon recommendation of the Human Resources Committee following an annual assessment of corporate and individual performance against pre-determined targets. The incentive plan is reviewed annually by the Board, upon recommendation from the Human Resources Committee, with payouts premised upon meeting and exceeding the current year's corporate performance targets and individual performance objectives.

Considerations relevant to the determination of corporate performance targets include general economic factors and business conditions, anticipated regulatory proceedings, and the derivation of and relative contribution to earnings of particular business segments. It is recognized that year-over-year earnings growth can be affected by acquisitions, utility regulatory decisions, general economic factors and the relative earnings mix between regulated and non-regulated activities.

The Board has full discretion in respect of the operation of the annual incentive plan and is required to take into account all relevant circumstances in the exercise of judgment regarding the amounts and terms of annual incentive plan payments.

The sequential process for setting and determining the annual incentive payout is as follows:

Target Setting

1. Weightings are assigned between corporate, subsidiary, and individual performance.
   - The relative ability of each executive to impact corporate performance is reflected in the weighting of the corporate component, with 80% of the CEO's, President's, and EVP CFO's and 50% of the EVP Western Canada's and EVP Eastern Canada and Caribbean's annual incentive primarily dependent upon corporate performance.
   - To reflect additional responsibility with regard to the performance of specific subsidiary organizations, 40% of the annual incentive for each of the EVP Western Canada and the EVP Eastern Canada and Caribbean is dependent on the performance of such subsidiaries in their respective territories.

2014 Corporate, Subsidiary and Individual Performance Mix

Position	Corporate Performance %	Subsidiary Performance %	Individual Performance %	Total %
CEO/President/EVP CFO	80	0	20	100
EVP Western Canada/EVP Eastern Canada and Caribbean	50	40	10	100

1) Target and maximum annual incentive payouts are delineated as a percentage of base salary.

- In 2014, the targeted annual incentives for the CEO and President were set at 85% and the targeted annual incentives for the EVP CFO, the EVP Western Canadian and the EVP Eastern Canadian and Caribbean were set at 70% of their respective annual base salaries.
- Annual incentive payouts are earned for meeting expected corporate performance targets as adjusted for factors determined to be beyond the reasonable control of management as reviewed by the Audit Committee and approved by the Human Resources Committee.
- The annual incentive plan contemplates payment at 150% of target (normal maximum) when superior performance is achieved, with an additional 50% of target available to be awarded at the Board's discretion in recognition of individual response to exceptional challenges or opportunities.
- The Board retains discretion to make deviations from the prescribed payout formulas in appropriate circumstances, having regard to the overall performance of the individual NEO, the Corporation and external considerations.
- Generally, no payments will be made in respect of the corporate component where corporate performance is below a minimum threshold predetermined by the Board.
- Where individual performance is judged to be unsatisfactory during the year, no annual incentive payment will be made, notwithstanding that certain thresholds/targets were met.

Determinations

1) Corporate performance is determined by reference to EPS results compared to the Corporation's annual Business Plan as approved by the Board.

- The target EPS range is developed by the Human Resources Committee and recommended to the Board for adoption with reference to the Corporation's Business Plan.
- Events beyond the reasonable control of management or other matters specifically authorized by the Board, such as the financing and acquisition of UNS Energy Corporation in 2014, are identified and adjusted, either upward or downward, by the Human Resources Committee when assessing measurement of actual EPS against target EPS.
- The Audit Committee reviews the proposed adjustments to actual EPS for events beyond the reasonable control of management and confirms the financial implications of such events to the Human Resources Committee for its assessment in developing a recommendation for Board approval.
- For 2014 the Board adopted a range of + or – 5% of the target EPS projected in the Business Plan (or as specifically authorized by the Board) for the purpose of setting the maximum target and minimum acceptable corporate performance for the corporate performance component of the annual incentive payout.

Corporate Performance Targets

	EPS	Annual Incentive Payout (% of Target)
95% of Business Plan	1.53	50%
Business Plan	1.61	100%
105% or more of Business Plan	1.69	150%

- Performance below 95% of Business Plan EPS results in zero payout for the corporate performance component of the annual incentive payout.
- Performance between 95% and 105% of Business Plan EPS results in an interpolated payout between 50% and 150% of the corporate performance component of the annual incentive payout.
- Performance in excess of 105% of the Business Plan EPS results in payout at 150% of the corporate performance component of the annual incentive payout.

2) Subsidiary performance is determined by measuring results against predetermined subsidiary objectives.
3) Individual performance (where applicable) is determined by measuring results against individual executive performance objectives approved by the Human Resources Committee.
4) Each NEO's annual incentive payment is determined by the Board upon recommendation from the Human Resources Committee.

A summary of the performance metrics, weightings, and potential payout range for each NEO is shown below.

Position	Corporate Performance Targets (1)			Subsidiary Performance Targets (1)			Individual Performance Targets (1)		
	Weight	Metric	Payout Range	Weight	Metric	Payout Range	Weight	Metric	Payout Range
CEO/President/ EVP CFO	80%	EPS	0 - 150%	0%	Not Applicable	Not Applicable	20%	Multiple	0 - 150%
EVPs Western Canada & Eastern Canada and Caribbean	50%	EPS	0 - 150%	40%	Multiple	0 - 150%	10%	Transition Success	0 -150%

(1) *The Corporate Performance payout percentage plus the Subsidiary and Individual Performance payout percentages can range from 0% to 150%. The final incentive percentage can be increased to a maximum of 200% at the Board's discretion based on the NEO's response to exceptional challenges or opportunities.*

Medium- and Long-Term Performance

<u>Medium- and Long-Term Incentives</u>

Medium- and long-term incentives are granted to align executives' interests with those of Shareholders through increasing Shareholder value by fostering Common Share ownership and tying incentive compensation to the value of the Common Shares. Fortis grants longer term incentive compensation to NEOs under two plans: PSUs are granted under the PSUP; and stock options are granted under the 2012 Stock Option Plan. Descriptions of these two plans are set out below:

1. 2013 Performance Share Unit Plan

Effective 1 January 2013, the Corporation adopted the PSUP for a broad group of Fortis and subsidiary management. Prior to 1 January 2013, the CEO was the sole participant in a performance share unit plan established in 2004. Upon introduction of the PSUP, granting of PSUs to the CEO under the 2004 plan ceased.

The PSUP is administered by the Human Resources Committee which awards PSUs having a value equal to a specified percentage of the participant's annual base salary. The number of PSUs granted to a participant is prescribed in the PSUP and obtained by dividing the aggregate value of the grant as a percentage of base salary by the volume weighted average trading price of the Common Shares for five trading days preceding 1 January in the year of the grant.

Payments under the PSUP will be made three years after the grant in an amount of 0-120% of the value of PSUs accumulated (inclusive of PSUs accruing on reinvestment of notional dividends to accumulated PSUs), as determined appropriate by the Human Resources Committee. In determining the payout percentage under the PSUP, the Human Resources Committee evaluates the performance of the Corporation over such three-year period against predetermined measures. These measures include compound annual growth rate ("CAGR") in EPS, property plant and equipment ("PP&E") and total shareholder return ("TSR"). Fortis performance on these metrics is compared to the median results of a pre-determined comparator group of 24 publicly traded North American gas and electric utilities. Provided that Fortis performance is at least 80% of the median result for the peer group on each of the three criteria, the payout of the applicable PSU balance will be a percentage from 80-120% determined by calculating the ratio of Fortis performance to the median peer group performance on CAGR for EPS, PP&E and TSR, weighted at 50% for EPS, 30% for PP&E and 20% for TSR. No payment is made for Fortis performance below 80% of median for any of the criteria, and no additional payment is made for performance in excess of 120% on any metric. Payouts under the PSUP are also contingent on Fortis maintaining a corporate credit rating consistent with the median credit rating of the performance comparator group.

2. 2012 Stock Option Plan

Options may be granted under the 2012 Stock Option Plan to all NEOs and senior management of Fortis and its subsidiaries (the "Eligible Persons"). No options shall be granted under the 2012 Stock Option Plan if, together with any other security-based compensation arrangement established or maintained by Fortis, such granting of options could result in: (i) the number of Common Shares issuable to insiders of Fortis, at any time, exceeding 10% of the issued and outstanding Common Shares; or (ii) the number of Common Shares issued to insiders of Fortis, within any one-year period, exceeding 10% of the issued and outstanding Common Shares.

The 2012 Stock Option Plan is administered by the Human Resources Committee. Pursuant to the 2012 Stock Option Plan, the determination of the exercise price of options is made by the Human Resources Committee at a price not less than the volume weighted average trading price of the Common Shares of Fortis determined by dividing the total value of the Common Shares traded on the TSX during the last five trading days immediately preceding the date of grant by the total volume of the Common Shares traded on the TSX during such five trading days. The Human Resources Committee determines: (i) which Eligible Persons are granted options; (ii) the number of Common Shares covered by each option grant; (iii) the price per share at which Common Shares may be purchased using options granted under the 2012 Stock Option Plan; (iv) the time when the options will be granted; (v) the time when the options will vest; and (vi) the time at which the options will expire.

Options granted under the 2012 Stock Option Plan are personal to the grantee and not assignable, except on death of the grantee. The grant of options does not confer any right upon a grantee to continue employment or to continue to provide services to Fortis.

If the term of an option granted pursuant to the 2012 Stock Option Plan expires during a blackout period (being a period during which the Eligible Person is prohibited from trading in the securities of Fortis pursuant to securities regulatory requirements or then applicable written policies of the Corporation), the term of such option, or unexercised portion thereof, shall be extended and shall expire 10 business days after the end of the blackout period.

Options granted pursuant to the 2012 Stock Option Plan have a maximum term of 10 years from the date of grant. Options will vest over a period of not less than four years from the date of grant. Options granted pursuant to the 2012 Stock Option Plan will expire no later than three years after the termination, death or retirement of an Eligible Person. Loans to Eligible Persons for the exercise of options are prohibited by the 2012 Stock Option Plan.

The 2012 Stock Option Plan provides that, notwithstanding any provision in the plan to the contrary, no option may be amended to reduce the exercise price below the exercise price set on the date of grant.

Commencing 1 January 2009, where an Eligible Person has been granted options for five or more prior years, the maximum number of Common Shares for which options will be granted in any calendar year will not exceed the minimum number of Common Shares held by such person since the beginning of the previous calendar year.

3. Other Security Based Arrangements

In addition to the two incentive plans discussed above, Fortis previously maintained the 2002 and 2006 Stock Option Plans and the performance share unit plan established in 2004 in which the CEO was the only participant.

Awards under the 2002 and 2006 Stock Option Plans ceased upon adoption of the 2012 Stock Option Plan. The 2002 and 2006 Stock Option Plans will terminate when all of the outstanding options granted under such plans are exercised or expire on or before 28 February 2016 (in respect of the 2002 Stock Option Plan) and 2 March 2018 (in respect of the 2006 Stock Option Plan).

Awards under the 2004 Performance Share Unit Plan ceased upon adoption of the PSUP. All outstanding PSUs awarded under the 2004 Performance Share Unit Plan vested upon the retirement of the CEO, at which time the plan terminated.

Full-Career Performance

Employee Share Purchase Plan

Shareholders of Fortis approved adoption of the 2012 Employee Share Purchase Plan ("2012 ESPP") at the annual meeting of Shareholders held on 4 May 2012.

Employees of Fortis and its subsidiaries who are Canadian residents are encouraged to become Shareholders through the 2012 ESPP and its predecessor plans. The 2012 ESPP is available on an optional basis to permanent employees, including retirees who were participants in the plan at the time of their retirement ("Retirees"). As at 31 December 2014, the total number of Common Shares outstanding under the 2012 ESPP and its predecessors was 2,940,159. This represents 1.1% of the total number of issued and outstanding Common Shares.

Permanent employees wishing to participate in the 2012 ESPP may opt into the plan by completing an employee participation form. The proposed investment in Common Shares cannot, in any calendar year, be less than $100 and cannot exceed, in the aggregate, 10% of the permanent employee's annual base salary for the year. A Retiree's participation is limited to the reinvestment of dividends on Common Shares in the Retiree's account in the 2012 ESPP and its predecessors. The benefits of the plan are not assignable by participants.

Each employee's contribution under the plan represents 90% of the purchase price of the Common Shares under the 2012 ESPP. The employee's employer contributes the remaining 10% of the Common Share purchase price. Common Shares purchased under the plan are either acquired in the open market by Computershare, the trustee under the 2012 ESPP, or issued from treasury. The Corporation can elect by notice to the trustee at least 15 business days prior to a share purchase date, whether it will issue the Common Shares from treasury or purchase the number of Common Shares required on the secondary market. Commencing 1 September 2012, the Corporation has issued new Common Shares to satisfy employee purchases under the plan.

Where payments received by the employer from the employee are less than the amounts directed to be invested by the employee through the 2012 ESPP, the Employer will make a loan (an "Employee Loan") to the employee for the amount of the balance. The employee must repay any Employee Loan amount, without interest, over a term not exceeding 52 weeks immediately following the date of the loan. The full amount of an Employee Loan outstanding becomes due and payable immediately upon termination of employment, when any compensation owing to the employee will be applied to repayment of the Employee Loan.

All Common Shares purchased and retained under the 2012 ESPP are registered in the name of Computershare, as trustee, for the benefit of the employees participating in the plan. Certificates for Common Shares purchased through an Employee Loan will not be provided to the permanent employee until their Employee Loan is repaid in full. Otherwise, certificates for Common Shares held by an employee under the 2012 ESPP are provided on termination of the employee's participation in the 2012 ESPP.

Fortis has allocated 2,044,664 Common Shares for issuance from treasury under the 2012 ESPP while retaining flexibility to satisfy share delivery requirements through secondary market purchases. The balance in the 2012 ESPP reserve as at 31 December 2014 is 1,159,637.

PENSION PLAN BENEFITS

Mr. Marshall's participation in a Defined Benefit Registered Pension Plan ("DB RPP") and the Defined Benefit Supplemental Plan ("DB SERP" and together with the DB RPP, the "DB Plans") ceased with respect to contribution and accrual of benefits on 31 December 2006. From 1 January 2007 until Mr. Marshall's retirement, Fortis contributed an amount, which was matched by Mr. Marshall, up to the maximum RRSP contribution limit, as allowed by the *Income Tax Act* (Canada), to a self-directed RRSP for Mr. Marshall. From 1 January 2007 until his retirement, Mr. Marshall participated in the non-contributory Defined Contribution Supplemental Employee Retirement Plan ("DC SERP").

Defined Benefit Plans

In accordance with the terms of Mr. Marshall's employment agreement entered at the time he was appointed CEO in April 1996, the combined result of the DB Plans is to entitle Mr. Marshall to receive an annual payment following retirement equal to 70% of his highest three-year average annual base salary and annual cash incentive determined as at 31 December 2006. The annual benefit that will be paid to Mr. Marshall upon retirement under the DB Plans is subject to actuarial adjustment resulting from delayed commencement of Mr. Marshall's retirement after 1 January 2007. Upon his retirement on 31 December 2014, and his elections in accordance with the DB Plans, the annual pension that will be paid to Mr. Marshall is $1,303,948 for life and is 100% payable to his surviving spouse. Prior to Mr. Marshall's retirement the Corporation secured the DB Plans with an irrevocable Letter of Credit which will be renewed annually.

The DB SERP operates as a supplement to the Corporation's regular defined benefit pension plan which provides a pension up to the maximum limits allowed by the applicable pension rules of the *Income Tax Act* (Canada).

Mr. Walker also participates in a defined benefit registered pension plan and the Corporation's Pension Uniformity Plan (the "DB PUP"), with provisions for an annual accrual of 1.33% up to the final average years maximum pensionable earnings ("YMPE") as defined under the Canada Pension Plan and 2% in excess of the final average YMPE (limited to $182,000 per year) up to Mr. Walker's best average earnings. The best average earnings are based on the 36 consecutive months of service during which earnings were highest. The final average YMPE is based on the final 36 months of service. The DB RPP provides a payout upon retirement based on the number of years of credited service and actual pensionable earnings and has a maximum accrual period of 35 years. For the purposes of the DB PUP, the recognized earnings are limited to the base earnings rate that was in effect at 31 December 1999.

The DB PUP provides the portion of the calculated pension that cannot be provided under the DB RPP due to limits prescribed by the *Income Tax Act* (Canada).

Messrs. Perry, Smith, and Ludlow do not participate in a defined benefit pension plan.

Self-Directed Registered Retirement Savings Plan ("RRSP")

In 2014, Fortis contributed to self-directed RRSPs for Messrs. Marshall, Perry, Smith, and Ludlow, which contribution is matched by them up to the maximum RRSP contribution limit in each year as allowed by the *Income Tax Act* (Canada). Mr. Marshall's participation in the RRSP ceased upon his retirement.

Defined Contribution Supplemental Employee Retirement Plan

All NEOs participate in the DC SERP. The DC SERP provides for the accrual by Fortis of an amount equal to 13% of the annual base salary and annual cash incentive of the participant in excess of the allowed maximum annual contribution to an RRSP, to an account which accrues interest equal to the rate of a 10-year Government of Canada bond yield plus a premium of 1% to 3% dependent upon years of service. At the time of retirement, a participant may elect to receive the notional amounts accumulated under the DC SERP from the Corporation in one lump sum or in equal payments over 15 years.

The Corporation ceased its notional contributions under the DC SERP in respect of Mr. Marshall upon his retirement and secured his DC SERP with an irrevocable Letter of Credit which will be renewed annually.

2014 EXECUTIVE COMPENSATION

Based on the findings of the 2014 Biennial Review and recommendation from the Human Resources Committee, the Board has approved a number of changes to the Fortis Executive Compensation Policy, effective from 1 January 2015. These changes were designed to align executive compensation with prevailing market practice and the interests of shareholders with increased emphasis on long-term sustainability, reflecting Fortis' dedication to a strong pay for performance culture. These changes are summarized on page 74. Below is the compensation discussion for 2014.

Objective Setting

Following approval of the Business Plan by the Board, the CEO recommends a range of the EPS to be used to assess corporate performance by the Human Resources Committee. Corporate performance objectives for Fortis subsidiaries are assessed and approved by the Board of Directors of the relevant subsidiary. Each NEO also has individual performance objectives that support the Business Plan. The CEO submits his individual performance objectives directly to the Human Resources Committee and reviews the individual performance objectives for the other NEOs with the Human Resources Committee. The Human Resources Committee then reviews and submits its recommended corporate and individual performance objectives to the Board for approval.

Annual Base Salary

In accordance with the executive compensation philosophy, the Human Resources Committee adjusts annual base salaries for each NEO referenced against the market medians for the applicable comparator group(s) of Canadian Commercial Industrial companies.

Mr. Marshall's base salary remained at $1,200,000 for 2014 and base salaries for Messrs. Perry, Smith, Walker and Ludlow were increased to $900,000, $550,000, $625,000 and $500,000 from $575,000, $495,000, $550,000 and $440,000 respectively upon the Executive Transition in recognition of their new roles and broader responsibilities.

Annual Incentive

During 2014, annual incentive objectives for all NEOs except the CEO were changed partway through the year to reflect the new roles and responsibilities of the NEOs as a result of the Executive Transition. Performance relative to each set of objectives will be determined for the period during which they were applicable, with final payouts under the annual incentive plan determined based on a combination of performance on both sets of objectives, weighted to reflect the proportion of the year for which they were applicable.

Fortis used EPS, adjusted either upward or downward for matters beyond the reasonable control of management or other matters specifically authorized by the Board, to determine the corporate performance component of annual incentive payouts for 2014.

Subsidiary corporate performance for the purposes of annual incentive payouts was evaluated based on a scorecard approach with multiple metrics covering earnings, customer satisfaction, regulatory and safety performance relative to pre-determined targets.

The individual performance metrics established for 2014 were intended to manage performance aside from corporate goals, drive personal development and manage the Executive Transition.

CEO Individual Performance Metrics

In addition to general performance against his position description, individual metrics for the CEO included strategically positioning Fortis and its subsidiaries for continued profitable growth by:

- Realizing opportunities for growth;
- Closing the acquisition of UNS Energy Corporation and integrating it as a Fortis company; and
- Executive succession strengthening.

President Individual Performance Metrics

In addition to general performance against his position description, individual metrics for Mr. Perry as President included strategically positioning Fortis and its subsidiaries for continued profitable growth by:

- Realizing opportunities for growth;
- Closing the acquisition of UNS Energy Corporation and integrating it as a Fortis company; and
- Effectively managing the Executive Transition.

In addition to general performance against his position description, individual metrics for Mr. Perry as Vice President, Finance and Chief Financial Officer included:

- Closing the acquisition of UNS Energy Corporation and integrating it as a Fortis company;
- Succession planning for finance group;
- Completing US debt offering;
- Achieving effective development of the Disclosure Committee; and
- Managing financial aspects of acquisition or divestiture investigations and transactions for the Corporation and its subsidiaries, including the finance structure for the acquisition of UNS Energy Corporation and capital issuances.

EVP CFO Individual Performance Metrics

In addition to general performance against his position description, individual metrics for Mr. Smith in his role as EVP CFO included:

- Closing the acquisition of UNS Energy Corporation;
- Succession planning for finance group;
- Preparing and hosting an inaugural Fortis Investor Day; and
- Managing financial aspects of acquisition or divestiture investigations and transactions for the Corporation and its subsidiaries, including the finance structure for the acquisition of UNS Energy Corporation and capital issuances.

A detailed discussion of Mr. Smith's corporate and individual performance targets as President and CEO of FortisAlberta Inc. are available in the public disclosure of that Fortis subsidiary. Mr. Smith served in such capacity until 29 June 2014.

EVP Western Canada Performance Metrics

Individual Performance Metrics

In addition to general performance against his position description, individual metrics for Mr. Walker in his role as EVP Western Canada included:

- Progressing LNG opportunities, including expansion of the Tilbury LNG facility and the Woodfibre pipeline project;
- Progressing the Waneta Expansion project on time and on budget; and
- Effectively managing the Executive Transition.

Subsidiary Performance Metrics

As EVP Western Canadian Operations, Mr. Walker's annual incentive calculation takes subsidiary performance into account along with Fortis corporate performance. The performance of each subsidiary is measured using a scorecard approach with multiple metrics calculated and weighted based on the relative earnings contribution of each subsidiary as follows:

Subsidiary	**Weighting**
FortisBC Gas and Electric	60%
FortisAlberta	40%
Total	100%

A detailed discussion of Mr. Walker's performance targets as President and CEO of FortisBC are available in the public disclosure of that Fortis subsidiary. Mr. Walker served in such capacity until 31 July 2014.

EVP Eastern Canada and Caribbean Performance Metrics

Individual Performance Metrics

In addition to general performance against his position description, individual metrics for Mr. Ludlow in his role as EVP Eastern Canada and Caribbean included:

- Developing and implementing the consolidated safety and regulatory targets;
- Securing external unsecured debt at FortisTCI Limited;
- Reinforcing Newfoundland Power Inc.′s commitment to reliability and customer service during the regulatory review of the January 2014 loss of supply from Newfoundland and Labrador Hydro; and
- Effectively managing the Executive Transition.

Subsidiary Performance Metrics

As EVP Eastern Canadian and Caribbean, Mr. Ludlow's annual incentive calculation takes subsidiary performance into account along with Fortis corporate performance. The performance of each subsidiary is measured using a scorecard with multiple metrics calculated and weighted based on the earnings contribution of each subsidiary as follows:

Subsidiary	**Weighting**
Newfoundland Power	45%
FortisOntario	10%
Maritime Electric	15%
Caribbean Utilities	15%
Fortis Turks and Caicos	15%
Total	100%

A detailed discussion of Mr. Ludlow's performance targets as President and CEO of Newfoundland Power Inc. are available in the public disclosure of that Fortis subsidiary. Mr. Ludlow served in such capacity until 31 July 2014.

2014 Annual Incentive Payments

In respect of identification and analysis of the impact of matters beyond the reasonable control of management, the Human Resources Committee, with the assistance of the Audit Committee, performed an assessment of the performance of the Corporation and individual NEOs against their predetermined corporate, subsidiary, and individual performance metrics to develop its recommendation to the Board for the 2014 annual incentive payments.

Annual incentive performance for the EVP CFO, EVP Western Canada and EVP Eastern Canada and Caribbean during the periods in 2014 that they served as President and CEO of FortisAlberta, FortisBC and Newfoundland Power, respectively, was determined by the Human Resources Committee following its consideration of the recommendations from the Board of Directors of each respective subsidiary.

The assessment of the Human Resources Committee was as follows:

CEO (H. Stanley Marshall):

	Actual Performance			Resultant Payout		
Type of Metric	**Metric**	**Target**	**Actual % of Target**	**Actual % of Target Multiple**	**Annual Incentive Weighting %**	**Payout %**
Corporate Metrics	EPS	Business Plan EPS (adjusted)	106	150	80	120
Individual Metrics	Various	Full Achievement		150	20	30
Total					100	150

President (Barry V. Perry):

	Actual Performance			Resultant Payout			
Type of Metric	**Metric**	**Target**	**Actual % of Target**	**Actual % of Target Multiple**	**Annual Incentive Weighting %**	**Payout %**	**Weighting of set of metrics [(1)] %**
Metrics as President							
Corporate Metrics	EPS	Business Plan EPS (adjusted)	106	150	80	120	
Individual Metrics	Various	Full Achievement		150	20	30	
Total					100	150	50
Metrics as Vice President, Finance and Chief Financial Officer							
Corporate Metrics	EPS	Business Plan EPS (adjusted)	106	150	80	120	
Individual Metrics	Various	Full Achievement		150	20	30	
Total					100	150	50
Total annual incentive payout % target						150	

(1) *Reflects the proportion of the year for which the incumbent held the relevant role.*

EVP CFO (Karl W. Smith):

	Actual Performance			Resultant Payout			
Type of Metric	**Metric**	**Target**	**Actual % of Target**	**Actual % of Target Multiple**	**Annual Incentive Weighting %**	**Payout %**	**Weighting of set of metrics [(1)] %**
Metrics as EVP CFO							
Corporate Metrics	EPS	Business Plan EPS (adjusted)	106	150	80	120	
Individual Metrics	Various	Full Achievement		150	20	30	
Total					100	150	50
Metrics as President and CEO, FortisAlberta							
Corporate Metrics	Multiple	100%	145	145	70	101.5	
Individual Metrics	Various	Full Achievement		145	30	43.5	
Total					100	145	50
Total annual incentive payout % target						147.5	

(1) *Reflects the proportion of the year for which the incumbent held the relevant role.*

EVP Western Canada (John C. Walker):

	Actual Performance			Resultant Payout			
Type of Metric	Metric	Target	Actual % of Target	Actual % of Target Multiple	Annual Incentive Weighting %	Payout %	Weighting of set of metrics (1) %
Metrics as EVP Western Canada							
Corporate Metrics	EPS	Business Plan EPS (adjusted)	106	150	50	75	
Subsidiary Corporate Metric	Multiple	100%	138	138	40	55	
Individual Metrics	Transition Success	Full Achievement		150	10	15	
Total					100	145	42
Metrics as President and CEO, FortisBC							
Corporate Metrics	Multiple	100%	133	133	80	106	
Individual Metrics	Various	Full Achievement		150	20	30	
Total					100	136	58
Total annual incentive payout % target						140	

(1) *Reflects the proportion of the year for which the incumbent held the relevant role.*

EVP Eastern Canada and Caribbean (Earl A. Ludlow):

	Actual Performance			Resultant Payout			
Type of Metric	Metric	Target	Actual % of Target	Actual % of Target Multiple	Annual Incentive Weighting %	Payout %	Weighting of set of metrics (1) %
Metrics as EVP Eastern Canada and Caribbean							
Corporate Metrics	EPS	Business Plan EPS (adjusted)	106	150	50	75	
Subsidiary Corporate Metric	Multiple	100%	128	128	40	51	
Individual Metrics	Transition Success	Full Achievement		150	10	15	
Total					100	141	42
Metrics as President and CEO, Newfoundland Power							
Corporate Metrics	Multiple	100%	140	140	70	98	
Individual Metrics	Various	Full Achievement		150	30	45	
Total					100	143	58
Total annual incentive payout % target						142	

(1) *Reflects the proportion of the year for which the incumbent held the relevant role.*

In respect of Messrs. Marshall and Perry, the Board considered the recommendation of the Human Resources Committee and awarded an annual incentive payout for 2014 of $2,040,000 and $1,059,000, respectively, representing the maximum value of 200% of target. This was in recognition of the strong corporate performance in 2014, the successful acquisition of UNS Energy Corporation in August 2014 and the successful Executive Transition.

In respect of the EVP CFO, EVP Western Canada and EVP Eastern Canada and Caribbean, the Human Resources Committee assessed the personal performance of each during the Executive Transition and the corporate performance and determined that appropriate circumstances warranted the exercise of discretion. Based on performance against the corporate and individual objectives described above the Board awarded the following annual incentive payments in 2014.

	2014 Actual Annual Incentive Payment ($)	**Percentage of Target Payout (%)**
H. Stanley Marshall	2,040,000	200
Barry V. Perry	1,059,000	200
Karl W. Smith	500,000	158
John C. Walker	500,000	146
Earl A. Ludlow	400,000	146

Medium- and Long-Term Incentives

Performance Share Units

PSUP - 2014 Grant

PSUs granted in 2014 will be assessed against the payout criteria mandated by the PSUP which are:

- The Corporation's CAGR in EPS for the relevant period will be compared to the median CAGR in EPS for the peer group specified in the plan over same period. This metric will be used to determine 50% of the payout criteria;

- The Corporation's CAGR in PP&E for the relevant period will be compared to the median peer group CAGR in PP&E for the same period. This metric will be used to determine 30% of the payout criteria;

- The Corporation's TSR for the relevant period will be compared to the peer group median TSR for the same period. This metric will be used to determine 20% of the payout criteria;

- The Human Resources Committee may, in its discretion, take into account the impact of extraordinary items during the three-year period in which the PSUs granted in 2014 are outstanding (the "Payment Criteria Period") in determining EPS in respect of such period; and

- Unless the Human Resources Committee determines that the circumstances warrant otherwise, no payment in respect of a unit grant will be payable if the Corporation's long-term credit rating is below that of the median corporate long-term credit rating for the peer group as of the final business day of the Payment Criteria Period.

The Human Resources Committee did not set any additional payment criteria for any of the NEOs in respect of the 2014 PSU grant. The 2014 PSU grant was determined similarly to the 2012 Stock Option Plan Grant as a percentage of base salary divided by the volume weighted average trading price of the Common Shares traded on the TSX during the last five trading days immediately preceding 1 January 2014 of $30.42.

Regular PSU grant

The date of the 2014 PSU grant was 1 January 2014, with grant value based on the role held by the individual at the time. As such, Mr. Marshall received a 2014 PSU grant of 200% of base salary, as prescribed by the PSUP. Messrs. Perry, Smith, Walker, and Ludlow received 2014 PSU grant values based on the applicable percentages of base salary prescribed by the PSUP for their roles prior to the Executive Transition, which were 75%, 50%, 75%, and 20%, respectively.

PSU grant in connection with Executive Transition

In connection with the Executive Transition, an additional grant of PSUs was made to affected NEOs to ensure total PSU opportunity for the year is aligned with the provisions of the PSUP in accordance with roles held during the year and the relative proportion of time each role was held. The applicable percentages of base salary prescribed by the PSUP for the President, EVP CFO, EVP Western Canada, and EVP Eastern Canada and Caribbean are 200%, 75%, 75%, and 75%, respectively.

The peer group against whom the Corporation's performance will be measured on the above-noted criteria consists of the following 24 publicly traded North American utility companies: [(1)]

AGL Resources	Emera Inc.	Pinnacle West Capital Corp.
Alliant Energy	Great Plains Energy	SCANA Corp.
Ameren Corp.	Hawaiian Electric Industries	Sempra Energy
Atmos Energy Corp.	Integrys Energy Group Inc.	TECO Energy Inc.
CMS Energy Corp.	MDU Resources Group Inc.	UGI Corp.
Canadian Utilities Ltd.	NiSource Inc.	Westar Energy Inc.
CenterPoint Energy Inc.	OGE Energy Corp.	Wisconsin Energy Corp
DTE Energy Co.	Pepco Holdings Inc.	Xcel Energy Inc.

(1) *Relative to previous years, NV Energy has been excluded from this comparator group due to its acquisition by another party.*

As noted on page 48, the actual value of the PSUs at the payment date are dependent on meeting the corporate performance objectives and the payment criteria in the PSUP.

The number and value of PSUs granted to NEOs under the PSUP in 2014 was:

NEO	Number of PSUs	Grant Date	Value of PSUs on the Grant Date ($)
H. Stanley Marshall	78,893	January 1, 2014	2,400,000
Barry V. Perry	14,176	January 1, 2014	431,250
	21,232	June 30, 2014	684,375
Karl W. Smith	8,136	January 1, 2014	247,500
	2,559	June 30, 2014	82,500
John C. Walker	13,560	January 1, 2014	412,500
	701	August 1, 2014	23,438
Earl A. Ludlow	2,893	January 1, 2014	88,000
	3,576	August 1, 2014	119,583

2011 – 2014 PSU Grant under the 2004 Performance Share Unit Plan

The Human Resources Committee considered the PSU award made in 2011 to the CEO under the 2004 Performance Share Unit Plan at its meeting on 24 February 2014. The Human Resources Committee reviewed performance over the three-year period from 2011 through 2014 of the Corporation and the CEO against the pre-defined payout criteria of:

- Successfully minimizing the impacts of adverse economic factors on the Corporation over the next three years and taking advantage of growth opportunities;
- Successfully consolidating the position of the Corporation's British Columbia utilities; and
- Maintenance of reasonably successful results from Fortis as a whole as measured by total return equal to, or better than, the return reported for the S&P/TSX Utilities Index over the three-year period commencing 1 March 2011.

The Human Resources Committee concluded that the CEO fully achieved two of the performance criteria; however, since total return over the measurement period lagged that of the S&P/TSX Utilities Index, a reduction of one-third was made to the award. The Human Resources Committee authorized payment pursuant to the plan in the amount of $1,029,146, which was paid in 2014.

2012 – 2015 PSU Grant under the 2004 Performance Share Unit Plan

In respect of the 2004 Performance Share Unit Plan, all outstanding PSU awards under this plan vested fully upon Mr. Marshall's retirement on 31 December 2014. As such, the Human Resource Committee authorized payment in the amount of $2,674,690, which was paid on 2 January 2015.

Stock Options

The number of options granted to NEOs is based upon each NEO's annual base salary. Options granted in 2014 have a maximum term of ten years from the date of grant and the options will vest over a period of not less than four years from the date of grant. No options will vest immediately upon being granted. Options will expire no later than three years after the termination, death or retirement of the NEO.

Regular grant

On 24 February 2014, Messrs. Marshall, Perry, Smith, Walker, and Ludlow received option grants based on the roles held by the individuals at that time. Accordingly, Mr. Marshall received stock options at 400% of his annual base salary and Messrs. Perry, Smith, Walker, and Ludlow received option grants at 400%, 400%, 400%, and 300% of annual base salary, respectively.

Based on the Black-Scholes Option Pricing Model, these levels of grants are equivalent to an economic value of 46%, 43%, 45%, 45% and 37%, respectively, for Messrs. Marshall, Perry, Smith, Walker and Ludlow of the annual base salaries at time of the grant. Please see the *Outstanding Option-based and Share-based Awards* table on page 70 of this Circular for additional detail.

Stock option grant in connection with Executive Transition

In connection with the Executive Transition, an additional grant of stock options was made to affected NEOs to ensure total stock option grant value is aligned with values prescribed by the 2013 Executive Compensation Policy in accordance with roles held during the year and the relative proportion of time each role was held. The applicable percentage of base salary prescribed by the Fortis Executive Compensation Policy for their roles following the Executive Transition for Messrs. Perry, Smith, Walker, and Ludlow was 400% for each individual.

There have been no amendments, replacements, or modifications to the terms of the options during 2014. There were no options cancelled by Fortis in 2014.

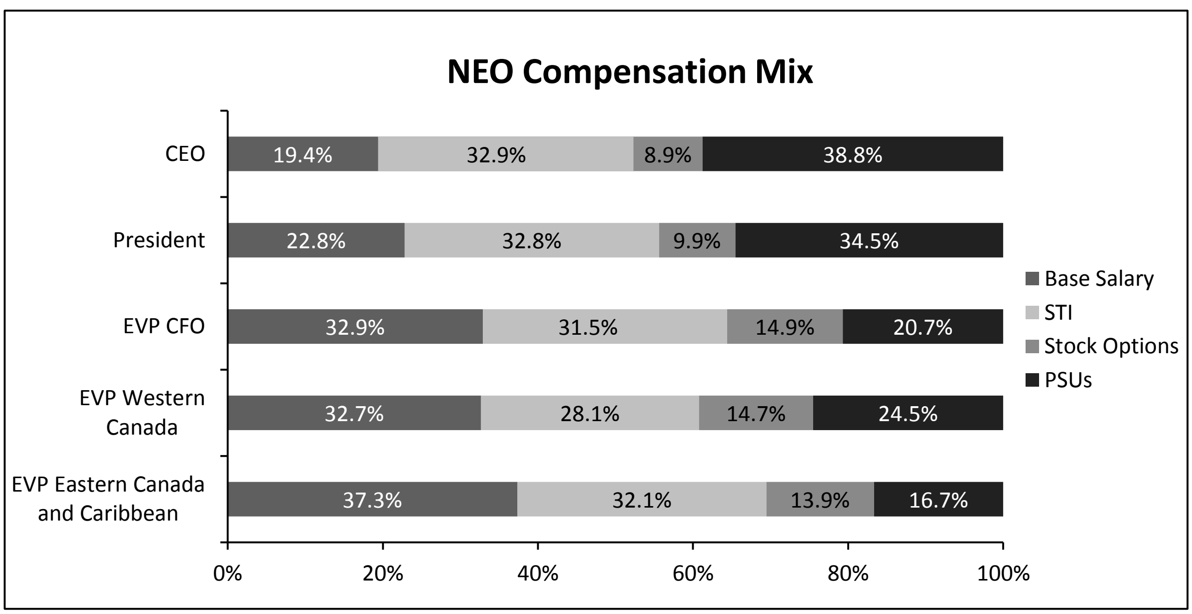
2014 Total Direct Compensation Components
(Base Salary + Annual Incentive + PSUs + Stock Options)

The Fortis approach to total direct compensation is to provide a comprehensive compensation package that links to the Corporation's overall corporate strategy by rewarding individual performance based on Fortis corporate performance. A significant portion of total direct compensation is "at risk" – meaning it will vary annually based on corporate and individual performance with the portion of compensation not "at risk" being derived from salary. In 2014 the portion of total direct compensation "at risk" for the CEO, President, EVP CFO, EVP Western Canada, and EVP Eastern Canada and Caribbean was approximately 81%, 77%, 67%, 67% and 63%, respectively.

This level of "at risk" compensation encourages the alignment of executive and Shareholder interests. The Corporation's executive compensation regime is structured in a manner that emphasizes the greater ability of the CEO to affect corporate performance by making a greater portion of the CEO's compensation dependent upon corporate performance. A breakdown of the components of 2014 Total Direct Compensation for each NEO is shown below.

NEO	Base Salary (1) ($)	Annual Incentive ($)	Stock Options (2) ($)	PSUs (3) ($)	Percentage At Risk (%)
CEO	1,200,000	2,040,000	551,386	2,400,000	81
President	737,500	1,059,000	318,465	1,115,625	77
EVP CFO	522,500	500,000	236,634	330,000	67
EVP Western Canada	581,250	500,000	261,958	435,938	67
EVP Eastern Canada and Caribbean	465,000	400,000	172,570	207,583	63

(1) *The base salary for the President, EVP CFO, EVP Western Canada and EVP Eastern Canada and Caribbean are the salaries earned.*
(2) *The value of the stock options are dependent on corporate performance.*
(3) *As noted on page 48, the actual value of the PSUs at the payment date is dependent on meeting the payment criteria and corporate performance.*



Retirement Plans

In 2014 the Corporation contributed to self-directed individual RRSPs for Messrs. Marshall, Perry, Smith, and Ludlow, which contributions were matched by them up to the maximum RRSP contribution limit of $24,270 as allowed by the *Income Tax Act* (Canada).

Additional amounts were accrued into DC SERP accounts equal to 13% of the annual base salary and annual cash incentive above the threshold required to meet the maximum RRSP contribution limit for each NEO in the amounts of $635,610, $136,605, $89,292, $104,145 and $74,400 for Messrs. Marshall, Perry, Smith, Walker, and Ludlow, respectively.

A detailed breakdown of retirement plans for each NEO is provided in the *Retirement Plan Tables* of this Circular.

SHARE OWNERSHIP GUIDELINES

The Board has a policy that requires executives to own, directly and indirectly, a minimum number of Common Shares based on targets varying by position level. Minimum share ownership targets must be achieved within five years of appointment to the corresponding position. Each NEO exceeds the minimum number of Common Shares. The minimum shareholding guidelines for the NEOs are as follows:

Position	Share Ownership Guideline (prior to 1 January 2015) [1]	Current Share Ownership as a Percentage of Target [2][3]
CEO / President[4]	4 times annual base salary	185.4
EVP CFO	3 times annual base salary	248.3
EVP Western Canada	3 times annual base salary	333.2
EVP Eastern Canada and Caribbean	3 times annual base salary	227.7

(1) Share Ownership Guideline was amended effective 1 January 2015 and is described in more detail on page 75. Per the new Share Ownership Guidelines, the target for the President and Chief Executive Officer is five times base salary and for the other NEOs is three times base salary.
(2) Represents both direct and indirect ownership of Common Shares as reported by the NEOs.
(3) Determined using annual base salary at 31 December 2014 and the closing price of a Common Share on the TSX as at 20 March 2015 of $38.93.
(4) The share ownership percentage disclosed is for Mr. Perry. Mr. Marshall retired on 31 December 2014 and his share holdings as at that date were 470,694 or 382% of target.

The Board also encourages share ownership through the 2012 Stock Option Plan and the 2012 ESPP. Annual option grants are limited for any participant who has been granted options for at least five years to the lesser of the number of options prescribed by the 2013 Executive Compensation Policy related to the particular position rating of the individual and the minimum number of Common Shares actually owned by the individual since the beginning of the previous calendar year.

The current Common Share ownership of the NEOs expressed as a multiple of their 2014 annual base salary is as follows:

Common Share Ownership of Named Executive Officers

Name	Shares Owned at 20 March 2015 [(1)] (#)	Value of Shares [(2)] ($)	Common Share Value as a Multiple of 2014 Base Salary [(3)] (x)
Barry V. Perry	171,439	6,674,120	7.42
Karl W. Smith	105,245	4,097,188	7.45
John C. Walker	160,468	6,247,019	10.00
Earl A. Ludlow	87,750	3,416,108	6.83

(1) *Represents both direct and indirect ownership of Common Shares as reported by each NEO.*
(2) *Calculated using the closing price of Common Shares on the TSX as at 20 March 2015 of $38.93.*
(3) *Base salary used in this chart is the annual base salary of the NEO at 31 December 2014 and not the actual salary received by the NEO during 2014.*

Note on Trading Restrictions

Fortis prohibits employees, officers and directors from entering into short sales, calls and puts of any of its securities. Directors and officers of Fortis and its subsidiaries are also required to pre-clear any buying or selling of Fortis securities, and the exercise of stock options, with the EVP CFO or the Vice-President, Chief Legal Officer and Corporate Secretary.

COMPENSATION CONSULTANTS

Fortis currently engages Hay Group as its primary compensation consultant. As previously discussed, Hay Group also provides Fortis subsidiaries with job evaluation services and market compensation data from its national database. The engagement of Hay Group by the subsidiaries is solely subject to the direction and decision of the respective subsidiary boards of directors, which operate autonomously from the Corporation. The Human Resources Committee is satisfied with this working structure, which has been in place for years, and does not require pre-approval of such services so long as they are consistent with the broad parameters of Fortis policy.

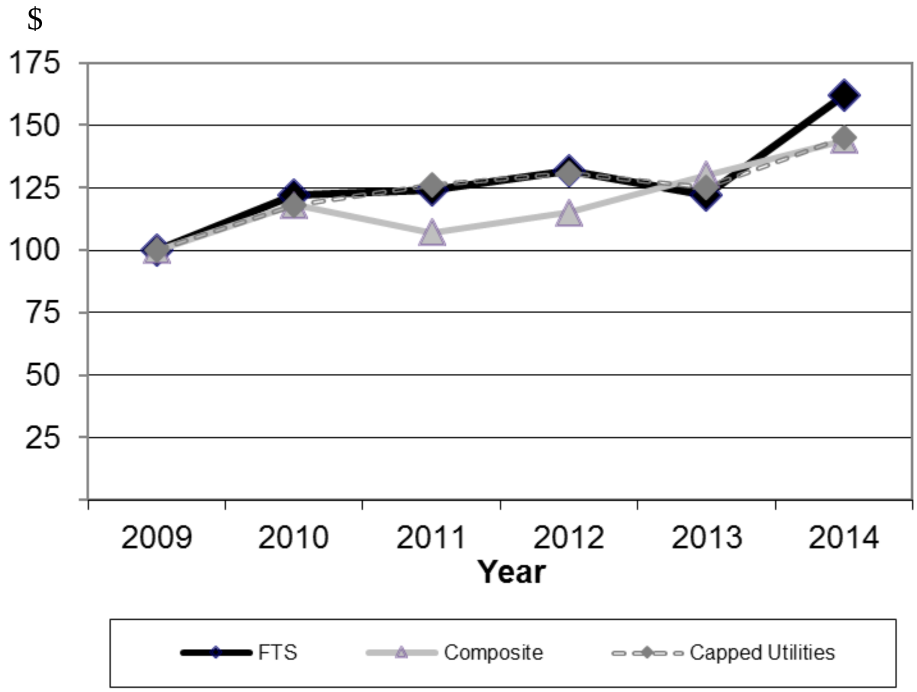
In 2014, Fortis also engaged Towers Watson to review and make recommendations in respect of executive compensation and pay for performance. This was done as part of the compensation review at the time of the Executive Transition as well as part of the accelerated triennial review.

	Executive Compensation Related Fees		All Other Fees	
	2014	**2013**	**2014**	**2013**
Hay Group Limited [(1)] – Job evaluation, compensation data, consulting, biennial executive compensation review	$396,811	$70,308	-	-
Mercer – Pension Consulting	$117,270	$126,732	-	-
Towers Watson & Co. [(1)] - Executive compensation, biennial executive compensation review	$427,071	$13,473	$44,115[(2)]	-

(1) *Hay Group and Towers Watson were engaged in 2014 as part of the Corporation's accelerated triennial review referred to on page 37 of the Circular.*
(2) *Towers Watson was engaged in 2014 as part of a review of director compensation.*

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for $100 invested in Common Shares on 31 December 2009 with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Capped Utilities Index for the five most recently completed financial years. Dividends declared on the Common Shares are assumed to be reinvested at the closing share price of the Common Shares on each dividend payment date. The S&P/TSX Composite Index and S&P/TSX Capped Utilities Index are total return indices and include reinvested dividends.



Five-Year Cumulative Total Return on $100 Investment
Fortis Inc. Common Shares, S&P/TSX Composite Index and S&P/TSX Capped Utilities Index
(31 December 2009 – 31 December 2014)

	2009	2010	2011	2012	2013	2014
Fortis Inc. Common Shares ($)	100	122	124	132	122	162
S&P/TSX Composite Index ($)	100	118	107	115	130	144
S&P/TSX Capped Utilities Index ($)	100	118	126	131	125	145
Increase in total shareholder return from prior year - Fortis Inc. Common Shares (%)	-	22	1.6	6.5	-7.6	32.8

The Corporation's executive compensation programs are designed to reward NEOs at approximately the median of its comparator group. As Total Shareholder Return ("TSR") is only one of the factors considered by the Human Resources Committee during its executive compensation deliberations, a direct correlation between the 5-year TSR performance and the trend in executive compensation levels over any given period is not always to be expected. Another important factor considered by the Human Resources Committee during its executive compensation deliberations is the team's success in executing on a long term growth strategy to create sustained shareholder value. For more than a decade, Fortis has pursued a strategy of growing its regulated utility business across Canada and recently in the United States, including acquisitions of well-run regulated utilities and investment in its utility businesses.

Fortis has successfully implemented on this strategy and is now a leader in the North American utility business with nine utilities serving more than three million customers. The Corporation owns a strong portfolio of utilities with good growth prospects and has delivered an average annual TSR of 12% over the last decade.

Over the last five years the Corporation has more than doubled in size with total assets of Fortis increasing by 120% from $12.1 billion as at 31 December 2009 to $26.6 billion as at 31 December 2014. This increase in assets was largely influenced by the acquisitions of UNS Energy Corporation in August 2014 and CH Energy Group, Inc. in June 2013. As well, the Corporation's capital expenditure program has surpassed $1 billion per year for the last five years, including $679 million invested in the construction of the Waneta Expansion hydroelectric generating facility since the development began in late 2010.

As demonstrated in the graph above, Fortis TSR has increased 62% since 31 December 2009 outperforming the S&P/TSX Composite and S&P/Capped Utilities Indices by 41% and 38%, respectively. Growth in annual revenue from 2009 to 2014 was approximately 48% following the acquisition of CH Energy Group, Inc. and UNS Energy Corporation. Earnings to common shareholders increased by 21% from $262 million in 2009 to $317 million in 2014. Adjusting for one-time acquisition related items incurred in 2014, earnings have increased to $407 million in 2014 and earnings attributable to common shareholders has increased 55%.

NEO total compensation in 2014 (excluding retirement arrangements for the outgoing CEO) was 3.9% of adjusted 2014 earnings compared to 2.3% of 2009 earnings. The major contributing factors for the increase in the NEO Total Compensation were (i) an increase in the number of NEOs from three in 2009 to five in 2014, (ii) the six month overlap that occurred in 2014 between the outgoing CEO and the President, (iii) the creation of new Executive Vice President positions partway through 2014 in connection with the Executive Transition, (iv) an increase in the value of PSUs granted to the CEO, and (v) the extension of PSU grants to other NEOs commencing 1 January 2013. The PSU grants are consistent with the Corporation's focus on longer-term performance and providing compensation at approximately the median of applicable comparator group. The component of at-risk longer-term compensation (PSUs + Stock Options) for the CEO, when compared to Total Direct Compensation (Base Salary + STI + PSUs + Stock Options) for the CEO, increased from 37.6% in 2009 to 47.7% in 2014.

SUMMARY COMPENSATION TABLES

Compensation of Named Executive Officers

The following table sets forth information concerning the annual and long-term compensation earned for services rendered during the last financial year by the CEO of Fortis and each of the other NEOs as defined in National Instrument 51-102F6 – *Statement of Executive Compensation*, with comparative information for the two previous financial years.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Share-Based Awards ($) (1)	Option-Based Awards ($) (2)	Annual Incentive Plan ($) (3)	Pension Value ($) (4)	All Other Compensation ($) (5)	Total Compensation ($)
H. STANLEY MARSHALL (6) CEO	2014	1,200,000	2,400,000	551,386	2,040,000	635,610	4,729,693 (7)	11,556,689
	2013	1,200,000	2,399,987	558,911	1,836,000	331,080	199,074	6,525,052
	2012	1,200,000	2,109,860	589,669	1,530,000	344,280	184,794	5,958,603
BARRY V. PERRY (8) President	2014	737,500	1,115,625	318,465	1,059,000	136,605	232,355	3,599,550
	2013	520,000	389,997	242,201	500,000	98,380	168,920	1,919,498
	2012	485,000	-	238,337	420,000	92,080	150,391	1,385,808
KARL W. SMITH (9) Executive Vice President, Chief Financial Officer	2014	522,500	330,000	236,634	500,000	89,292	146,906	1,825,332
	2013	475,000	237,500	221,243	350,000	79,790	125,862	1,489,395
	2012	460,000	-	226,043	322,000	80,380	93,182	1,181,605
JOHN C. WALKER (10) Executive Vice President, Western Canadian Operations	2014	581,250	435,938	261,958	500,000	142,426	107,919	2,029,491
	2013	535,600	401,713	249,458	400,000	138,773	105,677	1,831,221
	2012	520,000	-	255,530	400,000	124,054	93,962	1,393,546
EARL A. LUDLOW (10) Executive Vice President, Eastern Canadian and Caribbean Operations	2014	465,000	207,583	172,570	400,000	74,400	97,835	1,417,388
	2013	420,000	83,983	146,719	294,000	67,180	75,182	1,087,064
	2012	400,000	-	147,417	280,000	60,880	67,742	956,039

(1) *Represents the PSUs awarded in 2012, 2013 and 2014 – see 2014 Executive Compensation – Performance Share Units commencing on page 60 of this Circular. The value of the PSUs awarded was determined using the underlying value of Common Shares as of the grant date. The values used were $33.61, $33.96, $30.42, $32.23, and $33.44 per PSU for 1 January 2012, 1 January 2013, 1 January 2014, 30 June 2014 and 1 August 2014 respectively. Beginning in 2012, the value of the PSUs awarded was based on providing 100% of the estimated market median target for CEO compensation. For accounting purposes, the awards for 2012, 2013 and 2014 were measured at fair value, which was determined as the volume weighted average price of Common Shares traded on the TSX for the five trading days immediately preceding the date of the grant. This value was determined to be $33.61, $33.96 and $30.42 per PSU for 2012, 2013 and 2014, respectively.*

(2) *Represents the fair value of stock options to acquire Common Shares. The fair values of $4.21 and $3.91 per option were determined at the date of grant using the Black-Scholes Option Pricing Model in 2012 and 2013, respectively and in 2014 the fair values of $3.53, $2.69 and $2.47 per option were determined at the date of grant using the Black-Scholes Option Pricing Model on 24 February 2014, 30 June 2014 and 1 August 2014, respectively. The key assumptions used to determine the stock option value included: a weighted average expected 4.5-year maturity period, which is based on the vesting policy under the stock option plan; dividend yield, which is based on the average dividends paid/average share prices over the historical maturity period; interest rate, which is the Government of Canada bond yield to match the maturity period of the options; and volatility, which is the variation of the Common Share price over the historical maturity period.*

(3) *Represents amounts earned under the Corporation's annual short-term incentive program in the form of cash bonus related to the 2012, 2013 and 2014 financial years.*

(4) *The amount reported for Pension Value is comprised of the compensatory charge in the DC SERP and the RPP.*

(5) Includes the dollar value of insurance premiums paid by Fortis with respect to term life and disability insurance; imputed interest benefits of loans provided to NEOs in respect of the acquisition of Common Shares under the 2012 ESPP; vehicle benefits; transportation costs; share discount benefits; employer contributions to the self-directed RRSP of the NEO; and amounts paid by subsidiaries of Fortis as directors' fees to Messrs. Marshall, Perry, Smith, Walker and Ludlow in 2014 were $190,632, $189,283, $81,139, $84,060, and $53,813, respectively, in 2013 was $150,080, $127,522, $68,624, $36,250 and $35,587, respectively; and in 2012 was $118,484, $106,000, $52,750, $37,500, and $25,689, respectively.

(6) Mr. Marshall retired effective 31 December 2014.

(7) Included in this amount is the amount of $4,440,000 paid to Mr. Marshall as a retirement award. A description of Mr. Marshall's retirement compensation package is found at page 35.

(8) Appointed to role of President on 30 June 2014. Was an NEO in previous role as Vice President, Finance and Chief Financial Officer of Fortis. Historical compensation for 2013 and 2012 reflect the prior role as Vice President, Finance and Chief Financial Officer at Fortis. The compensation in the table reflects the full year compensation actually earned by the President in 2014, both in his role as Vice President, Finance and Chief Financial Officer and as President.

(9) Appointed to current role and became an NEO of Fortis on 30 June 2014. Historical compensation for 2013 and 2012 reflect the Executive Vice President, Chief Financial Officer's prior role as President and Chief Executive Officer of FortisAlberta Inc. The compensation in the table reflects the full year compensation actually earned by the Executive Vice President, Chief Financial Officer, both in his role as President and Chief Executive Officer of FortisAlberta Inc. and as the Executive Vice President, Chief Financial Officer.

(10) Appointed to current role and became NEO of Fortis on 1 August 2014. Historical compensation for 2013 and 2012 reflect the Executive Vice President, Western Canadian Operations and the Executive Vice President, Eastern Canadian and Caribbean Operations, prior roles as President and Chief Executive Officer of FortisBC and President and Chief Executive Officer of Newfoundland Power, respectively. The compensation in the table reflects the full year compensation actually earned by the Executive Vice President, Western Canadian Operations both in his role as President and Chief Executive Officer of FortisBC and Executive Vice President, Western Canadian Operations, and by the Executive Vice President, Eastern Canadian and Caribbean Operations, both in his role as President and Chief Executive Officer of Newfoundland Power and Executive Vice President, Eastern Canadian and Caribbean Operations.

Incentive Plan Awards

The following tables set forth details of all long-term incentive awards as at 31 December 2014. The medium-and long-term incentive plans are described on page 48 of the *Report on Executive Compensation*.

Outstanding Option-Based and Share-Based Awards Table (as at 31 December 2014)

Name	Year Option Granted	*Option Based Awards* Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration Date	Value of unexercised in-the-money options [(1)] ($)	*Share Based Awards* Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested [(2)] ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
H. STANLEY MARSHALL CEO	2014	156,200	30.73	31-Dec-17	1,285,526	81,935	3,192,188	-
	2013	142,944	33.58	31-Dec-17	769,039	76,274	2,971,635	-
	2012	140,064	34.27	31-Dec-17	656,900		-	2,674,690
	2011	136,572	32.95	31-Dec-17	820,798	-	-	-
	2010	109,652	27.36	1-Mar-17	1,271,963	-	-	-
	2009	134,592	22.29	11-Mar-16	2,243,649	-	-	-
	2008	92,324	28.27	26-Feb-15	986,944	-	-	-
	2006	73,561	22.94	28-Feb-16	1,178,447	-	-	-
	2005	88,292	18.405	1-Mar-15	1,814,842	-	-	-
Total		**1,074,201**			**11,028,108**	**158,209**	**6,163,823**	**2,674,690**
BARRY V. PERRY President	2014	20,168	32.23	30-Jun-24	135,731	22,050	859,068	-
	2014	74,848	30.73	24-Feb-24	615,999	14,723	573,608	-
	2013	61,944	33.58	19-Mar-23	333,259	12,395	482,909	-
	2012	56,612	34.27	4-May-22	265,510	-	-	-
	2011	57,056	32.95	2-Mar-18	342,907	-	-	-
	2010	12,336	27.36	1-Mar-17	143,098	-	-	-
Total		**282,964**			**1,836,504**	**49,168**	**1,915,585**	**-**
KARL W. SMITH Executive Vice President Chief Financial Officer	2014	3,416	32.23	30-Jun-24	22,990	2,658	103,556	-
	2014	64,432	30.73	24-Feb-24	530,275	8,450	329,212	-
	2013	56,584	33.58	19-Mar-23	304,422	7,549	294,109	-
	2012	53,692	34.27	4-May-22	251,815	-	-	-
	2011	54,024	32.95	2-Mar-18	324,684	-	-	-
	2010	36,800	27.36	1-Mar-17	426,880	-	-	-
	2009	32,280	22.29	11-Mar-16	538,108	-	-	-
	2006	34,329	22.94	28-Feb-16	549,951	-	-	-
Total		**335,557**			**2,949,125**	**18,657**	**726,877**	**-**
JOHN C. WALKER Executive Vice President Western Canadian Operations	2014	3,740	33.44	1-Aug-24	20,645	728	28,363	
	2014	71,592	30.73	24-Feb-24	589,202	14,083	548,674	-
	2013	63,800	33.58	19-Mar-23	343,244	12,767	497,402	-
	2012	60,696	34.27	4-May-22	284,664	-	-	-
	2011	60,700	32.95	2-Mar-18	364,807	-	-	-
Total		**260,528**			**1,602,562**	**27,578**	**1,074,439**	**-**
EARL A. LUDLOW Executive Vice President Eastern Canadian and Caribbean Operations	2014	8,476	33.44	1-Aug-24	46,788	3,714	144,697	
	2014	42,956	30.73	24-Feb-24	353,528	3,004	117,036	-
	2013	37,524	33.58	19-Mar-23	201,879	2,669	103,984	-
	2012	35,016	34.27	4-May-22	164,225	-	-	-
	2011	35,056	32.95	2-Mar-18	210,687			
	2010	40,572	27.36	2-Mar-18	470,635	-	-	-
	2009	49,800	22.29	11-Mar-16	830,166	-	-	-
Total		**249,400**			**2,277,908**	**9,387**	**365,717**	**-**

(1) *The value of unexercised in-the-money options as at 31 December 2014 is the difference between the option exercise price and the closing price of Common Shares as at 31 December 2014 on the TSX of $38.96 applied to outstanding options. Where the exercise price is greater than the closing price, no value is assigned.*

(2) *Market or payout value of share-based awards that have not vested is the payout value of outstanding PSUs based on the closing price of Common Shares on the TSX as at 31 December 2014 of $38.96.*

Incentive Plan Awards - Value Vested or Earned - 2014

Name	Option-based awards - Value vested during the year (1) ($)	Share-based awards - Value vested during the year (2) ($)	Non-equity incentive plan compensation - Value earned during the year (3) ($)
H. STANLEY MARSHALL CEO	89,641	3,703,836	2,040,000
BARRY V. PERRY (4) President	40,339	-	1,059,000
KARL W. SMITH (5) Executive Vice President Chief Financial Officer	30,084	-	500,000
JOHN C. WALKER (6) Executive Vice President, Western Canadian Operations	34,512	-	500,000
EARL A. LUDLOW (6) Executive Vice President, Eastern Canadian and Caribbean Operations	33,168	-	400,000

(1) *Represents the aggregate value that would have been realized if options that vested during the year had been exercised on the vesting date. The value is calculated as the difference between the closing price of the Common Shares on the TSX on the vesting date and the grant price of the respective grant.*
(2) *Represents the value of PSUs that were realized and paid in 2014 in respect of the three-year period ended 1 March 2014 equaling $1,029,146 and the value of the PSUs that were realized and paid on 2 January 2015 on his retirement equaling $2,674,690 which were paid in accordance with the plan.*
(3) *Represents the annual incentive earned for 2014. See the Summary Compensation Table on page 68 of this Circular.*
(4) *Appointed to position of President of Fortis on 30 June 2014.*
(5) *Appointed to current position and became an NEO of Fortis on 30 June 2014 and includes options received in previous positions held at the Corporation or its subsidiaries.*
(6) *Appointed to current position and became an NEO of Fortis on 1 August 2014 and includes options received in previous positions held at Corporation or its subsidiaries.*

Equity Compensation Plan Information as at 31 December 2014

Plan Category	Number of securities to be issued upon exercise of outstanding options (#)	Weighted average exercise price of outstanding options ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding options issued and outstanding) (#)
Equity compensation plans approved by security holders	4,705,935	30.27	7,445,954

Stock Options Outstanding

Option Plan	Options Outstanding 31 December 2014 (#)	Options Outstanding 20 March 2015 [(1)] (#)	% of Common Shares Issued and Outstanding 31 December 2014	% of Common Shares Issued and Outstanding 20 March 2015
2012 Stock Option Plan	2,530,418	3,185,921	0.92	1.15
2006 Stock Option Plan	1,854,727	1,632,787	0.67	0.59
2002 Stock Option Plan	320,790	196,687	0.12	0.07
Total	4,705,935	5,015,395	1.71	1.81

(1) *Shares remaining in reserve for options to be issued under the Fortis stock option plans are limited to 7,445,954 Common Shares, which represents 2.70% of the total number of issued and outstanding Common Shares and are all issuable pursuant to the 2012 Stock Option Plan. In aggregate, options granted and outstanding, combined with shares remaining in reserve for issuance of stock options pursuant to Fortis stock options plans are limited to 11,794,105 Common Shares, which represents 4.25% of the total number of issued and outstanding Common Shares.*

NEO Stock Options Exercised - 2014

Name	Grant Year	Number of Options Exercised	Monetary Gain of Exercised Options [(1)] ($)
H. STANLEY MARSHALL			
CEO	2007	77,156	266,960
BARRY V. PERRY	2009	15,142	156,114
President	2010	12,336	64,641
		27,478	220,755
KARL W. SMITH	2005	40,748	788,678
Executive Vice President	2007	38,312	123,860
Chief Financial Officer	2008	40,856	445,330
		119,916	1,357,868
JOHN C. WALKER	2007	36,184	108,914
Executive Vice President	2009	12,955	201,321
Western Canadian Operations	2010	42,216	442,001
		91,355	752,236
EARL A. LUDLOW	2007	33,524	118,218
Executive Vice President Eastern Canadian	2008	35,552	386,864
and Caribbean Operations		69,076	505,082

(1) *Monetary gain of exercised options is the difference between the option price and the share price at time of exercise.*

Retirement Plan Tables

The following tables set out the estimated annual pension for the NEOs from the defined benefit and the defined contribution pension arrangements.

Defined Benefit Plans Table

Name	Number of years of credited service (#)	Annual Benefits Payable: At year-end 2014 ($)	Annual Benefits Payable: At age 65 ($)	Accrued obligation at start of year ($)	Compensatory ($)	Non-Compensatory [(2)] ($)	Accrued obligation at year end ($)
H. STANLEY MARSHALL CEO	35.0 [(1)]	1,303,948	1,303,948	19,141,744	-	3,165,413	22,307,157
JOHN C. WALKER Executive Vice President, Western Canadian Operations	31.66	104,436 [(3)]	115,445	1,173,672	38,281	271,691	1,483,644

(1) *Mr. Marshall's participation in defined benefit pension plans ceased with respect to contribution and accrual of benefits on 31 December 2006. The annual pension to which he was entitled, had he retired on 1 January 2007, was $910,000. He has received credit for 35 years of Credited Service at 31 December 2006 while his actual number of years of service with the Corporation as of 31 December 2006 was 27.07. An additional 7.93 years of Credited Service were granted, as of 31 December 2006, in accordance with the terms of the employment contract entered upon his appointment as CEO in 1996. His actual number of years of service at 31 December 2014 was 35. Since Mr. Marshall's entitlement to pension benefits under this plan was fixed as at 31 December 2006, there has been no augmentation to such benefit for any additional service after 31 December 2006.*

(2) *Reflects the impact on the obligation of the change in the discount rate as at the measurement date. The discount rate used as at 31 December 2014 was 4.0% compared to 5.0% as at 31 December 2013. Also reflects a change in mortality tables from the CPM Scale A Generational Projection Table (July 31, 2013) to the final CIA Private table with CPM B Generation Projections (February 2014).*

(3) *This is a pension payable at age 65 based on service and earnings to 31 December 2014. An immediate unreduced pension is not available as at 31 December 2014.*

Defined Contribution Plans Table [(1)]

Name	Accumulated value at start of year ($)	Compensatory ($)	Non-Compensatory ($)	Accumulated value at year end ($)
H. STANLEY MARSHALL CEO	2,279,801	635,610	135,678	3,051,089
BARRY V. PERRY President	915,611	136,605	33,034	1,085,250
KARL W. SMITH Executive Vice President, Chief Financial Officer	965,406	89,292	54,061	1,108,759
JOHN C. WALKER Executive Vice President, Western Canadian Operations	1,294,514	104,145	71,905	1,470,564
EARL A. LUDLOW Executive Vice President, Eastern Canadian and Caribbean Operations	770,046	74,400	43,246	887,692

(1) *All payments to be made under the DC SERP will be paid from the operating funds of the Corporation.*

EXECUTIVE COMPENSATION POLICY CHANGES FOR 2015

As discussed on page 37, in light of the transformational growth and the resultant Executive Transition as well as the pace of executive compensation development in North America, the Human Resources Committee decided to conduct a review of executive compensation, with the assistance of the Hay Group, as primary consultant, and Towers Watson, as additional consultant. Based on findings of the 2014 Biennial Review and recommendations from the Human Resources Committee, the Board has approved a number of changes to the Fortis Executive Compensation Policy, effective from 1 January 2015, to ensure the ongoing appropriateness of the compensation opportunities provided to the Corporation′s NEOs. These changes, summarized below, include: (i) a broader comparator group more representative of the size, complexity and scope of Fortis today; (ii) inclusion of non-financial metrics in annual incentive and elevation in the performance band to achieve maximum payout; (iii) increased emphasis on rewarding NEOs for longer term performance based on measures more aligned with shareholder interests over time; and (iv) an overall increase in the relative proportion of compensation at risk. These changes will be discussed in the 2016 Management Information Circular.

Comparator Group

While Fortis remains committed to targeting executive compensation at a level approximately at the median of a relevant reference market, the Human Resources Committee has decided to extend the current comparator groups to include U.S. utility organizations. Compensation for each of the Corporation′s NEOs will be referenced against a group of publicly traded Canadian industrial organizations and U.S. utilities, weighted two-thirds and one-third, respectively. This reflects the Corporation′s transformation into a leading North American multi-utility organization while addressing both industry-specific practices and the competitive talent landscape in Canada. The comparator group is as follows:

Canadian industrial organizations		U.S. utility organizations	
Atco Ltd/Canadian Utilities Ltd.	First Quantum Minerals Ltd.	AGL Resources Inc.	CenterPoint Energy Inc.
Emera Inc.	Goldcorp Inc.	Atmos Energy Corp.	CMS Energy Corp.
TransAlta Corp.	Methanex Corp.	New Jersey Resources Corp.	MDU Resources Group Inc.
Enbridge Inc.	Potash Corp of Saskatchewan Inc.	UGI Corp.	NiSource Inc.
Encana Corp.	Teck Resources Ltd.	Pinnacle West Capital Corp.	Public Service Enterprise Group Inc.
Gibson Energy Inc.	Canadian Pacific Railway Ltd.	Northeast Utilities	SCANA Corp.
Pembina Pipeline Corp.	Canadian National Railway Co.	PPL Corp.	Sempra Energy
Talisman Energy Inc.	Finning International Inc.	Alliant Energy Corp.	TECO Energy Inc.
TransCanada Corp.	SNC-Lavalin Group Inc.	Ameren Corp.	Wisconsin Energy Corp.

Annual Incentive

For 2015, operational metrics, reflecting Fortis entity-wide safety and utility system reliability performance, have been added to the time-tested EPS metric in determining the corporate performance of Fortis within the annual incentive plan. The inclusion of non-financial metrics will provide a broader perspective of Fortis performance.

Additionally, findings from the 2014 Biennial Review indicated that an annual incentive target of 100% of base salary would be appropriate for the President and CEO in 2015. To ensure Fortis remains market competitive and aligned with its approved compensation philosophy, the target annual incentive opportunity for Mr. Perry has been adjusted to 100% from 85% of base salary with effect from 2015.

Medium- and Long-term Incentives

Prior to 2015, each of the NEOs had separate target grant values for PSUs and stock options. Effective from 2015, the Corporation has changed its medium- and long-term incentive granting practices to provide a total target value, expressed as a percentage of base salary, which is then granted in pre-determined proportions of PSUs and stock options.

For 2015, the total target medium- and long-term incentive grant fair values for the NEOs are as follows. These grants will be made 75% in PSUs and 25% in stock options.

Position	Target medium- and long-term incentive grant fair value (as a % of base salary) for 2015
President & CEO	295
EVPs	125 - 150

With further regard to the Fortis PSU plan, the weighting of the TSR component has been increased to 50% from 20% to reflect the focus of Fortis on strong shareholder returns. The remaining component is based on the three year cumulative earnings per share performance relative to target.

Share Ownership Guidelines

The share ownership requirements for the NEOs, shown below, have also been strengthened and the Board has extended the share ownership guidelines to cover all executives of the Corporation and its subsidiaries.

Position	Share Ownership Guideline
President & CEO	5 times annual base salary
EVPs	3 times annual base salary

TERMINATION AND CHANGE OF CONTROL BENEFITS

As a component of the Executive Transition, the Corporation has entered into agreements with each of Messrs. Perry, Smith, Walker, and Ludlow which provide, in effect, that in the event the employment of any such individual is terminated by the Corporation, for other than just cause, the Corporation shall pay to such individual an amount equal to an established multiple of base salary and target annual incentive. If such agreements had become operative as at 31 December 2014, the amounts payable by the Corporation thereunder to each of Messrs. Perry, Smith, Walker, and Ludlow would have been $3,330,000, $1,402,500, $1,593,750 and $1,275,000, respectively.

Also, by the terms of their employment agreements related to the retention arrangements, Messrs. Smith, Walker, and Ludlow are entitled to pro-rata payment, in the event the employment of any such individual is terminated by the Corporation, for other than just cause, based on the proportion of time lapsed from the effective date of the employment agreement to the termination date.

In addition, in respect of change of control of the Corporation, the agreements entered into with Messrs. Perry, Smith, Walker, and Ludlow include provisions for termination amounts in the event that employment is terminated with good reason or without cause within twelve months following a defined change of control of the Corporation.

The 2012 and 2006 Stock Option Plans provide for an immediate vesting of options granted thereunder upon the happening of a defined change of control event. If such an event had occurred as at 31 December 2014, the gross amounts potentially realizable by each of Messrs. Perry, Smith, Walker, and Ludlow upon the exercise of outstanding options that have not vested would have been $1,220,156, $1,498,969, $1,100,814 and $656,237, respectively.

The PSUP provides that in the event of a change of control all performance share units are deemed at 100% and redeemable on the date immediately before the change of control. If such an event had occurred as at 31 December 2014, the gross amounts realizable by each of Messrs. Perry, Smith, Walker and Ludlow would have been $1,915,585, $726,877, $1,074,439 and $365,717, respectively. In the event of termination, any amounts payable under the PSUP would be dependent on applicable notice period and as such termination date and notice period would be relevant considerations of the Human Resources Committee.

Mr. Marshall retired from the Corporation effective 31 December 2014. As such, provisions previously applying to Mr. Marshall in termination and change of control situations have been excluded from discussion.

The following table outlines key severance and change-of-control provisions for Messrs. Perry, Smith, Walker, and Ludlow effective upon Executive Transition:

TERMINATION AND CHANGE OF CONTROL BENEFITS					
	Voluntary Resignation	**Retirement (Early or Normal)**	**Termination With Cause**	**Termination Without Cause**	**Change of Control (Double Trigger)**
Annual Salary	Ceases on termination date	Ceases on retirement date	Ceases on termination date	Ceases on termination date	Ceases on termination date
Annual Incentive for the applicable year	Forfeited	Target annual incentive for the fiscal year pro-rated to the date of retirement	Forfeited	Target annual incentive for the fiscal year pro-rated to the date of termination	Target annual incentive for the fiscal year in which termination occurs (or if greater, the fiscal year immediately preceding the fiscal year in which Change of Control occurs)
Cash Severance	None	None	None	Mr. Perry: Two times the sum of annual base salary and target annual incentive for the fiscal year in which termination occurs Messrs. Smith, Walker, and Ludlow: One and a half times the sum of annual base salary and target annual incentive for the fiscal year in which termination occurs	Mr. Perry: Two times the sum of annual base salary and target annual incentive for the fiscal year in which termination occurs (or if greater, the fiscal year immediately preceding the fiscal year in which the Change of Control occurs) Messrs. Smith, Walker and Ludlow: One and a half times the sum of annual base salary and target annual incentive for the fiscal year in which termination occurs (or if greater, the fiscal year immediately preceding the fiscal year in which the Change of Control occurs)
Stock Options	All unexercised options expire after 90 days from resignation date	All unvested options continue to vest per normal schedule for two years after retirement; all remaining unvested options after the second year vest immediately. Options expire on the earlier of the original expiry date or three years from the date of retirement.	All vested and unvested options immediately expire and are forfeited on the termination date	All unexercised options expire after 90 days from termination date	All unvested options vest immediately and become exercisable
Performance Share Units	All PSUs shall be cancelled	Continue per normal schedule	All PSUs shall be cancelled	PSUs whose payment date is prior to notice period will be paid. Others will be cancelled	All PSUs are deemed at 100% and redeemable on date immediately before Change of Control.
Retention Incentive	Forfeited	Forfeited	Forfeited	Messrs. Smith, Walker, and Ludlow: Awarded on a pro-rated basis based on the proportion of time lapsed from effective date of employment to termination date relative to time from effective date of employment agreement to vesting date	Messrs. Smith, Walker, and Ludlow: Awarded on a pro-rated basis based on the proportion of time lapsed from effective date of employment to termination date relative to time from effective date of employment agreement to vesting date
Retirement Benefits	Entitled to accrued pension	Entitled to accrued pension and retiree health benefits	Entitled to accrued pension	Entitled to accrued pension and retiree health benefits	Entitled to accrued pension and retiree health benefits
Perquisites	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately

Indebtedness of Executive Officers, Directors and Employees

The following table sets forth details of the aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees outstanding as at 20 March 2015 to Fortis and its subsidiaries.

Aggregate Indebtedness

Purpose	To Fortis and its Subsidiaries ($)	To Another Entity ($)
Share Purchases	4,078,973	Nil
Other	1,864,056	Nil

The above table discloses the aggregate indebtedness of all employees of Fortis and its subsidiaries to their respective employers. The primary indebtedness is incurred for share purchases pursuant to the 2012 Employee Share Purchase Plan. Other loans made to employees arise in connection with relocation or housing assistance and purchase of home computers.

No loans are made to directors by Fortis or any of its subsidiaries.

The table below sets forth details of the indebtedness of NEOs to Fortis under securities purchase programs as at 20 March 2015. The loans reported therein arise under the 2012 Employee Share Purchase Plan, open for participation by all employees, whereby interest free loans repayable by payroll deduction over 12 months from the date of advance to a maximum of 10% of the employee's base annual salary may be utilized to acquire Common Shares. Directors do not participate in the 2012 Employee Share Purchase Plan and therefore do not receive loans for the purposes of acquiring Common Shares. Except as disclosed, there is no indebtedness to Fortis by executive officers, directors, employees, or former executive officers for any purpose.

Indebtedness of Directors and Executive Officers Under Securities Purchase Programs

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During 2014 ($)	Amount Outstanding as at 20 March 2015 ($)	Financially Assisted Securities Purchased During 2014 (#)	Security for Indebtedness
H. STANLEY MARSHALL CEO	Fortis Inc. As Lender	-	-	-	-
BARRY V. PERRY President	Fortis Inc. As Lender	-	-	-	-
KARL W. SMITH Executive Vice President, Chief Financial Officer	Fortis Inc. As Lender	49,500	-	1,614	The securities purchased
JOHN C. WALKER Executive Vice President, Western Canadian Operations	Fortis Inc. As Lender	-	-	-	-
EARL A. LUDLOW Executive Vice President, Eastern Canadian and Caribbean Operations	Fortis Inc. As Lender	50,000	23,077	1,497	The securities purchased

ADDITIONAL INFORMATION

Additional information relating to Fortis is available on SEDAR at *www.sedar.com*. Financial information relating to Fortis is provided in its comparative financial statements and management discussion and analysis for the most recently completed financial year. A copy of the Corporation's most recent consolidated financial statements, interim financial statements, management discussion and analysis and annual information form may be obtained by Shareholders, without charge, on SEDAR at *www.sedar.com*, on the Fortis website at *www.fortisinc.com*, or upon request from the Secretary of Fortis at the following address:

Fortis Inc.
Fortis Place, Suite 1100
5 Springdale Street
P. O. Box 8837
St. John's, NL
A1B 3T2

CONTACTING THE BOARD

Shareholders, employees and other interested parties may communicate directly with the Board through the Chair of the Board as follows:

Chair of the Board of Directors

Fortis Inc.
Fortis Place, Suite 1100
5 Springdale Street
P. O. Box 8837
St. John's, NL
A1B 3T2

Tel: 709-737-2800
Fax: 709-737-5307
Email: dnorris@fortisinc.com

DIRECTORS' APPROVAL

The contents and the sending of this Circular have been approved by the Board of Fortis.

St. John's, Newfoundland and Labrador
20 March 2015

David C. Bennett
Vice President, Chief Legal Officer
and Corporate Secretary

SCHEDULE A
FORM 58-101F1

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

All page references in this Schedule A are to the Management Information Circular dated 20 March 2015.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
1. Board of Directors		
(a) Disclose the identity of directors who are independent.	Yes	Nine of the eleven directors proposed for nomination on pages 10 through 18 of this Circular are independent in accordance with the Meaning of Independence set out in Section 1.4 of National Instrument 52-110 – *Audit Committees*. The Board considers Mmes. Ball, Clark, and Goodreau and Messrs. Norris, Blouin, Case, Haughey, McWatters and Munkley to be independent. The directors the Board considers not to be independent are Mr. Perry, the President and CEO of Fortis, and Mr. Bonavia who was the Chief Executive Chair with UNS Energy Corporation.
(b) Disclose the identity of directors who are not independent and describe the basis for that determination.	Yes	
(c) Disclose whether or not a majority of directors are independent.	Yes	
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Yes	All of the directorships of the nominee directors with other reporting issuers are set out on page 29 of this Circular.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer′s most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	Yes	The directors regularly meet without the President and CEO and other management present at meetings of the Board and its committees. Private sessions during meetings conducted by telephone are held when circumstances warrant. During 2014, the directors of the Board and committees held private sessions at every meeting of the Board and at each Committee meeting, except for two Governance and Nominating Committees. The number of meetings involving periods without the President and CEO and other management present during 2014 were as follows: Board 12 Audit 9 Governance and Nominating 5 Human Resources 10

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.	Yes	David G. Norris was appointed non-executive Chair effective 14 December 2010. Mr. Norris is an independent director. He is responsible for the management and effective functioning of the Board by providing leadership in every aspect of its work. Mr. Norris serves as a member of all committees and is the link between the Board and management on all matters concerning the Board.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer′s most recently completed financial year.	Yes	The attendance record of each director for Board and committee meetings during 2014 is disclosed in the tables on pages 10 through 18 and summarized on page 19 of this Circular.
2. Board Mandate Disclose the text of the board's written mandate.	Yes	The text of the Board Mandate is disclosed in Schedule A-1 of this Circular.
3. Position Descriptions (a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	Yes	The Board, with the assistance of the Governance and Nominating Committee, has developed a written position description for the Chair of the Board. There are no specific position descriptions for the chair of each Committee; however, there are written mandates for each Committee which delineate the responsibilities of each Committee with which the chair thereof is responsible to comply.
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	Yes	The Board has developed a written position description for the CEO.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
4. Orientation and Continuing Education		
(a) Briefly describe what measures the board takes to orient new directors regarding: (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.	Yes	Each new recruit to the Board meets with the Chair of the Board and the Chair of the Governance and Nominating Committee as well as management of Fortis for orientation information on Board operation and policies, as well as current and historical data pertaining to the operation of Fortis and an assessment of current strategic opportunities and issues facing Fortis.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Yes	Presentations are made to the Board as required on developments in the business and regulatory environment impacting upon Fortis and its subsidiaries. Board meetings are periodically held at the business locations of Fortis subsidiaries which, in addition to presentations from management of each company regarding the specific business, affords directors the opportunity to observe operations and meet employees of the operating subsidiaries. Each subsidiary CEO is present for an annual presentation to the Board on matters affecting their subsidiary's operation. Fortis also sponsors director attendance at appropriate educational seminars.
5. Ethical Business Conduct		
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	Yes	The Board has adopted written code of business conduct and ethics for Fortis.
(i) disclose how a person or company may obtain a copy of the code;	Yes	The code is available on the Fortis website at *www.fortisinc.com* (under Corporate Governance) and on SEDAR at *www.sedar.com*.
(ii) describe how the board monitors compliance with its code or, if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and	Yes	The Board, through the Audit Committee, receives reports on compliance with the code.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
(iii) provide a cross reference to any material change report filed since the beginning of the issuer′s most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	Yes	The Board has not granted any waiver of the code in favour of a director or executive officer during the past 12 months and for all of 2014. Accordingly, no material change report has been required to be filed.
(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Yes	The Board does not nominate for election any candidate who has an interest in any business conducted with Fortis, or its subsidiaries, and requires directors to disclose any potential conflict of interest which may develop. Directors do not undertake any consulting activities for, or receive any remuneration from Fortis other than compensation for serving as a director.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	Yes	The Board encourages a culture of ethical conduct by appointing officers of high integrity and monitoring their performance so as to set an example for all employees.
6. Nomination of Directors		
(a) Describe the process by which the board identifies new candidates for board nomination.	Yes	The Governance and Nominating Committee is responsible for identifying new candidates for the Board. It annually identifies director skill, experience and diversity characteristics, having regard to projected retirements, and oversees a director recruitment search and nomination process leading to recommendations to the Board for consideration and recommendation for election by the Shareholders. In 2014, the Governance and Nominating Committee engaged Spencer Stuart to aid in identifying new candidates for the Board. Fortis has a Diversity Policy which describes the principles underlying the Corporations approach to diversity. All of Fortis reporting issuer utility subsidiaries operate with boards composed of a majority of independent members which affords Fortis an opportunity to observe the performance and assess suitability of prospective nominees to the Board in an appropriate environment. Subsidiary boards have been the source of seven of the current nominees.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors.	Yes	The Governance and Nominating Committee is composed of five independent directors as disclosed on page 33 of this Circular.
(c) Describe the responsibilities, powers and operation of the nominating committee.	Yes	Please see the section *Governance and Nominating Committee* on page 32 of this Circular.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
7. Compensation		
(a) Describe the process by which the board determines the compensation for the issuer′s directors and officers.	Yes	The Governance and Nominating Committee reviews the compensation of directors on a periodic basis in relation to published surveys and private polls of other comparable corporations and recommends adjustments thereto for adoption by the Board. In 2014, the Board engaged Towers Watson to review Director Compensation. The Human Resources Committee makes recommendations to the Board in respect of compensation of officers as more particularly described in the *Compensation Discussion and Analysis* section of this Circular. Commencing with the annual meeting of Shareholders held on 4 May 2012, the Corporation has conducted an annual advisory vote on its approach to executive compensation, the results of which are considered by the Human Resources Committee.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	Yes	The Human Resources Committee acts as a compensation committee in respect of executive compensation and is composed entirely of independent directors. The Human Resources Committee makes recommendations to the Board following its review of compensation having regard to published material and consultation with appropriate consultants.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	Yes	The Human Resources Committee is responsible for monitoring the compensation practices and policies of Fortis and making recommendations to the Board with respect thereto as more particularly described on page 31 of this Circular. Administration and management of the 2012 Stock Option Plan and predecessor option plans, including the authority to grant options to employees, is the responsibility of the Human Resources Committee which also administers the PSUP and predecessor plan for the CEO.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
(d) If a compensation consultant or advisor has been retained to assist in determining compensation for any of the issuer′s directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	Yes	Fortis retains Hay Group and Mercer to advise in respect of executive compensation and pension matters. Hay Group undertakes a rating of positions within Fortis and its subsidiaries and provides reports of median compensation levels applicable to such ratings. Mercer provides consulting advice in respect of pension matters and management support to pension plan administration. During 2014, Fortis also retained Towers Watson to review executive compensation benefits and Korn/Ferry to assist in an executive development and succession planning initiative. Fees paid to the compensation consultants are disclosed on page 65 of this Circular.
8. Other Board Committees If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	Yes	The three standing committees of the Board are: Audit Committee, Governance and Nominating Committee and Human Resources Committee.
9. Assessments Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees and its individual directors are performing effectively.	Yes	The Governance and Nominating Committee is responsible for regular assessment of the effectiveness and contribution of the Board, its committees and individual directors. It carries out this responsibility through a periodic confidential survey of each director regarding his or her views on the effectiveness of the Board and the committees, the effectiveness of the Chair, which are summarized and reported to the Committee and Chair of the Board. The review includes a section on individual issues which the Committee believes would disclose any concerns relating to an individual director. A review was carried out and considered by the Governance and Nominating Committee. In addition to the formal review process, the Chair of the Board conducts individual private interviews with each director, during which each directors' assessment of the Board's performance and any concerns in respect of the performance of the Board or other individual directors is discussed.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
10. Term Limits and Board Renewal Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.	Yes	The Board has adopted term limits of directors on its board. Directors are elected for a term of one year and except in exceptional circumstances will be eligible for re-election at the annual meeting of shareholders next following the earlier of the date on which they achieve age 70 or the 12th anniversary of their initial election to the Board.
11. Representation of Women on Board (a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.	Yes	The Corporation has adopted a written Diversity Policy.
(b) If the issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) short summary of its objectives and key provisions (ii) the measures taken to ensure that the policy has been effectively implemented (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy; and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.	Yes	The Diversity Policy describes the principles underlying the Corporation's approach to diversity and its objectives in respect of diversity among its leadership team at the Board and executive level. The Board has committed to increasing female representation on the Board and at the executive level. The Governance and Nominating Committee is responsible for regularly reviewing and monitoring performance under the Diversity Policy and the Human Resources Committee is responsible for ensuring that the objectives of the Diversity Policy are applied in identifying and evaluating candidates for executive leadership positions.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
12. Consideration of the Representation of Women in the Director Identification and Selection Process Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.	Yes	In accordance with the Diversity Policy, the Governance and Nominating Committee considers candidates on merit against objective criteria, with due regard for the benefits of diversity. It considers diversity within the context of the Corporation's needs and objectives, its diverse customer base and its domestic and international operations. Accordingly in searches for potential new directors, the Governance and Nominating Committee considers the level of female representation and diversity on the Board as one of several factors in its search and identification process. In 2014 the Governance and Nominating Committee engaged SpencerStuart to help identify potential Board nominees and requested SpencerStuart to consider diversity, including female representation, in bringing forward candidates for consideration.
13. Consideration Given to the Representation of Women in Executive Officer Appointments Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.	Yes	In identifying and considering potential candidates for executive appointments, the Corporation looks first to individuals within the Corporation and its subsidiaries and considers diversity, as well as, factors such as years of service, regional background, merit, experience and qualification. The Board does not set specific gender representation targets when identifying potential candidates to executive officer positions, but does consider diversity and seeks to ensure a representative list of women is included among the group of prospective candidates for executive positions. The Human Resources Committee is responsible for ensuring that the objectives of the Diversity Policy are applied in identifying and evaluating candidates for executive leadership positions.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
14. Issuer's Targets Regarding the Representation of Women in Executive Officer Appointments		
(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.		
(b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.	Yes	The Corporation's Diversity Policy does not establish fixed targets regarding gender representation on the Board or for executive officer positions. The Board believes that establishing quotas or formulaic approaches do not necessarily result in the identification or selection of the best candidates. Rather, the Board is committed to increasing female representation on the Board and at the executive level and considers diversity when evaluating candidates. In searches for new directors, the Governance and Nominating Committee does consider the level of female representation and diversity on the Board. The Board seeks to ensure a representative list of females is included among the group of prospective candidates for executive positions.
(c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.	Yes	
(d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) short summary of its objectives and key provisions (ii) the measures taken to ensure that the policy has been effectively implemented.	Yes	The Diversity Policy does not set forth targets.
15. Number of Women on the Board and in Executive Officer Positions		
(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.	Yes	Three of the current eleven director nominees are women which represents 27% of the director nominees. In 2014, the Corporation had two female directors which collectively represented 20% of the Board.
(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	Yes	None of the named executive officers of Fortis are women. Three out of the eight executive officers of Fortis BC Inc., a major subsidiary of Fortis, are women (37.5%) and three out of the eleven executive officers of UNS Energy Corporation, one of the largest subsidiaries of Fortis, are women (27.3%).

Board of Directors Mandate

The board of directors (the "Board ") of Fortis Inc. (the "Corporation ") is responsible for the stewardship of the Corporation. The Board will supervise the management of the business and affairs of the Corporation and, in particular, will:

A. Strategic Planning and Risk Management

1) Adopt a strategic planning process and approve, on an annual basis, a strategic plan for the Corporation which considers, among other things, the opportunities and risks of the business;

2) Monitor the implementation and effectiveness of the approved strategic and business plan;

3) Assist the CEO in identifying the principal risks of the Corporation′s business and the implementation of appropriate systems to manage such risks;

B. Management and Human Resources

1) Select, appoint and evaluate on an ongoing basis, the CEO, and determine the terms of the CEO′s employment with the Corporation;

2) In consultation with the CEO, appoint all officers of the Corporation and determine the terms of employment, training, development and succession of senior management (including the processes for appointing, training and evaluating senior management);

3) To the extent feasible, satisfy itself as to the integrity of the CEO and other officers and the creation of a culture of integrity throughout the Corporation;

4) Having regard to recommendations of the Human Resources Committee, and in consultation with the CEO, the Board shall adopt a position description for the CEO which:

   a. defines the scope of management's responsibilities; and

   b. sets out the overall corporate goals and objectives that the CEO is responsible for meeting.

C. Finances, Controls and Internal Systems

1) Review and approve all material transactions including acquisitions, divestitures, dividends, capital allocations, expenditures and other transactions which exceed threshold amounts set by the Board;

2) Evaluate the Corporation′s internal controls relating to financial and management information systems;

D. Communications

1) Adopt a communication policy that seeks to ensure that effective communications, including statutory communication and disclosure, are established and maintained with employees, shareholders, the financial community, the media, the community at large and other security holders of the Corporation;

2) Establish procedures to receive feedback from stakeholders of the Corporation and communications to the independent directors as a group;

E. Governance

1) Develop the Corporation′s approach to corporate governance issues, principles practices and disclosure;

2) Establish appropriate procedures to evaluate director independence standards and allow the Board to function independently of management;

3) Appoint from among the directors an audit committee and such other committees of the Board as deemed appropriate and delegate responsibilities thereto in accordance with their mandates;

4) Develop and monitor policies governing the operation of subsidiaries through exercise of the Corporation's shareholder positions in such subsidiaries;

5) Develop and monitor compliance with the Corporation′s code of conduct, including the consideration of any waiver granted to a director or senior officer of the Corporation from complying with such code of conduct and approve or reject such waiver as it deems appropriate;

6) Set expectations and responsibilities of directors, including attendance at, preparation for and participation in meetings, as set out at Section F hereof;

7) Evaluate and review the performance of the Board, each of its committees and its members;

F. Duties and Responsibilities of Directors

1) In exercising his or her powers and discharging his or her responsibilities to the Corporation, each Director has a statutory obligation to:

   a. act in good faith with a view to the best interests of the Corporation (the fiduciary duty); and

   b. exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (the duty of care);

2) Each Director must also comply with all policies of the Corporation applicable to members of the Board, including the Code of Business Conduct and Ethics adopted by the Corporation, which is designed to promote honest, ethical and lawful conduct by all employees, officers and directors of the Corporation;

3) A Director shall review and participate in the work of the Board necessary in order for the Board to discharge its duties and responsibilities as set out in this Mandate and the Board of Directors Governance Guidelines;

4) A Director shall participate in any orientation and continuing education programs developed by the Corporation for the Directors;

5) In connection with each meeting of the Board and each meeting of a committee of the Board of which the Director is a member, a Director shall:

   a. respond promptly to management requests in respect of availability for proposed meetings;

   b. review thoroughly the material provided to the Director by management in connection with the meeting; and

   c. attend each meeting in person to the extent practicable (unless the meeting is scheduled to be held by phone or video-conference).

6) A Director shall participate in such processes as may be established by the Board for assessing the Board, its committees and individual Directors; and

7) A Director shall perform such other functions as may be delegated to that Director by the Board or any committee of the Board from time to time.

Any questions and requests for assistance may be directed to the
Proxy Solicitation Agent:

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