FORTISALBERTA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2014

May 2, 2014

The following Management's Discussion and Analysis ("MD&A") of FortisAlberta Inc. (the "Corporation") should be read in conjunction with the following: (i) the unaudited interim financial statements and notes thereto for the three months ended March 31, 2014, prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"); (ii) the audited financial statements and notes thereto for the year ended December 31, 2013, prepared in accordance with US GAAP; and (iii) the MD&A for the year ended December 31, 2013. All financial information presented in this MD&A has been prepared in accordance with US GAAP and is expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

The Corporation includes forward-looking information in the MD&A within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to management.

The forward-looking information in the MD&A includes, but is not limited to, statements regarding: the expected timing of filing of regulatory applications and receipt of regulatory decisions; the expectation that sufficient cash will be generated to pay all operating costs and interest expense from internally generated funds; the expectation that sufficient cash to finance ongoing capital expenditures will be generated from a combination of long-term debt and short-term borrowings, internally generated funds and equity contributions; the expectation that the Corporation will continue to have access to the required capital on reasonable market terms; and the Corporation's forecast gross capital expenditures for 2014. The forecasts and projections that make up the forward-looking information are based on assumptions that include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major events; the continued ability to maintain the electricity systems to ensure their continued performance; favourable economic conditions; no significant variability in interest rates; sufficient liquidity and capital resources; maintenance of adequate insurance coverage; the ability to obtain licences and permits; retention of existing service areas; continued maintenance of information technology infrastructure; favourable labour relations; and sufficient human resources to deliver service and execute the capital program.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors that could cause results or events to differ from current expectations include, but are not limited to: regulatory risk; loss of service areas; political risk; a severe and prolonged economic downturn; environmental risks; capital resources and liquidity risks; operating and maintenance risks; weather conditions in geographic areas where the Corporation operates; risk of failure of information technology infrastructure; cyber-security risk; insurance coverage risk; risk of loss of permits and rights-of-way; labour relations risk; human resources risk; adverse results from litigation; and the ability to report under US GAAP beyond 2018.

All forward-looking information in the MD&A is qualified in its entirety by the above cautionary statements and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

THE CORPORATION

The Corporation is a regulated electricity distribution utility in the Province of Alberta. Its business is the ownership and operation of electricity distribution facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers. The Corporation does not own or operate generation or transmission assets and is not involved in the direct sale of electricity. It is intended that the Corporation remain a regulated electricity utility for the foreseeable future, focusing on the delivery of safe, reliable and cost-effective electricity services to its customers in Alberta.

The Corporation operates a largely rural, approximately 119,000 kilometre, low-voltage distribution network in central and southern Alberta, which serves approximately 520,000 electricity customers comprised of residential, commercial, farm, oil and gas, and industrial consumers.

The Corporation is regulated by the Alberta Utilities Commission (the "AUC") pursuant to the *Alberta Utilities Commission Act* (the "*AUC Act*"). The AUC's jurisdiction, pursuant to the *Electric Utilities Act* (the "*EUA*"), the *Public Utilities Act*, the *Hydro and Electric Energy Act* and the *AUC Act*, includes the approval of distribution tariffs for regulated distribution utilities such as the Corporation, including the rates and terms and conditions on which service is to be provided by those utilities. The timing of recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using US GAAP for entities not subject to rate regulation.

Effective January 1, 2013, the AUC prescribed that distribution utilities in Alberta, including the Corporation, move to a form of rate regulation referred to as performance-based regulation ("PBR") for a five-year term. Under PBR, a formula that estimates inflation annually and assumes productivity improvements is used to determine distribution rates on an annual basis. Each year this formula is applied to the preceding year's distribution rates. The 2012 distribution rates are the base rates upon which the formula was first applied and they were set using a traditional cost-of-service model whereby the AUC established the Corporation's revenue requirements, being those revenues corresponding to the costs associated with the distribution business, and provided a rate of return on a deemed equity component of capital structure ("ROE") applied to rate base assets. The Corporation's ROE for ratemaking purposes was 8.75% for 2012 with a deemed equity capitalization of 41%. For 2013 and 2014, an ROE of 8.75% was established by the AUC on an interim basis.

The PBR plan includes mechanisms for the recovery or settlement of items determined to flow through directly to customers ("Y factor") and the recovery of costs related to capital expenditures that are not being recovered through the inflationary factor of the formula ("K factor" or "capital tracker"). The AUC also approved a Z factor, a PBR re-opener and an ROE efficiency carry-over mechanism. The Z factor permits an application for recovery of costs related to significant unforeseen events. The PBR re-opener permits an application to re-open and review the PBR plan to address specific problems with the design or operation of the PBR plan. The use of the Z factor and PBR re-opener mechanisms is associated with certain thresholds. The ROE efficiency carry-over mechanism provides an efficiency incentive by permitting a utility to continue to benefit from any efficiency gains achieved during the PBR term for two years following the end of that term.

The Corporation is an indirect, wholly-owned subsidiary of Fortis Inc. (''Fortis''), which is a diversified, international electricity and gas distribution utility holding company having investments in distribution, transmission and generation utilities, real estate and hotel operations.

REGULATORY MATTERS

Capital Tracker Applications

In 2013 and 2014, the Corporation's capital tracker revenue is based on a placeholder equal to 60% of the applied for capital tracker amounts. By May 15, 2014, the Corporation will submit a combined application for the 2013, 2014, and 2015 capital trackers as prescribed by the AUC. A proceeding schedule is expected to be released by the AUC after this application has been filed. Any adjustment to the 60% capital tracker placeholder amounts for 2013 and 2014 will result in an adjustment to revenue. Such an adjustment will be recognized when an AUC decision is received or when sufficient information is available to allow management to estimate the required adjustment in accordance with US GAAP.

Generic Cost of Capital

A hearing related to the Generic Cost of Capital ("GCOC") proceeding is scheduled to commence in May 2014. As a result of this proceeding, the AUC is expected to set the allowed ROE and capital structure for Alberta utilities for 2013 and 2014. The AUC will also consider re-establishing a formula-based approach to setting annual ROE beyond 2014. A decision on this proceeding is expected from the AUC before the end of 2014.

Phase II Distribution Tariff Application

In January 2014, the Corporation's Phase II Distribution Tariff Application was approved by the AUC substantially as filed. The impact of this decision, which is considered interim until the required Compliance Filing is approved, was recognized during the first quarter of 2014 and did not have a material impact on the financial results of the Corporation. No further financial adjustments are expected to result from the AUC's review of the Compliance Filing which was filed in March 2014.

RESULTS OF OPERATIONS

Highlights

	Three Months Ended March 31		
($ thousands)	2014	2013	Variance
Revenues	126,845	118,541	8,304
Cost of sales	43,209	40,279	2,930
Depreciation	35,764	31,860	3,904
Amortization	4,896	4,196	700
Other income	1,357	1,729	(372)
Income before interest expense and income taxes	44,333	43,935	398
Interest expense	19,017	16,778	2,239
Income before income taxes	25,316	27,157	(1,841)
Income tax (recovery) expense	(105)	389	(494)
Net income	25,421	26,768	(1,347)

Net income for the first quarter of 2013 includes positive net transmission volume variances of $1.8 million related to certain 2012 billings adjustments. Excluding this one-time variance, net income for the first quarter of 2014 was $0.5 million higher than the first quarter of 2013 due to rate base growth associated with continued investment in energy infrastructure and growth in the number of customers. Rate base growth continues to be tempered by interim rates which include a placeholder allowing the recovery of 60% of the Corporation's applied for capital tracker amounts for both 2013 and 2014.

The following table outlines the significant variances in the Results of Operations for the three months ended March 31, 2014 as compared to March 31, 2013:

Item	Variance ($ millions)	Explanation
Revenues	8.3	Electric rate revenue increased by $10.3 million primarily due to the interim distribution rate increase of approximately 5.36% effective January 1, 2014, growth in the number of customers and net increases in revenues related to flow-through items which were fully offset in cost of sales. Other revenue decreased by $2.0 million primarily due to the one-time positive net transmission volume variances of $1.8 million recognized in the first quarter of 2013 as a result of adjustments to certain 2012 billings.
Cost of sales	2.9	The increase was primarily due to higher labour and benefit costs driven by inflation and wage increases, differences in the timing of general operating expenses and net increases in costs that qualify as flow-through items which were fully offset in electric rate revenue. Labour and benefit costs and contracted manpower costs comprised approximately 60.2% of total cost of sales.
Depreciation and amortization	4.6	The increase was due to continued investment in capital assets.
Interest expense	2.2	The increase was primarily attributable to the issuance of long-term debt in September 2013.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth certain unaudited quarterly information of the Corporation:

($ thousands)	Revenues	Net Income
March 31, 2014	126,845	25,421
December 31, 2013	120,255	17,211
September 30, 2013	120,046	25,676
June 30, 2013	116,836	24,077
March 31, 2013	118,541	26,768
December 31, 2012	114,398	23,097
September 30, 2012	116,252	26,016
June 30, 2012	110,129	25,547

Changes in revenues and net income from quarter to quarter are a result of many factors including regulatory decisions, energy deliveries, number of customer sites, ongoing investment in energy infrastructure, and changes in income tax expense due to fluctuations in future income tax expenses and recoveries resulting from changes in deferral account balances, availability of tax recoveries and levels of taxable income. The quarterly information presented above has been impacted by specific regulatory decisions. As approved by the AUC, the allowance for funds used during construction ("AFUDC") is recognized in the first and fourth quarters of the year and net transmission volume variances were recognized in revenue during 2012 but deferred on the balance sheet as a regulatory asset or liability effective January 1, 2013. There is no significant seasonality in the Corporation's operations.

March 31, 2014/December 31, 2013
Net income for the quarter ended March 31, 2014 increased $8.2 million compared to the quarter ended December 31, 2013. Revenue increased by $6.6 million primarily driven by net increases in revenues related to flow-through items which were fully offset in cost of sales, the interim distribution rate increase of approximately 5.36% and growth in the number of customers. Cost of sales decreased $0.3 million primarily due to the timing of general operating costs and use of contracted manpower, partially offset by increases in labour and benefit costs due to inflation and wage increases and net increases in costs that qualify as flow-through items which were fully offset in electric rate revenue. Depreciation decreased $1.2 million due to timing of depreciation expense, partially offset by an increase in capital assets.

December 31, 2013/September 30, 2013
Net income for the quarter ended December 31, 2013 decreased $8.5 million compared to the quarter ended September 30, 2013. Revenue was comparable quarter over quarter. Cost of sales increased $4.5 million primarily due to higher labour and benefit costs, and timing of general operating costs, partially offset by incremental restoration costs related to the southern Alberta flooding in the third quarter. Depreciation increased $4.9 million primarily due to an increase in capital assets and timing of depreciation expense. Interest expense increased $1.5 million due to the issuance of $150.0 million senior unsecured debentures in September 2013. The decreases in net income were partially offset by an increase in other income of $1.4 million and a decrease in interest expense of $1.2 million related to the equity and debt portions of AFUDC, respectively.

September 30, 2013/June 30, 2013
Net income for the quarter ended September 30, 2013 increased $1.6 million compared to the quarter ended June 30, 2013. Revenue increased by $3.2 million mainly due to higher electric rate revenue as a result of customer growth. Cost of sales increased $0.6 million primarily due to timing of expenses and incremental restoration costs related to the southern Alberta flooding. Depreciation increased $0.6 million primarily due to an increase in capital assets. Interest increased $0.4 million primarily due to the issuance of $150.0 million senior unsecured debentures in September 2013.

June 30, 2013/March 31, 2013
Net income for the quarter ended June 30, 2013 decreased $2.7 million compared to the quarter ended March 31, 2013. Revenue decreased by $1.7 million mainly due to the true-up to actual of the 2012 net transmission volume variances recognized in the first quarter. Cost of sales decreased $1.9 million primarily due to timing of expenses. Other income decreased $1.7 million and interest expense increased $1.6 million related to the equity and debt portions of the AFUDC, respectively.

March 31, 2013/December 31, 2012
Net income for the quarter ended March 31, 2013 increased $3.7 million compared to the quarter ended December 31, 2012. Revenue increased by $4.1 million primarily due to the interim distribution rate increase of approximately 4%, higher franchise fee revenue and an increase in customers. Cost of sales decreased $1.6 million primarily due to the timing of general operating costs and use of contracted manpower, partially offset by inflationary increases in labour and benefit costs and higher franchise fees. Depreciation increased $1.3 million primarily due to an increase in capital assets.

December 31, 2012/September 30, 2012
Net income for the quarter ended December 31, 2012 decreased by $2.9 million compared to the quarter ended September 30, 2012. Revenue decreased by $1.9 million primarily due to a decrease in net transmission volume variances of $1.3 million and a decrease in A1 rider revenue, partially offset by an increase in demand and customers. Cost of sales increased by $1.9 million primarily due to higher labour and benefit costs and timing of general operating costs. Depreciation increased by $1.3 million primarily due to an increase in capital assets. The decreases in net income were partially offset by an increase in other income of $1.7 million and a decrease of $1.6 million in interest expense related to the equity and debt portions of the AFUDC, respectively. The decrease in interest expense was partially offset by interest on the long-term debt issued in October 2012.

September 30, 2012/June 30, 2012
Net income for the quarter ended September 30, 2012 increased by $0.5 million compared to the quarter ended June 30, 2012. Revenue increased by $6.1 million primarily due to an increase in demand and customers. Cost of sales increased by $2.6 million mainly due to an increase in other taxes, general operating expenses and materials. Depreciation increased by $3.1 million mainly due to the $3.0 million reduction for the first quarter impact of an AUC approved reduction in depreciation rates being recorded in the second quarter of 2012.

FINANCIAL POSITION

The following table outlines the significant changes in the Balance Sheet as at March 31, 2014 as compared to December 31, 2013:

Item	Variance ($ millions)	Explanation
Assets:		
Accounts receivable (current and long-term)	(8.3)	The decrease was primarily driven by a reduction in transmission riders and collection of an Alberta Electric System Operator ("AESO") contribution refund, partially offset by increased base rates for distribution and transmission services and growth in the number of customers.
Regulatory assets (current and long-term)	8.8	The increase was primarily due to increases in the deferred income tax regulatory deferral and deferred overhead costs.
Property, plant and equipment	27.3	The increase was due to continued investment in energy infrastructure, partially offset by depreciation and customer contributions.
Liabilities:		
Short-term borrowings	(22.2)	The decrease was primarily related to $20.0 million in drawings on the Corporation's committed credit facility as at December 31, 2013 compared to no drawings as at March 31, 2014.
Accounts payable and other current liabilities	(7.9)	The decrease was primarily due to a net decrease of $6.3 million related to the refund of customer deposits as the associated transmission connected projects were completed during the quarter and decreases in accrued labour. These decreases were partially offset by increases in accrued interest and transmission costs payable.
Regulatory liabilities (current and long-term)	36.7	The increase was primarily due to an increase in the AESO charges deferral account and the provision for future site restoration costs.
Deferred income tax (long-term deferred income tax liabilities net of current deferred income tax assets)	9.6	The increase was primarily due to higher temporary differences relating to capital assets.
Shareholder's Equity	11.7	The increase was due to net income in 2014, less dividends paid.

SOURCES AND USES OF LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary sources of liquidity and capital resources are the following:

- funds generated from operations;
- the issuance and sale of debt instruments;
- bank financing and operating lines of credit; and
- equity contributions from the Corporation's parent.

STATEMENTS OF CASH FLOWS

	Three Months Ended March 31		
($ thousands)	2014	2013	Variance
Cash, beginning of year	-	44,072	(44,072)
Cash from (used in):			
Operating activities	102,961	10,729	92,232
Investing activities	(66,999)	(89,365)	22,366
Financing activities	(35,962)	35,481	(71,443)
Cash, end of year	-	917	(917)

Operating Activities

For the three months ended March 31, 2014, net cash provided from operating activities was $92.2 million higher than for the same period in 2013. The increase was primarily due to the timing of the flow through of transmission costs as revenue was collected from customers on a different timeline than costs were paid to the AESO, lower refunds of customer deposits related to transmission connected projects, and timing of collection of accounts receivable balances along with higher cash receipts related to increased revenues. The increases were partially offset by higher cash interest paid associated with the issuance of long-term debt in September 2013 and higher cash expenses related to an increase in cost of sales.

The Corporation expects to be able to pay all operating costs and interest expense out of operating cash flows, with some residual available for dividend payments to the parent company and/or capital expenditures.

Investing Activities

	Three Months Ended March 31		
($ thousands)	2014	2013	Variance
Capital expenditures:			
Customer growth [(1)]	39,067	49,077	(10,010)
Externally driven and other [(2)]	9,707	9,515	192
Sustainment [(3)]	16,774	12,556	4,218
AESO contributions [(4)]	1,260	18,462	(17,202)
Gross capital expenditures	66,808	89,610	(22,802)
Less: customer contributions	(7,414)	(13,037)	5,623
Net capital expenditures	59,394	76,573	(17,179)
Adjustment to net capital expenditures for:			
Non-cash working capital	6,857	11,296	(4,439)
Costs of removal, net of salvage proceeds	2,881	4,220	(1,339)
Capitalized depreciation, AFUDC and other	(2,133)	(2,724)	591
Cash used in investing activities	66,999	89,365	(22,366)

Notes:

(1) *Includes new customer connections*

(2) *Includes upgrades associated with substations, line moves, new connections for independent power producers and the distribution control centre*

(3) *Includes planned maintenance, capacity increases, facilities, vehicles and information technology*

(4) *Reflects the Corporation's required contributions towards transmission projects as determined by the AUC approved investment levels and paid when transmission projects are approved*

For the three months ended March 31, 2014, the Corporation's gross capital expenditures were $66.8 million, compared to $89.6 million for the same period in 2013. Capital expenditures related to new customers decreased $10.0 million due to lower demand for oil and gas and general services, partially offset by higher demand for residential services. Total externally driven expenditures remained relatively constant, with increased expenditures in line moves and upgrades associated with substations being offset by lower expenditures for the distribution control centre as the project is close to completion. Sustainment capital was $4.2 million higher for the quarter mainly due to system improvements and planned maintenance, along with expenditures related to wind storm damages that occurred in January 2014 and flood repair work carried over from 2013. AESO contributions for the quarter were lower as a result of larger scale transmission projects being approved in the first quarter of 2013 compared to the same period in 2014.

It is expected that ongoing capital expenditures will be financed from funds generated by operating activities, drawings on the committed credit facility, proceeds from issuance of debt, and equity contributions from Fortis via Fortis Alberta Holdings Inc., the Corporation's parent and an indirectly wholly owned subsidiary of Fortis.

Capital Expenditures Forecast

The Corporation has forecast gross capital expenditures for 2014 of approximately $404.0 million. The 2014 capital expenditures are based on detailed forecasts, which include numerous assumptions such as customer demand, weather, cost of labour and material and other factors that could cause actual results to differ from forecast.

Financing Activities

For the three months ended March 31, 2014, cash from financing activities decreased $71.4 million compared to the same period in 2013. This decrease was primarily due to a $68.0 million decrease in net borrowings under the committed credit facility.

The Corporation anticipates it will be able to meet interest payments on outstanding indebtedness from internally generated funds, but expects to rely upon the proceeds of new indebtedness to meet the principal obligations when due.

CONTRACTUAL OBLIGATIONS

The Corporation's contractual obligations have not changed materially from those disclosed in the MD&A for the year ended December 31, 2013.

CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to ensure ongoing access to capital to allow it to build and maintain the electricity distribution facilities within the Corporation's service territory. To ensure this access to capital, the Corporation targets a capital structure that includes approximately 59% debt and 41% equity, which is consistent with the 2011 GCOC Decision. This targeted capital structure excludes the effects of goodwill and other items that do not impact the deemed regulatory capital structure. This ratio is maintained by the Corporation through the issuance of debentures or other debt and/or equity contributions by Fortis via Fortis Alberta Holdings Inc.

Summary of Capital Structure

As at:	March 31, 2014		December 31, 2013	
	$ millions	%	$ millions	%
Total debt	1,461.7	56.5	1,483.8	57.1
Shareholder's equity	1,127.0	43.5	1,115.3	42.9
	2,588.7	100.0	2,599.1	100.0

The Corporation has externally imposed capital requirements by virtue of its Trust Indenture and committed credit facility that limit the amount of debt that can be incurred relative to equity. As at March 31, 2014, the Corporation was in compliance with these externally imposed capital requirements.

As at March 31, 2014, the Corporation had an unsecured committed credit facility with an available amount of $250.0 million maturing in August 2018. Drawings under the committed credit facility are available by way of prime loans, bankers' acceptances and letters of credit. Prime loans bear an interest rate of prime and bankers' acceptances are issued at the applicable bankers' acceptance discount rate plus a stamping fee of 1.0%. The weighted average effective interest rate for the three months ended March 31, 2014 on the committed credit facility was 2.0% (three months ended March 31, 2013 - 2.3%). As at March 31, 2014 there were no drawings under the committed credit facility (December 31, 2013 - $20.0 million).

CREDIT RATINGS

As at March 31, 2014, the Corporation's debentures were rated by DBRS at A (low) and by Standard and Poor's ("S&P") at A-. In February 2014, DBRS revised its outlook on the Corporation and changed the trend to positive from stable, reflecting DBRS's view of the Corporation having financial metrics consistently in the A rating range. In December 2013, S&P placed the Corporation's credit rating on credit watch with negative implications as a result of the announcement by Fortis that it had entered into an agreement to acquire UNS Energy Corporation.

OUTSTANDING SHARES

Authorized – unlimited number of:

- Common shares;
- Class A common shares; and
- First preferred non-voting shares, redeemable, cumulative dividend at 10% of the redemption price. Subject to applicable law, the Corporation shall have the right to redeem, at any time, all or any part of the then outstanding first preferred shares for $348.9 million together with any accrued and unpaid dividends up to the redemption date.

Issued – 63 Class A common shares, with no par value.

OFF-BALANCE SHEET ARRANGEMENTS

With the exception of letters of credit outstanding of $0.2 million as at March 31, 2014 (December 31, 2013 - $0.2 million), the Corporation had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with Fortis and other subsidiaries of Fortis. Amounts due to or from related parties were measured at the exchange amount and were as follows:

As at: ($ thousands)	March 31, 2014	December 31, 2013
Accounts receivable		
Housing loan [(1)]	600	600
Other loans [(2)]	54	21
Related parties	95	22
	749	643
Accounts payable and other current liabilities		
Related parties	880	1

Notes:

[(1)] *This loan is to an officer of the Corporation and is interest-free for a period of nine years from the loan grant date after which interest will accrue at the rate of prime plus 0.5%. The loan must be repaid within ten years of the grant date and is secured by a mortgage on the residence purchased by the officer.*

[(2)] *These loans are to officers of the Corporation and may include stock option loans, employee share purchase plan loans and employee personal computer purchase program loans.*

The Corporation bills related parties on terms and conditions consistent with billings to third parties. These require amounts to be paid on a net 30 day basis with interest on overdue amounts charged at a rate of 1.5% per month (19.56% per annum). Terms and conditions on amounts billed to the Corporation by related parties are net 30 days with interest being charged on any overdue amounts.

Related party transactions included in other revenue, cost of sales and interest expense were measured at the exchange amount and were as follows:

	Three Months Ended March 31	
($ thousands)	2014	2013
Included in other revenue [(1)]	108	38
Included in cost of sales [(2)]	922	876
Included in interest expense [(3)]	32	-

Notes:
[(1)] *Includes services provided to subsidiaries of Fortis related to metering, information technology, material sales and intercompany employee services*
[(2)] *Includes charges from Fortis relating to corporate governance expenses, stock-based compensation costs, consulting services and travel and accommodation expenses*
[(3)] *Reflects interest expense paid on a demand note from Fortis which was borrowed and repaid during the first quarter of 2014*

All services provided to or received from related parties were billed on a cost-recovery basis.

FINANCIAL INSTRUMENTS

The following table represents the fair value measurements of the Corporation's financial instruments:

Long-term debt, including current installments, as at: ($ thousands)	March 31, 2014	December 31, 2013
Fair value [(1)]	1,677,325	1,618,054
Carrying value	1,459,004	1,459,000

Note:
[(1)] *The fair value of the long-term debt was estimated using level 2 inputs based on the indicative prices for the same or similarly rated issues for debt of the same remaining maturities.*

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

The carrying value of financial instruments included in current assets, long-term accounts receivable, short-term borrowings and current liabilities on the balance sheet approximate their fair value, which reflects the short-term maturity, normal trade credit terms and/or nature of these financial instruments.

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Corporation's financial statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances.

Due to changes in facts and circumstances, and the inherent uncertainty in making estimates, actual results may differ materially from current estimates. Estimates and judgments are reviewed periodically and as adjustments become necessary they are recognized in the period they become known. There were no material changes to the Corporation's significant accounting estimates during the three months ended March 31, 2014 from those disclosed in the MD&A for the year ended December 31, 2013.

CHANGES IN ACCOUNTING POLICIES

The Corporation's unaudited interim financial statements have been prepared following the same accounting policies as those used in preparing the Corporation's 2013 audited annual financial statements.

BUSINESS RISK

The Corporation's business risks have not changed materially from those disclosed in the Business Risk and Outlook sections of the MD&A for the year ended December 31, 2013.

Note: Additional information concerning FortisAlberta Inc. including the Annual Information Form is available on SEDAR at www.sedar.com.