



**Annual Information Form
Year Ended December 31, 2010**

April 1, 2011

TABLE OF CONTENTS

TABLE OF CONTENTS	2
GLOSSARY	3
THE CORPORATION	5
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE	5
BUSINESS OF FORTISALBERTA	5
FRANCHISES	6
MARKET AND SALES	7
HUMAN RESOURCES	9
ENVIRONMENTAL MATTERS	9
ALBERTA'S ELECTRICITY INDUSTRY	9
REGULATION OF ALBERTA'S ELECTRICITY INDUSTRY	12
BACKGROUND	12
KEY ENTITIES	12
REGULATORY PROCESS	14
MARKET FOR SECURITIES	18
DIVIDEND POLICY	18
DESCRIPTION OF CAPITAL STRUCTURE	18
GENERAL DESCRIPTION OF CAPITAL STRUCTURE	18
RATINGS	19
RISK FACTORS	20
REGULATORY APPROVAL AND RATE ORDERS	20
LOSS OF SERVICE AREAS	21
ENVIRONMENTAL MATTERS	22
CAPITAL RESOURCES	23
LABOUR RELATIONS	23
OPERATING AND MAINTENANCE RISK	23
PERMITS	24
WEATHER CONDITIONS AND OTHER ACTS OF NATURE	24
UNDERINSURED AND UNINSURED LOSSES	24
INFORMATION TECHNOLOGY INFRASTRUCTURE	25
WORKFORCE DEMOGRAPHICS	25
INTEREST RATES	25
COUNTERPARTY CREDIT RISK	25
PROVINCIAL ECONOMY	26
DIRECTORS AND OFFICERS	27
DIRECTORS	27
OFFICERS	29
COMMITTEES	30
CONFLICTS OF INTEREST	30
REPORT ON EXECUTIVE COMPENSATION	30
COMPENSATION OF NAMED EXECUTIVE OFFICERS	34
STOCK OPTIONS	35
INCENTIVE PLAN AWARDS	36
PENSION ARRANGEMENTS	36
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	37
TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS	38
COMPENSATION OF DIRECTORS	39
MATERIAL CONTRACTS	40
LEGAL PROCEEDINGS	40
FORWARD-LOOKING STATEMENTS	40
TRANSFER AGENTS AND REGISTRARS	41
AUDITORS	41
ADDITIONAL INFORMATION	41

GLOSSARY

Except as otherwise defined, or unless the context otherwise requires, the following terms have the meanings set forth below:

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**AESO**” means the Alberta Electric System Operator;

“**AIES**” means the Alberta Interconnected Electric System;

“**AUC**” means the Alberta Utilities Commission as set out in further detail herein;

“**AUC Act**” means the *Alberta Utilities Commission Act*;

“**Balancing Pool**” means an independent government agency set up to manage the transition to a competitive generation market and administer the Power Purchase Arrangements;

“**Board**” means the Board of Directors of the Corporation;

“**CAREA**” means Central Alberta Rural Electrification Association;

“**Corporation**” or “**FortisAlberta**” means FortisAlberta Inc.;

“**COS**” means Cost of Service;

“**DBRS**” means DBRS Limited;

“**Debentures**” means, collectively, the Series 04-1 Debentures, Series 04-2 Debentures, Series 06-1 Debentures, Series 07-1 Debentures, Series 08-1 Debentures, Series 09-1 Debentures, Series 09-2 Debentures and Series 10-1 Debentures;

“**EMS**” means the Environmental Management System;

“**EPCOR**” means EPCOR Energy Alberta Inc.;

“**ERCB**” means the Energy Resources Conservation Board;

“**EUA**” means the *Electric Utilities Act* (Alberta);

“**EUB**” means the Alberta Energy and Utilities Board as set out in further detail herein;

“**Fortis**” means Fortis Inc.;

“**Fortis Shares**” means common shares of Fortis;

“**GAAP**” means, at any time, generally accepted accounting principles as published from time to time by the Canadian Institute of Chartered Accountants or any successor body;

“**GCOC**” means Generic Cost of Capital;

“**GHR Committee**” means the Governance and Human Resources Committee of the Board;

“**GWh**” means a gigawatt hour, which is a measure of energy used over a one-hour period that is equal to 1,000,000,000 watts;

“Hydro Act” means the *Hydro and Electric Energy Act* (Alberta);

“Indenture” means the trust indenture dated October 25, 2004 between the Corporation and the Trustee providing for the issuance of the Debentures, as may be amended or supplemented from time to time;

“kWh” means a kilowatt-hour, which is a measure of energy used over a one-hour period that is equal to 1,000 watts;

“Moody’s” means Moody’s Investors Service;

“MSA” means the Market Surveillance Administrator;

“Municipal Act” means the *Municipal Government Act* (Alberta);

“NSA” means Negotiated Settlement Agreement;

“PBR” means performance based regulation;

“Power Pool” means the power pool of Alberta;

“Power Purchase Arrangements” means the legislated commercial arrangements known as power purchase arrangements;

“rate base assets” means all distribution utility assets that are invested in to provide service to distribution utility customers, which are included in the determination of the Corporation’s revenue requirement and are subject to a regulated rate of return;

“ROE” means return on equity;

“RRO” means Regulated Rate Option;

“RRO Customers” means certain small and medium-sized customers that distribution utilities are required to continue to arrange for or provide retail services;

“S&P” means Standard and Poor’s, a Division of The McGraw-Hill Companies, Inc.;

“TFOs” means Transmission Facility Owners;

“TransAlta” means TransAlta Utilities Corporation;

“Trustee” means Computershare Trust Company of Canada, in its capacity as trustee under the Indenture; and

“UUWA” means the United Utility Workers’ Association of Canada.

All dollar amounts in this Annual Information Form are expressed in Canadian dollars unless otherwise noted. Readers are directed to consider all forward looking information in this Annual Information Form with the qualifications contained in the section entitled “Forward Looking Statements” in this document.

THE CORPORATION

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

FortisAlberta Inc. (“FortisAlberta” or the “Corporation”) is the owner and operator of a regulated electricity distribution business in the Province of Alberta and was incorporated under the *Business Corporations Act* (Alberta) (the “ABCA”) on January 1, 2000. The Corporation is an indirect, wholly-owned subsidiary of Fortis Inc. (“Fortis”), a diversified, international electricity and gas distribution utility holding company having investments in distribution, transmission and generation utilities, real estate and hotel operations. FortisAlberta’s head and registered office is located at 320 – 17th Avenue S.W., Calgary, Alberta, T2S 2V1. The Corporation has no subsidiaries.

The Corporation was incorporated for the initial purpose of acquiring the distribution and retail operations of TransAlta Utilities Corporation (“TransAlta”), pursuant to an asset transfer agreement, which had an effective closing date of August 31, 2000. The Corporation was acquired by an indirect, wholly-owned subsidiary of Aquila Inc. (“Aquila”), a U.S. public company, on August 31, 2000.

Effective January 1, 2001, the Corporation disposed of its retail operations and related assets and began operating solely as an owner and operator of distribution assets. As a distribution company, the Corporation invoices retail energy companies for the distribution and transmission portions of electricity rates. In turn, the Corporation is invoiced by the Alberta Electric System Operator (“AESO”) for the transmission services.

On May 31, 2004, all of the issued and outstanding shares of the Corporation were acquired from Aquila by an indirect, wholly-owned subsidiary of Fortis. On June 1, 2004, the name of the Corporation was changed to FortisAlberta Inc.

BUSINESS OF FORTISALBERTA

FortisAlberta is a regulated electricity distribution utility in the Province of Alberta. Its business is the ownership and operation of regulated 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 electric utility for the foreseeable future, focusing on the delivery of safe, reliable and cost-effective electricity services to its customers in Alberta.

FortisAlberta operates a predominantly rural and suburban, low-voltage distribution network in central and southern Alberta, totaling approximately 112,000 kilometers of wires. The Corporation’s distribution network serves approximately 491,000 electricity customers comprised of residential, commercial, farm, oil and gas and industrial consumers of electricity. In 2010, FortisAlberta distributed approximately 22,966 gigawatt hours (“GWh”) of electricity. This includes those customers within its service area that are connected directly to the transmission grid.

Prior to January 1, 2008, the Alberta Energy and Utilities Board (the “EUB”), was the chief provincial regulator of the Alberta energy industry. Effective January 1, 2008, the *Alberta Utilities Commission Act* (Alberta) (the “AUC Act”) split the EUB into two separate regulatory bodies, the Energy Resources Conservation Board (the “ERCB”), which regulates Alberta’s energy resources including oil, natural gas and coal, and the Alberta Utilities Commission (the “AUC”).

The AUC's jurisdiction, pursuant to the *Electric Utilities Act* (Alberta) (the "EUA"), the *Public Utilities Act* (Alberta), the *Hydro and Electric Energy Act* (Alberta) (the "Hydro 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. Hereafter, any use of the term AUC in this AIF will refer to the EUB prior to January 1, 2008 and the AUC subsequently.

The Corporation operates under cost-of-service regulation as prescribed by the AUC. Rate orders issued by the AUC establish the Corporation's revenue requirements, being those revenues required to recover approved costs associated with the distribution business, and provide a rate of return on a deemed capital structure applied to approved rate base assets. The approved rate of return on equity ("ROE") is 9.0% for 2010 (2009 – 9.0%). The Corporation applies for tariff revenue based on estimated costs-of-service. Once the tariff is approved, it is not adjusted as a result of actual costs-of-service being different from that which was estimated, other than for certain prescribed costs that are eligible for deferral treatment and are either collected or refunded in future rates. When the AUC issues decisions affecting the financial statements, the effects of the decision are recorded in the period in which the decision is received.

FRANCHISES

FortisAlberta's customers, located within a city, town, or village boundary, are served through franchise agreements between the Corporation and the respective customers' municipality of residence. To ensure the exclusive right to operate electrical services within municipal boundaries, FortisAlberta maintains standard franchise agreements with municipalities. Under section 47 of the *Municipal Government Act* (Alberta) (the "Municipal Act"), municipal governments in Alberta have, upon termination of a franchise agreement, the right to own electric distribution utilities by purchasing the assets of FortisAlberta that are located in their municipal boundaries. In Alberta, the standard franchise agreement is generally for ten years and may be renewed for five years upon mutual consent of the parties. Any franchise agreement that is not renewed at the expiry of the term, continues in effect until either the Company or the municipality terminates it with the approval of the AUC. If a franchise agreement is terminated and the municipality subsequently exercises its right under the Municipal Act to purchase FortisAlberta's distribution network within the municipality's boundaries, the Corporation must be compensated. Compensation would include payment for FortisAlberta's assets on the basis of a methodology approved by the AUC.

FortisAlberta has standardized, individual franchise agreements in place with 140 municipalities. Substantially all of these agreements expire between 2011 and 2017. The Corporation is in the process of extending its current franchise agreements with these municipalities where the term of the agreement is due to expire.

MARKET AND SALES

The following tables compare 2010 and 2009 distribution revenues and energy deliveries by rate class:

Rate Class	Revenue ⁽¹⁾			
	2010		2009	
	(\$000)	%	(\$000)	%
Residential	106,622	28.4%	95,321	30.7%
Large Commercial, Industrial and Oilfield	71,778	19.1%	70,541	22.7%
Farm	44,546	11.9%	40,044	12.9%
Small Commercial	38,403	10.2%	35,413	11.4%
Small Oilfield	31,173	8.3%	29,039	9.4%
Other	16,574	4.4%	14,632	4.7%
Transmission Connected	776	0.2%	688	0.2%
Total Energy Revenue	309,872	82.5%	285,678	92.0%
Rate Riders, Deferrals and Adjustments	65,722	17.5%	24,755	8.0%
	<u>375,594</u>	100.0%	<u>310,433</u>	100.0%

(1) Includes customers within FortisAlberta's service area that are connected directly to the transmission grid.

Rate Class	GWh Deliveries ⁽¹⁾⁽²⁾			
	2010		2009	
	GWh	%	GWh	%
Residential	2,693	11.7%	2,679	11.8%
Large Commercial, Industrial and Oilfield	9,731	42.4%	9,563	42.3%
Farm	1,188	5.2%	1,362	6.0%
Small Commercial	1,251	5.5%	1,262	5.6%
Small Oilfield	928	4.0%	926	4.1%
Other	75	0.3%	73	0.3%
Transmission Connected	7,100	30.9%	6,757	29.9%
Total Energy Deliveries	22,966	100.0%	22,622	100.0%

(1) Includes customers within FortisAlberta's service area that are connected directly to the transmission grid.

(2) Energy deliveries include adjustments to prior periods which have been reflected in the financial statements during the current period.

The revenue and energy delivery tables above align with the rate classes on which FortisAlberta's tariff billing is based. These rate classes, however, span industry classifications (also referred to as industry codes for regulatory filing purposes) and their broader sectors (also referred to as Categories per Schedule 6.1-A of the 2010-2011 Phase I Tariff Application - Application No. 1605170).

While FortisAlberta does not forecast or record revenue by industry classification, the Corporation does forecast and record distribution energy (GWh) by both industry classification and rate class. The following table provides a mapping for distribution from rate class by industry classification.

Mapping for Rate Class by Industry Classification

Category	Rate Class Industry Code	Res	Farm					Other		Small Commercial	Small Oil and Gas	Large Commercial, Industrial and Oil and Gas	
		Rate 11 Residential	Rate 21 FAI Farm ⁽¹⁾	Rate 23 FAI Grain Drying ⁽¹⁾	Rate 24 REA Farm ⁽²⁾	Rate 26 FAI Irrigation ⁽¹⁾	Rate 28-29 REA Irrigation ⁽²⁾	Rate 31-33 Street Lights	Rate 38 Yard Lights	Rate 41 Small General Service	Rate 44-45 Oil & Gas Service	Rate 61 General Service	Rate 63 Large General Service
Retail	Residential	•								•		•	
	Commercial									•		•	•
	Outdoor Lighting							•	•				
Wholesale	Small Wholesale											•	•
Farm	FAI Farm ⁽¹⁾		•	•						•		•	
	FAI Irrigation ⁽¹⁾					•							
	REA Irrigation ⁽²⁾						•						
	REA Farm ⁽²⁾				•								
Oil and Gas	Oilfield									•	•	•	•
	Cavern Storage									•		•	•
	Pipelines									•		•	•
	Refineries											•	
	Gas Processing									•		•	•
Other Industrial	Misc. Industrial									•		•	•
	Chemical Plants									•		•	•
	Cement Plants									•		•	
	Food and Beverage									•		•	•
	Metal Products									•		•	•
	Coal Mines											•	
	Forest Products									•		•	•
Interchange	Interchange									•		•	•

Footnotes:

1. FAI refers to FortisAlberta Inc.
2. REA refers to Rural Electrification Association.

HUMAN RESOURCES

At December 31, 2010, FortisAlberta had 963 full-time employees, 27 part-time employees and 26 temporary and term employees. Approximately 75% of the employees of the Corporation are members of the UUWA. The current three year collective agreement with the UUWA will expire on December 31, 2013. The Corporation considers its relationship with the UUWA to be satisfactory, but there can be no assurance that current relations will continue in future negotiations or that the terms under the present collective agreement will be renewed. The inability to maintain, or to renew collective agreements on acceptable terms could result in increased labour costs or service interruptions arising from labour disputes for the Corporation that are not provided for in approved rate orders and which could have a material adverse effect on the results of operations, cash flow and net income of the Corporation.

ENVIRONMENTAL MATTERS

Although primarily regulated at the provincial level, Canadian federal, provincial and municipal governments share jurisdiction over matters affecting the environment. As a result, the Corporation is subject to extensive federal, provincial and municipal regulations relating to the protection of the environment, including, but not limited to, wildlife, water, land, and the proper storage, transportation, and disposal of hazardous and non-hazardous waste substances. In addition, both the provincial and federal governments have environmental assessment legislation which is designed to foster better land use planning through the identification and mitigation of potential environmental impacts of projects or undertakings prior to and after their commencement.

These environmental considerations are best addressed within the context of a formal system. The Corporation continues to implement programs and procedures within the context of its Environmental Management System (the "EMS"). The EMS is consistent with the guidelines of ISO 14001, an international standard for environmental management systems. The Corporation is not seeking certification under ISO 14001 given the nature of its business in Alberta. The EMS provides a framework that allows for the identification of potential environmental impacts, the establishment of processes and programs to mitigate those impacts and the monitoring of performance to aid in the continual improvement of the Corporation's environmental performance. The EMS is an "evergreen" system that continually adapts to the changing nature of the Corporation's business risks and priorities and the needs of its people. The annual operating cost is approximately \$0.2 million.

In 2010, the costs associated with adhering to environmental protection requirements were approximately \$1.4 million in the aggregate, with \$1.2 million relating to electrical insulating oil spill cleanup and approximately \$0.2 million relating to fire suppression.

ALBERTA'S ELECTRICITY INDUSTRY

The electricity industry in Alberta consists of four principal segments:

- *Generation* — Generation is the production of electric power. Generators in Alberta include both power producers and companies that have purchased the rights to the output of formerly regulated Alberta generators. Generators sell wholesale power into the Alberta Power Pool spot market or through direct contractual arrangements. Most of the power generated in Alberta is generated using coal or natural gas as the fuel source with hydro and wind power adding the majority of the remaining supply.
- *Transmission* — Transmission is the conveyance of electricity at higher voltages. Alberta's transmission system or grid is composed of high voltage power lines and related facilities, which convey electricity from generation facilities to distribution networks and directly connected end-users. The Alberta transmission grid is interconnected with the transmission system in British Columbia which is also connected to the transmission system in the Pacific Northwest of the United States. The Alberta transmission grid is also connected to that of Saskatchewan via a smaller, direct current link. Where the transmission system connects to a distribution network, transmission substations step-down the voltage to distribution level voltages. Transmission facilities are owned

by transmission facility owners (“TFOs”) who are regulated under the jurisdiction of the AUC. The approved costs of the TFOs are paid by the AESO, and the AESO funds these and other costs of its operations through a regulated system access tariff, with charges thereunder paid by users of the electric system, including FortisAlberta.

- *Distribution* — Distribution is the conveyance of electricity at lower voltages. Distribution networks are composed of low voltage power lines and related facilities, which convey electricity from transmission systems to end-use customers.

The companies that own distribution networks are responsible for constructing, operating and maintaining the distribution network, providing non-discriminatory electric distribution service and arranging for system access service (i.e. transmission access) through the AESO for the end-use customers to whom they distribute electricity. Distribution wire owners are also responsible for metering, meter data management, wholesale billing, customer enrolment services and load settlement, and for arranging for or providing regulated rate and regulated default retail electricity supply services under the EUA. Load settlement is the process whereby hourly consumption is calculated for each site in Alberta, in support of the Alberta competitive electricity marketplace. The calculation is required since most customers do not have meters that read electricity consumption on an hourly basis. The major distribution companies are regulated under the jurisdiction of the AUC.

The distribution network in Alberta is comprised of the networks owned by FortisAlberta, ATCO Electric Ltd. and multiple local distribution utilities, including companies owned by the cities of Calgary and Edmonton, rural electrification associations and a number of smaller municipalities. As of January 1, 2001, all electricity customers acquired the right to choose their electricity retailer, with the distribution utility continuing to provide distribution services. While electricity distribution networks continued to be regulated, independent retailers sell electricity to end-use customers on a competitive basis.

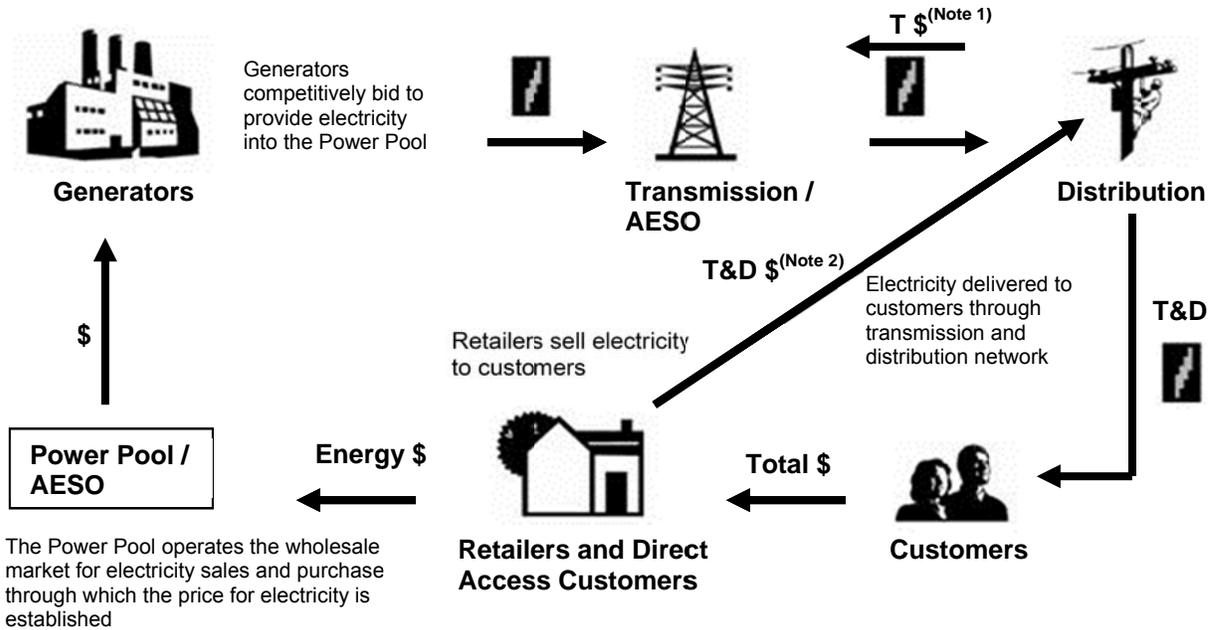
Distribution utilities are required to continue to provide or arrange for retail services to certain small and medium-sized customers (“RRO Customers”) that are eligible for the Regulated Rate Option (“RRO”). RRO Customers can choose to continue to purchase electricity from the regulated distribution utility or from its appointed regulated retailer, at a regulated transition rate during a transition period that ended on June 30, 2010, or at the new RRO rate after this date. During the transition period, rates charged to RRO Customers were approved by the regulator or in some cases by the relevant municipal council or rural electrification association board of directors. Recent legislation required that the rates charged to RRO Customers include a blend of short and long-term energy price hedges with a progressively greater portion of one month forward hedges (the “new RRO rate”) from year to year until the end of the transition period, at which point the new RRO rate continues to be available to RRO Customers.

Electricity distribution utilities such as FortisAlberta collect their distribution revenues from retailers (including self-retailers as defined below) that sell electricity to, and collect payment from, end-use customers. The credit risk associated with a retailer’s payment obligations to a distribution utility is mitigated by regulatory provisions that require the retailer to support its payment obligations if either it does not have an investment grade credit rating or it does have an investment grade credit rating but its payment obligations exceed limits stipulated in the regulations. These prudential measures generally involve a distribution utility obtaining security from a retailer, often in the form of a letter of credit, a third party guarantee or cash deposit. In the event that a distribution utility incurs credit losses, such utility may apply to the regulator to recover these bad debts in rates.

- *Retail* — Retailing is the selling or offering for sale of electricity to the end-user. In Alberta, retailers purchase power through the Power Pool operated by the AESO or through direct supply contracts, arrange for distribution and sell electricity and other services directly to end-use customers. Retailers are not limited in the design of rate packages offered to consumers and may combine the provision of electricity with virtually any other service. Service providers are registered as electricity retailers in Alberta, most of which are registered to provide service only to large commercial and industrial customers. There are also end-use customers who act as their own retailer. These “self-retailers” are typically large commercial or industrial entities. Self-retailers

interact with other participants in the Alberta electricity industry, such as distribution utilities, in the same manner as other retailers.

In Alberta's electricity marketplace, these segments and their respective market participants interact in a number of ways. The following diagram represents an overview of this interaction:



Note 1: "T \$" represents the cost of transmission services paid by distribution companies to the AESO.

Note 2: "T&D \$" represents the cost of transmission and distribution wire services that are charged to customers and collected from retailers and direct access customers.

REGULATION OF ALBERTA'S ELECTRICITY INDUSTRY

BACKGROUND

Historically, Alberta's electricity industry consisted of a mix of private and municipally owned utilities. Three vertically integrated utilities involved in the generation, transmission, distribution and retail sale of electricity supplied more than 90% of the electricity to Alberta's integrated power grid, also known as the Alberta Interconnected Electric System (the "AIES"). Other municipal utilities and small independent power producers provided the remainder. Within this structure, a utility would enter into a series of contracts with its larger distribution customers in its service area, with rates for different customer classes set by the regulator. Under applicable industry regulation, utilities were generally permitted to recover their investments and operating costs and to earn a reasonable return on investment.

Over the last 15 years, Alberta has restructured its electricity industry. Alberta's historical system of vertically-integrated, fully-regulated utilities has been replaced with a competitive market in the generation and retail sale of electricity, while the distribution and transmission sectors continue to be regulated.

KEY ENTITIES

Alberta Utilities Commission / Alberta Energy and Utilities Board

Until the end of 2007, the EUB was the chief provincial regulator of the Alberta energy industry. It was an independent, quasi-judicial agency of the Government of Alberta. The principal responsibility of the EUB was to regulate and adjudicate on matters related to energy and utilities within Alberta to ensure that the development, transportation and monitoring of the province's energy resources were in the public's interest. In order to ensure that customers received safe and reliable service at fair and reasonable rates, the EUB regulated both rates and terms and conditions of service of investor-owned natural gas, electric, and water utility services. This regulation included the transmission and distribution sectors of Alberta's electricity industry, the major intra-Alberta gas transmission system and major municipal electricity distributors. Through regulation, the EUB sought to balance the interests of customers and utilities in establishing rates and terms and conditions of service. The EUB provided this service through the application and hearing process, standards setting and regulation, monitoring and surveillance and enforcement.

Effective January 1, 2008, the AUC Act created two new regulators, the ERCB and the AUC, as successors to the jurisdiction formerly exercised by the EUB. The ERCB now regulates the development of Alberta's resources including oil, gas, oil sands and coalbed methane, while the AUC oversees the distribution and sale of electricity and retail natural gas to Alberta consumers. The AUC also makes decisions on new transmission facilities and on service areas for distribution utilities. Decisions and orders of the EUB that were made prior to January 1, 2008 remain in force.

Alberta Electric System Operator

The AESO is a not-for-profit statutory corporation that is responsible for overseeing the safe, reliable and efficient operation of the AIES, and operating the Power Pool. The AESO is responsible for managing the transmission system and it recovers its costs through a tariff approved by the AUC. The AESO operates the Power Pool and recovers its costs through a surcharge on all electricity traded thereon. In addition, the AESO administers load settlement and it recovers the cost of this from charges levied on distribution network owners.

As operator of the hourly energy spot market, the AESO receives electricity supply offers and demand bids, sets the schedule for the dispatch of generating units, schedules generating units to provide system support services, carries out the financial settlement for electricity exchanged through the Power Pool and reports the hourly Power Pool price for electricity.

In its role as system operator, the AESO is responsible for maintaining the physical stability and balance of the electricity system by dispatching generation and import offers to match supply to export demand on a real-time basis. In addition, the AESO coordinates real-time operations with the owners of transmission facilities, and procures and coordinates required system support services, all with a view to ensuring the safe, reliable and efficient operation of the interconnected electricity system.

Market Surveillance Administrator

The Market Surveillance Administrator (“MSA”) is an independent entity appointed by the provincial government that reports directly to the Chairman of the AUC in respect of budgetary matters. The MSA has a broad mandate to monitor market activity and investigate complaints in order to ensure that: market operations are efficient and equitable; that market participants comply with relevant rules and regulations; the rules governing Alberta’s electricity industry work to discourage anti-competitive practices; and electricity retail functions are competitive.

Balancing Pool

The Balancing Pool is an independent government agency set up to administer long-term power purchase arrangements that it holds, and is responsible for satisfying any obligations associated with such power purchase arrangements.

REGULATORY PROCESS

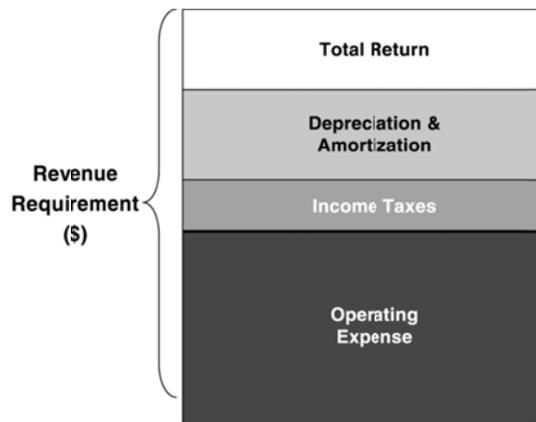
The distribution of electricity is regulated by the AUC, principally under the EUA. The FortisAlberta electricity distribution business and all of the Corporation’s distribution assets are regulated in their entirety by the AUC.

The AUC’s jurisdiction includes the approval of distribution tariffs for regulated distribution utilities including the rates and terms and conditions on which service is to be provided by those utilities. The EUA requires regulated distribution utilities such as FortisAlberta to prepare and file a distribution tariff application for approval by the AUC.

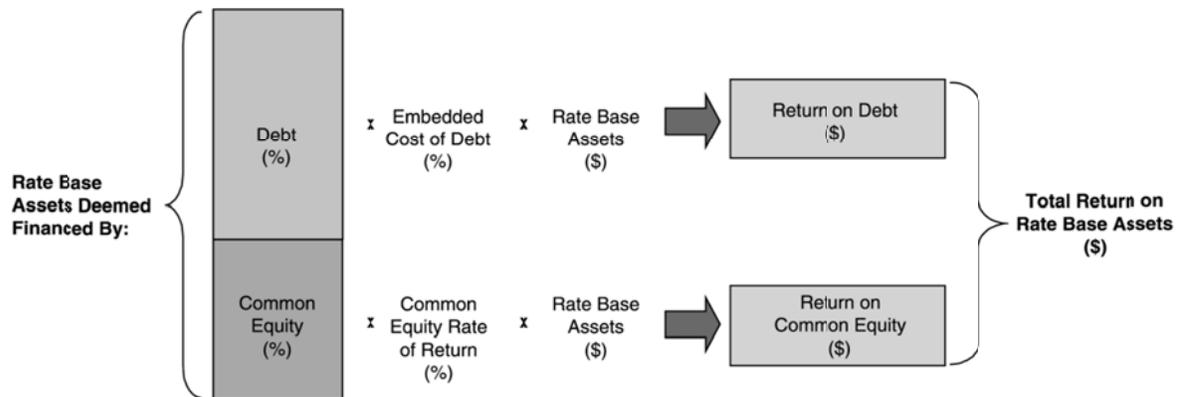
The AUC has generally approved distribution tariffs, including those of FortisAlberta, based on a cost-of-service regulatory model. Under this model, the AUC is to provide the distribution utility with an opportunity to recover all prudently incurred operating expenses, depreciation and amortization, income tax, interest on debt supporting regulated assets and a reasonable return on equity. The AUC’s objective is to approve a fair and reasonable tariff that is not unduly preferential or arbitrarily or unjustly discriminatory. Approved tariffs for distribution utilities such as FortisAlberta are determined independently from the price of the electricity that they distribute. FortisAlberta applies for approval of distribution tariffs based on estimated costs of service. Once a distribution tariff is approved for the Corporation, it is not adjusted as a result of the actual costs of service being different from those that were estimated, other than for certain prescribed costs that are eligible for deferral or reserve treatment.

The regulatory process for a distribution tariff application usually proceeds through two phases. In Phase I, the distribution utility’s total revenue requirement is determined. In Phase II, specific rates to be charged to different classes of consumers are determined, thereby establishing the rate structure. Phase I and Phase II may be applied for in a single application or in separate applications at different times.

The principal components of an approved Phase I revenue requirement are as follows (the diagram does not necessarily represent the relative size of such principal components within an approved revenue requirement):



- *Total Return* is the return on capital invested by the distribution utility in its approved rate base assets, net of customer contributions, and financed through a deemed capital structure comprised of debt and equity, calculated, as a matter of general practice, on the following basis (the diagram does not necessarily represent all the components, or the relative size of such components, within an approved revenue requirement total return on rate base assets).



- *Depreciation and Amortization* is an allowance for a return of capital and is the depreciation or amortization on the rate base assets that is approved by the AUC, and is net of any customer contribution amortization.
- *Income Taxes* is the allowance for the recovery of deemed income taxes in respect of the regulated operations of the distribution utility.
- *Operating Expense* is determined to be the prudent operating costs associated with operating a distribution utility.

Any miscellaneous revenue generated by the distribution utility through its regulated operations is reflected in the determination of the total regulated revenue requirement.

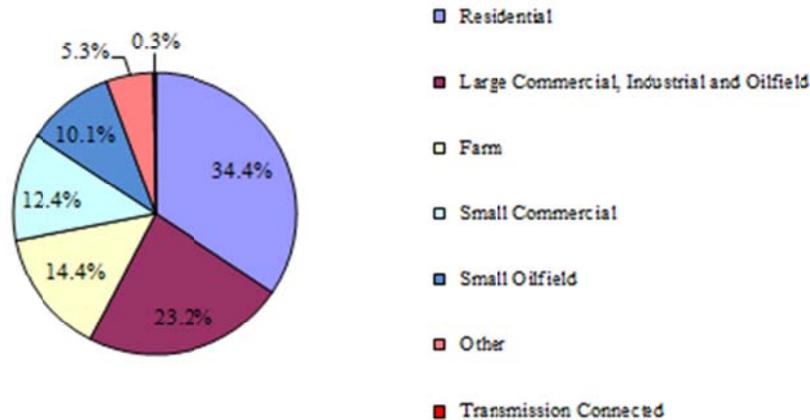
An approved Phase II rate structure results in rate schedules applicable to different customer classes as well as terms and conditions that govern the services provided to customers. The determination of rate structure is complex, typically involving the allocation of the Phase I revenue requirement to customer classes based on various class characteristics, followed by the design of specific rates to recover the allocated costs in a reasonable and equitable manner. Rates are designed based on a set of rate design principles, with the primary principle being to collect revenue from a particular customer class based on the costs that have been allocated to that class. The revenue by customer class is determined by multiplying the approved rates by billing determinants, which are structured and applied differently to each customer class in order to reflect the major cost drivers associated with them or to recognize other rate design criteria such as simplicity and rate stability.

Billing determinants are either fixed or variable, with fixed billing determinants providing more revenue stability and minimizing the impact of fluctuations in the volume of electricity distributed. FortisAlberta's distribution revenue, based on 2010 rates, can be considered stable as approximately 85% of distribution revenue is derived from fixed or largely fixed billing determinants. FortisAlberta's billing determinants include:

- energy (variable charges);
- demand (largely fixed charges);
- basic monthly charges (fixed charges); and
- contract kilometers (fixed distance-based charges).

For example, monthly distribution charges to residential customers are based on a basic monthly charge (\$/month) plus all energy (¢/kWh) delivered, whereas distribution charges to large industrial customers are based on monthly peak demand (\$/kW/month) and the length of conductor required for each customer (\$/km/month). The chart below provides an illustrative example of how cost allocation in Phase II results in recovery of the revenue requirement from customer classes (the chart does not necessarily represent all the customer classes, or the relative size of such customer classes, involved in recovery of the revenue requirement).

Allocation of Revenue Requirement by Customer Class⁽¹⁾



(1) Based on 2010 total energy revenue of \$309.9 million which excludes rate riders, deferrals and adjustments.

In general, a full Phase I and Phase II process may take up to a year from the submission of the original application to the release of a final decision by the AUC. The distribution utility may also negotiate Phase I and Phase II components with stakeholders as an alternative to the regulatory quasi-judicial process. Negotiated settlements still require review and final approval by the AUC.

On July 25, 2008, the AUC issued its notice of application, preliminary scoping document and minimum filing requirements for the 2009 Generic Cost of Capital Proceeding (the "Proceeding"). The Corporation submitted its evidence with respect to the Proceeding on November 20, 2008. The Proceeding applied to all gas, electric and pipeline utilities that are regulated by the AUC.

An oral hearing took place from May 19 to June 16, 2009 which included evidence from expert witnesses on behalf of each of the utilities. AUC Decision 2009-216 was issued on November 12, 2009. The decision discontinued usage of the previously established ROE formula and approved a generic ROE of 9.0% for 2009 and 2010 for all Alberta utilities.

The decision also adjusted individual equity ratios upward by 2.0% in most cases but, due to sector- or utility-specific circumstances, actual increases varied between 1.0% and 4.0%. FortisAlberta's deemed equity capitalization within the regulated capital structure was increased from 37% to 41%.

The regulated ROE for 2011 was approved as 9.0% on an interim basis in AUC Decision 2009-216. The AUC issued a Notice of Commission-Initiated Proceeding on December 16, 2010 to finalize the 2011 ROE, review capital structure and consider whether a return to a formula-based approach for setting ROE beginning in 2012 is warranted. In the absence of a formula-based approach, the Commission is expected to consider how the ROE will be set for 2012. This proceeding will also consider additional matters associated with customer contributions.

The 2009 revenue requirement originally approved in Decision 2008-011 included a placeholder for 2009 ROE of 8.51% pending finalization of the proceeding. The change in deemed capital structure and 9.0% ROE for 2009 approved as per Decision 2009-216 resulted in a cumulative annual impact of \$4.1 million, which was recorded in the fourth quarter of 2009 and is expected to be collected from customers in 2011.

On June 16, 2009, the Corporation filed a comprehensive Phase I and II application for 2010 and 2011 electric distribution service rates with the AUC. On July 6, 2010, the AUC issued Decision 2010-309 on the Corporation's 2010 and 2011 Phase 1 Distribution Tariff Application. The Corporation submitted a compliance filing for its 2010 and 2011 Phase 1 Distribution Tariff Application on August 30, 2010 that incorporated Decision 2010-309. On December 6, 2010, the AUC issued Decision 2010-560 approving the 2010 and 2011 Distribution Revenue Requirement amounts of \$346.0 million and \$368.3 million respectively.

The Corporation's application for 2010 interim rates and riders, effective January 1, 2010, was approved by the AUC on December 21, 2009 in Decision 2009-272. This interim approval resulted in an average increase of 7.5% to the base distribution rates for 2010.

On July 22, 2010, the AUC released Decision 2010-329 regarding the Corporation's Phase II Distribution Tariff Application. The Corporation's Phase II, rate design proposals were all effectively approved as filed. The Corporation submitted a Phase II Compliance Filing, specifying rates by customer class, to the AUC on September 10, 2010 based on the approved Phase I Compliance Filing with an effective date for new final rates and riders of January 1, 2011. On December 14, 2010, the Phase II Compliance Filing was approved in Decision 2010-576. This decision limited the increase to any one rate class to 20%, consistent with the Phase I Decision.

In the Corporation's 2010 and 2011 Phase I Distribution Tariff Application proceedings before the AUC, the Corporation requested to update the 2010/2011 forecast for the capital cost of the automated metering project, bringing the total project forecast to \$125.7 million. The AUC concluded that an amount of \$104.3 million for the metering project formed part of the 2008/2009 Negotiated Settlement Agreement ("NSA") approved in Decision 2008-011 and therefore did not approve the updated forecast. The Corporation filed a Review and Variance Application with the AUC and a Leave to Appeal with the Alberta Court of Appeal regarding the AUC's reading of Decision 2008-011, the interpretation thereof and the NSA included therein. The AUC issued Decision 2010-554 regarding the Review and Variance Application approving a hearing into the prudence of the capital expenditures above \$104.3 million. The proceeding will determine the prudence of the additional capital expenditures related to the metering project. The proceeding will be written, with a decision expected in the second quarter of 2011.

The Corporation's Leave to Appeal of Decision 2010-309 has been adjourned pending determination of the Review and Variance. The Utilities Consumer Advocate filed with the Alberta Court of Appeal a Leave to Appeal request in respect of Decision 2010-554, which has been similarly adjourned.

The AUC has initiated a process to reform utility rate regulation in Alberta. The AUC has expressed its intention to apply a performance based regulation ("PBR") formula to distribution service rates. A PBR regime can create incentives for a utility to improve efficiencies similar to a competitive market and to share in economic and/or other benefits with customers. The Corporation is currently assessing PBR and will participate fully in the AUC process. The Corporation will submit a 2012 and 2013 Cost of Service ("COS") Application in the first quarter of 2011 under the Uniform System of Accounts/Minimum Filing Requirements format for rates to be in place prior to any transition between COS and PBR regulation.

On October 1st, 2010, the Central Alberta Rural Electrification Association ("CAREA") filed an Application with the AUC requesting that, for the purposes of Sections 25 and 26 of the Hydro Act, regarding service areas, effective January 1, 2012, CAREA be entitled to serve any new customer in the overlapping CAREA Service Area that wishes to obtain electricity for use on such customer's property; and that the Corporation be restricted to providing electric distribution service in the CAREA Service Area only to a consumer in that service area who is not being provided service by CAREA. The Corporation has intervened in the proceeding and management believes that the CAREA application is not supportable at law.

MARKET FOR SECURITIES

None of the issued and outstanding shares of the Corporation, nor any of the Debentures are listed on any exchange.

DIVIDEND POLICY

Dividends on Class “A” Common Shares of FortisAlberta are declared at the discretion of the Board of Directors (the “Board”) of the Corporation.

In 2008, dividends totaling \$18.0 million were paid on the Corporation’s Class “A” Common Shares, consisting of payments of \$4.0 million in February, \$5.0 million in May, and \$4.5 million in August and November. In 2009, dividends totaling \$30.0 million were paid on the Corporation’s Class “A” Common Shares, consisting of payments of \$7.5 million in each of February, May, August and December. In 2010, dividends totaling \$35.0 million were paid on the Corporation’s Class “A” Common Shares, consisting of payments of \$8.75 million in each of February, May, August and November.

Certain of the Corporation’s debt covenants contain restrictions on the payment of dividends if consolidated debt exceeds 75% of consolidated capitalization. Certain further restrictions apply on dividends which are not in the ordinary course of business.

DESCRIPTION OF CAPITAL STRUCTURE

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Corporation has authorized share capital consisting of an unlimited number of Common Shares, Class “A” Common Shares and First Preferred Shares. The holders of the Common Shares are entitled to receive notice of, and to attend, all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each Common Share held at all such meetings. The holders of the Class “A” Common Shares are entitled to receive notice of, and to attend, all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each Class “A” Common Share held at all such meetings (other than a meeting of the First Preferred Shares, as a class). The holders of the First Preferred Shares as a class are not entitled to receive notice of, to attend nor to vote at any meeting of the shareholders of the Corporation, other than those meetings called for the purpose of authorizing the voluntary liquidation and dissolution of the Corporation.

The issued and outstanding capital of FortisAlberta consists of 63 Class “A” Common Shares with no par value. There are no Common Shares or First Preferred Shares outstanding. Fortis Alberta Holdings Inc. (the Corporation’s parent company and an indirect, wholly-owned subsidiary of Fortis) owns all the issued and outstanding Class “A” Common Shares of the Corporation.

RATINGS

The following information relating to the Corporation's credit ratings is provided as it relates to the Corporation's financing costs and liquidity. Specifically, credit ratings affect the Corporation's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current ratings on the Corporation's debt by its rating agencies or a negative change in the ratings outlook could adversely affect the Corporation's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Corporation's ability to, and the associated costs of, entering into normal course derivative or hedging transactions or its ability to maintain ordinary course contracts with customers and suppliers on acceptable terms.

FortisAlberta has long-term debt ratings on its senior unsecured debt comprised of \$200.0 million Series 04-1 Debentures, maturing October 2014; \$200.0 million Series 04-2 Debentures, maturing October 2034; \$100.0 million Series 06-1 Debentures, maturing April 2036; \$110.0 million Series 07-1 Debentures, maturing January 2047; \$100.0 million Series 08-1 Debentures, maturing April 2038; \$100.0 million Series 09-1 Debentures, maturing February 2039; \$125.0 million Series 09-2 Debentures, maturing October 2039; and \$125.0 million Series 10-1 Debentures, maturing October 2050. The ratings are set out in the following table:

Rating Agency	Rating
DBRS Limited (“DBRS”)	A (low), Stable Outlook
Standard and Poor’s (“S&P”)	A-, Stable Outlook
Moody’s Investors Service (“Moody’s”)	Baa1, Stable Outlook

Ratings are not recommendations to purchase, hold or sell Debentures, because ratings do not comment as to market price or suitability for a particular investor. The Corporation understands that ratings are based on, among other things, information furnished to the rating agencies by the Corporation and information obtained by the rating agencies from public sources. Ratings may be changed, suspended or withdrawn at any time by the rating agencies.

DBRS’s long-term debt ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities. DBRS states that its long-term debt ratings are meant to give an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. DBRS ratings do not take factors such as pricing or market risk into consideration and are expected to be used by purchasers as one part of their investment decision. Every DBRS rating is based on quantitative and qualitative considerations that are relevant for the borrowing entity. According to DBRS, a rating of A by DBRS is in the middle of three subcategories within the third highest of ten major categories; such rating is assigned to debt instruments considered to be of satisfactory credit quality and for which protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities. Entities in the A category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated entities. The assignment of a “(high)” or “(low)” modifier within each rating category indicates relative standing within such category.

S&P’s long-term debt ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities. S&P states that its long-term debt opinion evaluates the obligor’s capacity and willingness to meet its financial commitments as they come due. Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. According to S&P, a rating of A by S&P is the third highest of ten major categories. An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. S&P’s rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. Stable

means that a rating is not likely to change. The assignment of a “(+)” or “(-)” modifier within each rating category indicates relative standing within such category.

Moody’s long-term debt ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities. In addition, Moody’s applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa to Caa to indicate relative standing within such classification. The modifier 1 indicates that the security ranks at the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the security ranks in the lower end of its generic rating category. Moody’s long-term debt ratings are opinions of relative risk of fixed-income obligations with an original maturity of one year or more. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default. According to Moody’s, a rating of Baa is the fourth highest of nine major categories; such a debt rating is assigned to debt instruments considered to be of medium grade quality. Debt instruments rated Baa are subject to moderate credit risk and may possess certain speculative characteristics.

RISK FACTORS

The Corporation and its electricity distribution business are subject to a variety of risks and uncertainties that may have material and adverse effects, financial or otherwise, on the results of the Corporation’s operations.

REGULATORY APPROVAL AND RATE ORDERS

The regulated operations of the Corporation are subject to the normal uncertainties faced by regulated companies. These uncertainties include approval by the AUC of customer rates that permit a reasonable opportunity to recover, on a timely basis, the estimated costs of providing services, including a fair return on its rate base. The ability of the Corporation to recover the actual costs of providing services and to earn the approved rates of return depends on achieving the forecasts established in the rate-setting process. The cost of upgrades to existing facilities and the addition of new facilities require the approval of the AUC for inclusion in rate base. There is no assurance that capital projects perceived as required by the management of the Corporation will be approved or that conditions to such approval will not be imposed. Capital cost overruns might not be recoverable in rates.

Rate applications that establish revenue requirements may be subject to negotiated settlement procedures in Alberta. Failing a negotiated settlement, rate applications may be pursued through public hearing processes. There can be no assurance that the rate orders issued or negotiated settlements approved by the AUC will permit the Corporation to recover all costs actually incurred and to earn the expected rate of return. A failure to obtain acceptable rate orders may adversely affect the business carried on by the Corporation, the undertaking or timing of proposed expansion projects, the issue and sale of securities, ratings assigned by rating agencies and other matters which may, in turn, negatively impact the Corporation’s results of operations or financial position. In addition, there is no assurance that the Corporation will receive regulatory decisions in a timely manner and therefore may incur costs prior to having an approved revenue requirement.

If the Corporation’s actual costs exceed allowed costs and such excess costs are not recoverable through the rate-setting process, the Corporation’s financial performance could be adversely affected. Actual costs could exceed allowed costs if, for example, the Corporation incurs operational, maintenance or administrative costs above those included in the Corporation’s approved revenue requirement, higher expenses due to capital expenditures being at levels above those provided for in the rate orders, additional financing charges because of increased debt balances, or interest rates being higher than those included in the approved revenue requirement.

The restructuring of the power industry in Alberta continues to create uncertainty for the Corporation and its business. While restructuring of the power industry in Alberta officially commenced on January 1, 1996, the underlying legislation and regulations pursuant to which such restructuring was implemented continue to evolve. Changes in such legislation may have a retroactive effect. The extent to which the Government of Alberta may participate in, and make adjustments to, the market cannot be foreseen. The regulations and market rules that govern the competitive wholesale and retail electricity markets in Alberta continue to evolve and there may be significant changes in these regulations and market rules that could adversely affect the ability of the Corporation to recover its costs or to earn a reasonable return on its capital.

As an owner of an electricity distribution network under the EUA, the Corporation is required to act, or to authorize a substitute party to act, as a provider of electricity services, including the sale of electricity, to eligible customers under a regulated rate and to appoint a retailer as default supplier to provide electricity services to customers otherwise unable to obtain electricity services. In order to remain solely a distribution utility, the Corporation appointed EPCOR Energy Alberta Inc. (“EPCOR”) as its regulated rate provider. As a result of this appointment, EPCOR assumed all of the Corporation’s rights and obligations in respect of these services. In the unlikely event that EPCOR is unable or unwilling to act as regulated-rate provider or as default supplier, and no other party is willing to act as regulated-rate provider or as default supplier, the Corporation would be required under the EUA to act as a provider of electricity services to eligible customers under a regulated rate or to provide electricity services to customers otherwise unable to obtain electricity services. If the Corporation could not secure outsourcing for these functions, the Corporation would need to administer these retail responsibilities by adding necessary staff, facilities and/or equipment.

LOSS OF SERVICE AREAS

The Corporation serves customers that reside within various municipalities throughout its service areas. From time to time, municipal governments in Alberta may give consideration to municipalities creating their own electric distribution utility by purchasing the assets of the Corporation that are located within their municipal boundaries. Upon the termination of its franchise agreement with the Corporation, a municipality has the right, subject to AUC approval, to purchase the Corporation’s assets within its municipal boundaries pursuant to the Municipal Act with the price therefor to be agreed or, failing an agreement, to be set by the AUC.

Additionally, under the Hydro Act, if a municipality that owns an electric distribution system expands its boundaries, that municipality can acquire the Corporation’s assets in the annexed area. In such circumstances, the Hydro Act provides that the AUC may determine that the municipality should pay compensation to the Corporation for any facilities transferred on the basis of “reproduction cost new less depreciation”.

The consequence to the Corporation of a municipality purchasing its distribution assets would be an erosion of its rate base. This would reduce the capital upon which the Corporation could earn a regulated return. There are currently no transactions ongoing with municipalities pursuant to the Municipal Act that relate to the Corporation. However, upon expiration of franchise agreements, there is a risk that municipalities will opt to purchase the distribution assets existing within the boundaries of the municipality, the loss of which could have a material adverse effect on the financial position or results of operations of the Corporation. With respect to transactions under the Hydro Act, given the historical growth rate of the Alberta population and its municipalities, the Corporation is affected by transactions of this type from time to time.

On October 1, 2010, the CAREA filed an application with the AUC seeking a declaration that, effective January 1, 2012, CAREA be entitled to serve any new customer wishing to obtain electricity for use on property within their service area and that the Corporation be restricted to serving only those that are not being served by the CAREA.

ENVIRONMENTAL MATTERS

The Corporation is subject to numerous laws, regulations and guidelines governing the generation, management, storage, transportation, recycling and disposal of hazardous substances and other waste materials and otherwise relating to the protection of the environment. The costs arising from compliance with such laws, regulations and guidelines may be material to the Corporation. The process of obtaining environmental regulatory approvals can be lengthy, contentious and expensive. Environmental damages and other costs could potentially arise due to a variety of events, including severe weather impacts to the Corporation's facilities, human error or misconduct, or equipment failure. However, there can be no assurance that such costs will be recoverable through rates and, if substantial, such unrecovered costs may have a material effect on the business, results of operations, financial condition and prospects of the Corporation.

The Corporation is exposed to environmental risks as a property owner in Alberta. These risks include the responsibility of any property owner for the remediation of contaminated properties, whether or not such contamination was actually caused by the owner. In addition, environmental laws make owners, operators and persons in management and control of facilities and substances subject to prosecution or administrative action for breaches of environmental laws including the failure to obtain regulatory approvals. The Corporation has not been notified of any such regulatory action in regard to the occupation of its properties or the management and control of its facilities and substances.

These same laws governing lands owned by the Corporation apply to lands utilized by the Corporation through dispositions for its facilities or in the course of its business. Contamination of such property typically occurs through the accidental release of transformer oils either through human error or equipment failure. Environmental laws make owners, operators and persons in management and control of facilities and substances subject to prosecution or administrative action for breaches of environmental laws. Changes in environmental laws governing contamination could also lead to significant increases in costs to the Corporation.

The trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment, including the generation and disposal of wastes, the use and handling of chemical substances, and the requirement for environmental impact assessments and remediation work. It is possible that other developments may lead to increasingly strict environmental laws and enforcement policies and claims for damages to property or persons resulting from the Corporation's operations, any one of which could result in substantial costs or liabilities to the Corporation.

Scientists and public health experts in Canada, the United States and other countries are studying the possibility that exposure to electric and magnetic fields from power lines, household appliances and other electricity sources may cause health problems. If it were to be concluded that electric and magnetic fields present a health hazard, litigation could result and the Corporation could be required to pay damages and take mitigation measures on its facilities. The costs of litigation, damages awarded and mitigation measures could have a material adverse effect on the Corporation's business, results of operations, financial condition and prospects.

Electricity distribution facilities have the potential to cause fires mainly as a result of equipment failure, falling trees and lightning strikes to distribution lines or equipment and other causes. Risks associated with fire damage are related to the extent of forestation and grassland cover, habitation, and third-party facilities located on or near the land on which the facilities are situated. The Corporation may be liable for fire suppression costs, regeneration and timber value costs and third-party claims in connection with fires on lands on which its facilities are located and such claims, if successful, could have a material adverse effect on the business, results of operations and prospects of the Corporation. The Corporation has a wildfire agreement in place with the Government of Alberta for Crown lands in the forest protection area that limits the Corporation's liability for the Crown's forest fire suppression costs to 50% of the total cost to suppress the fire to a maximum of \$100,000. The agreement allows the Corporation to reduce its liability to 25% of the fire suppression costs to a maximum of \$50,000 following the approval by the Crown of the Corporation's Annual Wildfire Management Plan for Wildfire Prevention.

While the Corporation maintains insurance for fires, the insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions and there can be no assurance that the possible types of liabilities that may be incurred by the Corporation will be covered by its insurance. See "Underinsured and Uninsured Losses".

Electricity distribution has inherent potential risks and there can be no assurance that substantial costs and liabilities will not be incurred. Potential environmental damage and costs could materialize due to some type of severe weather event or major equipment failure and there can be no assurance that such costs would be recoverable. Unrecovered costs could have a material adverse effect on the Corporation's business, results of operations and prospects.

CAPITAL RESOURCES

The Corporation's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. Funds generated from operations after payment of expected expenses (including interest payments on any outstanding debt) may not be sufficient to fund the repayment of all outstanding liabilities when due and anticipated capital expenditures. The ability to arrange sufficient and cost-effective financing is subject to numerous factors, including regulatory approval or exemption, the regulatory environment in Alberta, the results of operations and financial position of the Corporation and Fortis, conditions in the capital and bank credit markets and the ratings assigned by rating agencies and general economic conditions. There can be no assurance that sufficient capital will be available on acceptable terms to fund such capital expenditures and to repay existing debt.

LABOUR RELATIONS

Approximately 75% of the employees of the Corporation are members of the UUWA. On December 14, 2010, the Corporation reached a three-year collective agreement with the UUWA, which was ratified by 86% of its membership. The Corporation considers its relationship with the UUWA to be satisfactory, but there can be no assurance that current relations will continue in future negotiations or that the terms under the present collective agreement will be renewed. The inability to maintain or renew collective agreements on acceptable terms could result in increased labour costs or service interruptions arising from labour disputes for the Corporation that are not provided for in approved rate orders and which could have a material adverse effect on the results of operations, cash flow and net income of the Corporation.

OPERATING AND MAINTENANCE RISK

The Corporation's distribution assets require maintenance, improvement and replacement. Accordingly, to ensure the continued performance of the Corporation's physical distribution assets, the Corporation determines expenditures that must be made to maintain and replace assets. The Corporation could experience service disruptions and increased costs if it is unable to maintain its asset base. The inability to obtain AUC approval to include in rates the capital expenditures which the Corporation believes are necessary to maintain, improve and replace its distribution assets, the failure by the Corporation to properly implement or complete approved capital expenditure programs or the occurrence of significant unforeseen equipment failures despite the maintenance program could have a material adverse effect on the Corporation.

The Corporation continually develops capital expenditure programs and assesses current and future operating and maintenance expenses that will be incurred in the ongoing operation of its distribution business. Management's analysis is based on assumptions as to costs of services and equipment, regulatory requirements, revenue requirement approvals, and other matters, which are uncertain. If actual costs exceed AUC approved capital expenditures, it is uncertain as to whether any additional costs will be approved by the AUC and recovered through rates. The inability to recover these additional costs could have a material adverse effect on the financial condition and results of operations of the Corporation.

PERMITS

The acquisition, ownership and operation of electricity businesses and assets require numerous permits, approvals and certificates from federal, provincial and municipal government agencies. The Corporation may not be able to obtain or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approval or if the Corporation fails to maintain or obtain any required approval or fails to comply with any applicable law, regulation or condition of an approval, the operation of its assets and the sale of electricity could be prevented or become subject to additional costs, any of which could have a material adverse effect on the Corporation.

Certain of the Corporation's distribution assets may be located on land for which it has not acquired appropriate rights. In addition, the Corporation has distribution assets on First Nations' lands, for which access permits are held by TransAlta Utilities Corporation ("TransAlta"). In order for the Corporation to acquire an access permit, both the Ministry of Indian and Northern Affairs Canada and the relevant Band Council must grant approval. The Corporation may not be able to rely upon the access permits from TransAlta and may be unable to negotiate land usage agreements with property owners or, if negotiated, such agreements may be on terms which are less than favourable to the Corporation. The failure to acquire access permits or negotiate land usage agreements may disrupt the Corporation's ability to reliably distribute electricity, which could have a material adverse effect on the Corporation.

WEATHER CONDITIONS AND OTHER ACTS OF NATURE

The facilities of the Corporation are exposed to the effects of severe weather conditions and other acts of nature. Although the Corporation's facilities have been constructed, operated and maintained to withstand a certain level of severe weather, there is no assurance that they will successfully do so in all circumstances. In addition, many of these facilities are located in remote areas, which make it more difficult to perform maintenance and repairs if they are damaged by weather conditions or other acts of nature. In the event of a large uninsured loss caused by severe weather conditions or other natural disasters, application will likely be made to the AUC for the recovery of these costs through rates. However, there can be no assurance that the AUC will approve any such application. Losses resulting from repair costs and lost revenues could substantially exceed insurance coverage and any increased rates. Furthermore, the Corporation could be subject to claims from its customers for damages caused by the failure to transmit or distribute electricity to them in accordance with the Corporation's contractual obligations. The Terms and Conditions of Distribution Access Service of the Corporation include protection from damages or losses of an indirect or consequential nature, and specifically from liability of any kind arising from reasonable curtailment or interruption of distribution service. However, any major damage to the Corporation's facilities could result in lost revenues, repair costs and customer claims that are substantial in amount, which could have a material adverse effect on the Corporation.

UNDERINSURED AND UNINSURED LOSSES

The Corporation maintains insurance coverage at all times in respect of certain potential liabilities and the accidental loss of value of certain of its assets, in amounts and with such insurers, as it considers appropriate, taking into account relevant factors, including the practices of owners of similar assets and operations. It is anticipated that such insurance coverage will be maintained. However, there can be no assurance that the Corporation will be able to obtain or maintain adequate insurance in the future at rates it considers reasonable or that insurance will continue to be available on terms as favourable as the Corporation's existing arrangements. Further, there can be no assurance that available insurance will cover all losses or liabilities that might arise in the conduct of the Corporation's business. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Corporation, or a claim that falls within a significant self-insured retention could have a material adverse effect on the Corporation's business, results of operations, financial position and prospects.

In the event of an uninsured or underinsured loss or liability, the Corporation would likely apply to the AUC to recover the loss or liability through increased rates. However, there can be no assurance that the AUC would approve any such application, in whole or in part. Any major damage to the Corporation's facilities could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Corporation's business, results of operations, financial position and prospects.

INFORMATION TECHNOLOGY INFRASTRUCTURE

The Corporation's ability to operate effectively in the Alberta electricity market is highly dependent upon it developing, managing and maintaining complex information systems and infrastructure that are employed to support the operation of its distribution facilities, provide the electricity market with billing and load settlement information, and support the financial and general operating aspects of the business. Information system failures could have a material adverse effect on the Corporation.

WORKFORCE DEMOGRAPHICS

The Corporation is exposed to some risk surrounding upcoming retirements and employee turnover. Given the demographics of the Corporation, there will likely be an increase in retirement from the critical workforce segments in future years. In addition, it is expected that the skilled labour market for the industry will remain competitive in the future. Meeting the capital program and customer expectations will be a challenge if the Corporation is unable to continue to attract and retain qualified personnel.

INTEREST RATES

Any reductions in the Corporation's credit ratings or increases in interest rates could adversely affect the interest rate exposures for drawings under the syndicated credit facility. Additionally, a decrease in the credit ratings of the Corporation could result in higher interest rates associated with future bond issuances.

COUNTERPARTY CREDIT RISK

The Corporation defines counterparty credit risk as the financial risk associated with the non-performance of contractual obligations by counterparties. The Corporation extends credit to select counterparties in its role as an electrical system distribution provider. The Corporation monitors its credit exposure in accordance with the Terms and Conditions of Distribution Access Service as approved by the AUC. As outlined in the Terms and Conditions of Distribution Access Service, the Corporation is required to minimize its exposure to retailer billings by obtaining an acceptable form of security where the retailer does not have an investment grade credit rating from a major rating agency and, in any case, where the payment obligations of the retailer exceed limits stipulated in the regulations. The acceptable forms of security include a cash deposit, bond, irrevocable letter of credit, or a financial guarantee from an entity with an investment grade credit rating.

The Corporation does not expect a default from retailers with an investment grade credit rating, however, if a default by an entity with an investment grade credit rating occurred, the Corporation may seek to have this loss recovered in rates. There is no guarantee that recovery of these amounts would be approved in future rate cases and as such the Corporation may incur a loss as a result of such a default. For retailers that do not have an investment grade credit rating, and for retailers with an investment grade credit rating but payment obligations exceeding the limits stipulated in the regulations, security in the forms mentioned above is required in the amount of the projected value of billings, or excess over limits, over a 60-day period. In accordance with the Terms and Conditions of Distribution Access Service, the Corporation continues to manage this net exposure by requesting additional security from retailers as required.

Volatility in the global capital markets and/or a slowdown in the Alberta economy could cause the credit quality of some of the Corporation's customers to decrease. In the event that the prudential obtained by the Corporation under the Terms and Conditions of Distribution Access Service is not sufficient to cover a loss due to non-payment from the Corporation's counterparties, the Corporation would review all other options available. However, these options would not ensure that a loss could be avoided by the Corporation.

PROVINCIAL ECONOMY

A general and extended decline in Alberta's economy would be expected to have the effect of reducing demand for electric energy over time. Such a decrease in demand could potentially reduce the revenues of the Corporation despite the possibility of AUC-approved means to compensate for reduced business volumes. Also, an economic downturn could impair the ability of some end-use customers to pay for electricity received. Any such prolonged downturn in Alberta's economy could adversely affect the business, results of operations, financial condition or prospects of the Corporation.

DIRECTORS AND OFFICERS

DIRECTORS

The following table sets out the name, municipality of residence, term of office and number of common shares of Fortis (“Fortis Shares”) beneficially owned, directly or indirectly, or controlled or directed, for each of the directors of FortisAlberta as at December 31, 2010. Also included are principal occupations within the five preceding years from the date hereof. All directors are elected annually.

Name and Municipality of Residence	Director Since	Fortis Shares beneficially owned, directly or indirectly, or controlled or directed	Principal Occupation or Employment for Past 5 years	
Judith J. Athaide Calgary, AB	2008	1,224 Fortis Shares	The Cogent Group Inc. (An independent energy consulting company) 1999 to present	President and Chief Executive Officer
Dr. Brian F. Bietz Calgary, AB	2005	1,000 Fortis Shares	Bow City Power Ltd. (A power generation development company) October 2006 to present Bietz Resources Ltd. (A regulatory consulting company) April 2003 to present	President and Chief Executive Officer President
Mary Cameron Edmonton, AB	2009	175 Fortis Shares	Cameron and Company (An investment management company) April 2002 to present	Partner
Gregory E. Conn Innisfail, AB	2005	Nil	Rancher 1980 to present FortisAlberta Inc. (An electric utility company) February 2008 to present	Rancher Chairman of the Board
William J. Daley Crystal Beach, ON	2010	40,306 Fortis Shares	FortisOntario Inc. (An electric utility company) July 2002 to present	President and Chief Executive Officer
Al H. Duerr Calgary, AB	2006	Nil	General Magnetic International Inc. (A motor and generator production company) 2008 to present Al Duerr and Associates (A technology consulting company) 2001 to present	Chief Executive Officer Chief Executive Officer

Name and Municipality of Residence	Director Since	Fortis Shares beneficially owned, directly or indirectly, or controlled or directed	Principal Occupation or Employment for Past 5 years	
Douglas J. Haughey Calgary, AB	2010	6,000 Fortis Shares	<p>Provident Energy Ltd. (A midstream natural gas liquids (NGL) company) April 2010 to present</p> <p>Windshift Capital Corp. (An energy infrastructure investment company) December 2008 to April 2010</p> <p>Spectra Energy Corp. (A natural gas infrastructure company) March 2008 to December 2008</p> <p>Spectra Energy Income Fund (An income fund operating midstream natural gas assets) December 2005 to March 2008</p> <p>Spectra Energy Transmission – West (A natural gas transmission company) April 2002 to December 2007</p>	<p>President and Chief Executive Officer</p> <p>President and Chief Executive Officer</p> <p>Group Vice President</p> <p>President and Chief Executive Officer</p> <p>President</p>
Joanne R. Lemke Airdrie, AB	2006	200 Fortis Shares	<p>Joanne R Lemke & Associates Ltd. (A communications consulting company) 2003 to present</p>	<p>President</p>
H. Stanley Marshall Paradise, NL	2004	499,863 Fortis Shares	<p>Fortis Inc. (An electric utility company) May 1996 to present</p> <p>FortisAlberta Inc. (An electric utility company) June 2004 to February 2008</p>	<p>President and Chief Executive Officer</p> <p>Chairman of the Board</p>
Karl W. Smith Calgary, AB	2007	76,397 Fortis Shares	<p>FortisAlberta Inc. (An electric utility company) May 2007 to present</p> <p>Newfoundland Power Inc. (An electric utility company) January 2004 to April 2007</p>	<p>President and Chief Executive Officer</p> <p>President and Chief Executive Officer</p>
John C. Walker Kelowna, BC	2005	88,809 Fortis Shares	<p>Terasen Inc. and Terasen Gas Inc. (A gas distribution utility company) July 2010 to present</p> <p>FortisBC Inc. (An electric utility company) April 2005 to present</p>	<p>President and Chief Executive Officer</p> <p>President and Chief Executive Officer</p>

OFFICERS

The following table sets out the name and municipality of residence of each of the officers of FortisAlberta as at December 31, 2010 and indicates the office(s) held and principal occupations within the five preceding years from the date hereof.

Name and Municipality of Residence	Office Held	Principal Occupation or Employment for Past 5 years	
Karl W. Smith Calgary, AB	President and Chief Executive Officer	<i>FortisAlberta Inc.</i> May 2007 to present	President and Chief Executive Officer
		<i>Newfoundland Power Inc.</i> January 2004 to April 2007	President and Chief Executive Officer
Ian Lorimer Calgary, AB	Vice President, Finance and Chief Financial Officer	<i>FortisAlberta Inc.</i> September 2008 to present	Vice President, Finance and Chief Financial Officer
		<i>FortisBC Inc.</i> June 2004 to August 2008	Manager, Treasury and Corporate Reporting
Alan Skiffington Calgary, AB	Vice President, Business Services and Chief Information Officer	<i>FortisAlberta Inc.</i> July 2008 to present	Vice President, Business Services and Chief Information Officer
		<i>FortisAlberta Inc.</i> November 2007 to July 2008	Vice President, Corporate Services and Chief Information Officer
		<i>FortisAlberta Inc.</i> June 2005 to November 2007	Vice President, Information Technology and Chief Information Officer
Phonse Delaney Calgary, AB	Vice President, Operations and Engineering	<i>FortisAlberta Inc.</i> June 2008 to present	Vice President, Operations and Engineering
		<i>Newfoundland Power Inc.</i> October 2003 to June 2008	Vice President, Operations and Engineering
Nipa Chakravarti Calgary, AB	Vice President, Customer Service	<i>FortisAlberta Inc.</i> July 2008 to present	Vice President, Customer Service
		<i>FortisAlberta Inc.</i> April 2003 to July 2008	Director, Customer Operations and AMI
Annette Butt Calgary, AB	Vice President, Human Resources and Corporate Communications	<i>FortisAlberta Inc.</i> July 2008 to present	Vice President, Human Resources and Corporate Communications
		<i>FortisAlberta Inc.</i> September 2004 to July 2008	Director, Human Resources and Corporate Communications
Michael Olson Calgary, AB	Controller and Treasurer	<i>FortisAlberta Inc.</i> November 2005 to present	Controller and Treasurer
Karl Bomhof Calgary, AB	General Counsel and Corporate Secretary	<i>FortisAlberta Inc.</i> July 2010 to present	General Counsel and Corporate Secretary
		<i>FortisAlberta Inc.</i> September 2008 to July 2010	Director, Human Resources
		<i>FortisAlberta Inc.</i> November 2006 to September 2008	Senior Legal Counsel and Assistant Secretary

The directors and officers of FortisAlberta, as a group, do not beneficially own, directly or indirectly, or exercise control or direction over any issued and outstanding shares of the Corporation. The directors and officers of FortisAlberta, as a group, beneficially own, directly or indirectly, or exercise control or direction less than 1% of the issued and outstanding Fortis Shares.

COMMITTEES

The Board has two standing committees: the Audit, Risk and Environment Committee and the Governance and Human Resources Committee.

Audit, Risk and Environment Committee – The Audit, Risk and Environment Committee’s mandate is to assist the Board in discharging its fiduciary duties to the Corporation relating to financial reporting and disclosure. The Committee is charged with (i) reviewing all published financial statements and reports that require Board approval; (ii) the operation of the Pension Plan and the financial performance of the Pension Plan assets; (iii) the adequacy of the Corporation’s internal control systems, and corporate policies relating to code of conduct; (iv) the environment and risk/insurance management; and (v) the preservation of assets.

The members of the Audit, Risk and Environment Committee as at December 31, 2010 were Judith J. Athaide (Chair), Brian F. Bietz, Mary Cameron, Gregory E. Conn and Douglas J. Haughey.

Governance and Human Resources Committee – The GHR Committee’s mandate is to review, report and make recommendations to the Board on (i) corporate governance policies; (ii) compensation, benefits and perquisites of senior officers of the Corporation; (iii) the respective duties of the Chair of the Board, the Chief Executive Officer, the Board and other senior officers of the Corporation; (iv) assessing the effectiveness of the Board and proposing new nominees for election or appointment to the Board; and (v) reporting to the Corporation’s shareholders regarding corporate governance and executive compensation matters.

The members of the GHR Committee as at December 31, 2010 were Al H. Duerr (Chair), William J. Daley, Joanne R. Lemke, H. Stanley Marshall and John C. Walker.

CONFLICTS OF INTEREST

The directors and officers of Corporation are engaged in, and will continue to engage in, other activities in the industries in which the Corporation operates and, as a result of these and other activities, the directors and officers of the Corporation may become subject to conflicts of interest. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA. As at the date hereof and other than as described herein, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and any director or officer of the Corporation.

REPORT ON EXECUTIVE COMPENSATION

It is the responsibility of the GHR Committee to review, recommend and administer the compensation policies in respect of the Corporation's executive officers. The GHR Committee's recommendations as to annual base salary and short term incentives are submitted to the Board for approval. Proposed grants of options to the Corporation’s executive officers under the Stock Option Plan of Fortis are submitted by the Corporation’s Board to the Human Resources Committee of the Board of Directors of Fortis for approval.

The Corporation's executive compensation policies are designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance. The GHR Committee recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executive officers as well as align the compensation level of each executive officer to that officer's level of responsibility. The GHR Committee regularly reviews survey data gathered by independent professional compensation consultants in respect of a wide group of comparable Canadian commercial industrial companies.

The Corporation has a policy of compensating executive officers at approximately the median (50th percentile) of comparable Canadian commercial industrial companies. For clarity, this reference group does not include organizations in the financial service and broader public sectors, and includes organizations from the energy, mining and manufacturing sectors. Annually, the GHR Committee uses the compensation data from this reference group to compare each executive officer to corresponding positions within the reference group. This framework serves as a guide for the GHR Committee's deliberations. The actual total compensation and/or amount of each compensation component for an individual executive officer may be more or less than the median amount.

Total annual compensation for the executive officers is composed primarily of four main components:

- annual base salary;
- short-term incentive in the form of an annual cash bonus;
- long-term incentive in the form of options to purchase Fortis Shares; and
- pension arrangements.

Total annual compensation for the executive officers involves a significant proportion that is at-risk due to the use of short-term and long-term incentive components. In 2010, approximately 40% of the President and Chief Executive Officer's total annual compensation was designed to be at-risk, and approximately 30% of the Vice Presidents' total annual compensation was designed to be at-risk. Total annual compensation includes both the cash compensation paid to the executive officers in the year and the estimated compensation for the long-term incentive components.

The executive compensation regime is structured in a manner that recognizes the greater ability of the President and Chief Executive Officer to affect corporate performance by making a greater portion of that individual's compensation dependent upon corporate performance.

The elements of executive compensation and their respective compensation objectives are set out below:

Compensation Element <i>(Eligibility)</i>	Description	Compensation Objectives
Annual Salary & Annual Incentive		
Annual Base Salary <i>(all executive officers)</i>	- Salary is a market-competitive, fixed level of compensation.	- Retain and attract highly qualified leaders.
Annual Incentive <i>(all executive officers)</i>	- Combined with salary, the target level of annual incentive provides a market-competitive total cash opportunity. - Annual incentive payout depends on individual and corporate performance.	- Retain and attract highly qualified leaders. - Motivate strong business performance through achievement of short-term objectives. - Simple to communicate and administer. - Compensation dependent on individual and corporate performance.
Stock Options		
Stock Options <i>(all executive officers)</i>	- Annual equity grants are made in the form of stock options to purchase Fortis Shares. - The amount of annual grant is dependent on the organizational level of the officer and their recent share ownership levels. - Planned grant value is converted to the number of shares granted by dividing the planned value by the pre-determined, formulaic planning price. - Options vest over a four year period and expire after seven years.	- Retain and attract highly qualified leaders. - Motivate strong business performance. - Align long-term interests of officers with those of Fortis Shareholders. - Simple to communicate and administer. - Balance compensation for short and long-term strategic results.
Pension Arrangements		
Registered Retirement Savings Plan <i>(all executive officers)</i>	- Contribution to a registered retirement savings plan equal to 6.5% of a participant's annual base salary and annual incentive which is matched by the participant up to the maximum annual contribution limit allowed by the Canada Revenue Agency.	- Retain highly qualified leaders. - Simple to communicate and administer.
Defined Contribution Pension Plan (SERP) <i>(all executive officers)</i>	- Accrual of 13% of annual base salary and annual incentive in excess of the allowed Canada Revenue Agency annual limit. - At time of retirement, paid in one lump sum or in equal payments over a period not greater than 15 years.	- Retain highly qualified leaders. - Simple to communicate and administer.

Annual Base Salary: Base salaries for the executive officers are established annually by reference to the range of salaries paid generally by comparable Canadian commercial industrial companies and are targeted to the median of the comparator group.

Annual Incentive Plan: The executive officers of the Corporation participate in a short-term incentive plan which provides for annual cash bonuses. The amount of each bonus is determined by way of an annual assessment of corporate and personal performance in relation to targets approved by the Board and is expressed as a percentage of each executive officer's base salary. The Corporation's annual net earnings must reach a minimum threshold level before any payout is made under the plan. For competitive reasons the minimum threshold level is not disclosed.

Corporate performance is determined with reference to the performance of the Corporation relative to weighted targets in respect of customer satisfaction, productivity, reliability and safety. For 2010, there were five corporate targets. They included: (i) a customer satisfaction index of 83% as measured by quarterly customer surveys (30% weighting); (ii) controllable operating costs per customer of \$208 (30% weighting); (iii) electrical system average interruption duration index of 1.82 calculated in accordance with national industry standards (20% weighting); (iv) number of preventable injuries of 14 (10% weighting); and (v) days lost due to preventable injuries of 51 (10% weighting).

Personal performance is determined with reference to individual contribution to corporate objectives. For the President and Chief Executive Officer, 70% of the annual cash bonus is based on corporate targets and 30% is based upon personal targets. For each of the other executive officers, 50% of the annual cash bonus is based upon corporate targets and 50% is based upon personal targets.

In 2010, the target cash bonus, which is payable upon the achievement of 100% of corporate and personal targets, was 40% of base salary for the President and Chief Executive Officer and 30% of base salary for all other executive officers. Exceeding corporate and personal targets will result in a higher cash bonus, the maximum of which is 60% of base salary for the President and Chief Executive Officer and 45% of base salary for all other executive officers. Additionally, the Board may award discretionary cash bonuses, the maximum of which is 20% of base salary for the President and Chief Executive Officer and 15% of base salary for all other executive officers. In total, the maximum cash bonus is therefore 80% of base salary for the President and Chief Executive Officer and 60% of base salary for all other executive officers.

Stock Options: Long-term incentives take the form of grants of options under the Stock Option Plan of Fortis, pursuant to which options to acquire Fortis Shares may be granted to executives and key employees of Fortis and its subsidiaries, including the Corporation, as part of a competitive compensation package and in order to encourage increased Fortis Share ownership by key employees. Grants of options are dependent upon the optionee's salary level. The President and Chief Executive Officer of the Corporation was granted an option entitling him to purchase that number of Fortis Shares having a market value at the time of grant equal to 300% of his base salary. The other executive officers were granted options entitling the officers to purchase that number of Fortis Shares having a market value at the time of grant equal to 100% or 150% of such officer's base salary. Grants of stock options in prior years are not considered in the Corporation's request to Fortis for a grant of options under the Stock Option Plan of Fortis.

The stock option plan in place for 2010 was the 2006 Stock Option Plan of Fortis which became effective May 2, 2006. Under this plan, options are exercisable for seven years from the date of the option grant subject to a vesting requirement whereby options vest at a rate of 25% per year over the four year period commencing on the first anniversary of the date of grant. The Corporation will no longer provide financial assistance to the optionee toward the exercise of options granted after May 2, 2006. Under the terms of this plan, all options granted, vesting rights, and financing provisions under previous plans will continue to exist and remain in force as long as any options granted under former plans are outstanding. No consolidation of options already granted will be made into the 2006 Stock Option Plan of Fortis and Fortis has ceased to grant options under previous stock option plans.

Effective January 1, 2009, where an executive officer or key employee has been granted options for five or more prior years, the maximum number of Fortis Shares for which options will be granted in any calendar year will not exceed the minimum number of Fortis Shares held by the executive officer or the key employee since the beginning of the previous calendar year.

Pension Arrangements: Executive officers also participate in various pension arrangements as outlined on page 36 of this Annual Information Form.

The GHR Committee believes that the Corporation's compensation regime appropriately takes into account the performance of the Corporation and the contribution of the President and Chief Executive Officer and other executive officers of the Corporation toward that performance.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table sets forth information concerning the annual and long-term compensation earned for services rendered in respect of each of the individuals who were, for the year ended December 31, 2010, the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer and the Corporation's three other most highly paid executive officers (collectively the "Named Executive Officers", each an "Executive").

Name and Principal Position	Year	Salary (\$)	Option-based Awards (\$) ⁽¹⁾	Non-equity Incentive Plan Annual Incentive Plan (\$) ⁽²⁾	Pension Value (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total Compensation (\$)
Karl W. Smith ⁽⁵⁾ President and Chief Executive Officer	2010	\$430,000	\$162,288	\$225,000	\$77,400	\$25,083	\$919,771
	2009	\$430,000	\$132,348	\$250,000	\$73,428	\$25,732	\$911,508
	2008	\$385,000	\$194,475	\$215,600	\$61,812	\$34,931	\$891,818
Ian Lorimer ⁽⁶⁾ Vice President, Finance and Chief Financial Officer	2010	\$210,000	\$50,786	\$85,000	\$29,950	\$18,180	\$393,916
	2009	\$200,000	\$55,186	\$105,000	\$23,300	\$18,367	\$401,853
	2008	\$61,667	-	\$60,000	\$5,207	\$23,114	\$149,988
Phonse Delaney ⁽⁷⁾ Vice President, Operations and Engineering	2010	\$260,000	\$62,869	\$100,000	\$36,450	\$11,821	\$471,140
	2009	\$260,000	\$49,397	\$105,000	\$31,131	\$8,986	\$454,514
	2008	\$125,000	\$59,614	\$100,000	\$25,796	\$29,911	\$340,321
Alan Skiffington Vice President, Business Services and Chief Information Officer	2010	\$220,000	\$51,297	\$85,000	\$29,300	\$7,146	\$392,743
	2009	\$220,000	\$60,712	\$90,000	\$29,800	\$8,589	\$409,101
	2008	\$208,000	\$52,531	\$90,000	\$25,737	\$11,554	\$387,822
Nipa Chakravarti Vice President, Customer Service	2010	\$195,700	\$31,557	\$72,500	\$24,516	\$9,940	\$334,213
	2009	\$190,000	\$39,949	\$77,500	\$22,000	\$8,531	\$337,980
	2008	\$168,225	\$13,518	\$60,000	\$20,183	\$14,312	\$276,238

Footnotes:

- (1) Represents the fair value of stock options to acquire Fortis Shares pursuant to the Stock Option Plan of Fortis. See REPORT ON EXECUTIVE COMPENSATION – Stock Options. The fair values of \$4.76 per option for 2008 options, \$4.10 per option for 2009 options and \$4.41 for 2010 options were determined at the date of grant using the Black-Scholes option pricing model. Options granted to respective Named Executive Officers are detailed in the table on page 35.
- (2) Represents amounts earned under the Corporation's short-term incentive program in the form of a cash bonus. See REPORT ON EXECUTIVE COMPENSATION – Annual Incentive Plan.
- (3) Represents all compensation paid or accrued to Named Executive Officers relating to the registered retirement savings plan and defined contribution supplemental employee retirement plan. See REPORT ON EXECUTIVE COMPENSATION – Pension Arrangements.
- (4) Includes (i) the dollar value on imputed interest benefits from loans provided to the Named Executive Officers and the dollar value of insurance premiums paid by the Corporation with respect to term life insurance; (ii) 10% match by the Corporation on contributions made to purchase Fortis Shares through the Employee Share Purchase Plan. Perquisites are not disclosed as they did not exceed the minimum disclosure threshold of the lesser of \$50,000 or 10% of the total annual salary and bonus of the Named Executive Officer.
- (5) All of Mr. Smith's compensation is received in his capacity as an officer of the Corporation. Mr. Smith is not compensated for also serving as a director of the Corporation.
- (6) Mr. Lorimer joined the Corporation effective September 1, 2008.
- (7) Mr. Delaney joined the Corporation effective June 30, 2008.

STOCK OPTIONS

The following table sets forth details of all outstanding options held by each Named Executive Officer, at December 31, 2010 for respective stock option grants. Each grant is detailed by the total value of “in the money” options that are unexercised, both the portions which have vested to respective Named Executive Officers and those portions which remained unvested at December 31, 2010.

Name and Principal Position	Year in Which Options Were Granted	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$) ⁽¹⁾	Option Expiration Date	Value of Unexercised in-the Money Options (\$) ⁽²⁾
Karl W. Smith President and Chief Executive Officer	2003	15,640	\$12.810	March 13, 2013	\$331,099
	2004	45,812	\$15.280	March 10, 2014	\$856,684
	2005	40,748	\$18.405	March 1, 2015	\$634,650
	2006	34,329	\$22.940	February 28, 2016	\$378,992
	2007	38,312	\$28.190	May 7, 2014	\$221,826
	2008	40,856	\$28.270	February 26, 2015	\$233,288
	2009	32,280	\$22.290	March 11, 2016	\$377,353
	2010	36,800	\$27.360	March 1, 2017	\$243,616
		284,777			\$3,277,508
Ian Lorimer Vice President, Finance and Chief Financial Officer	2009	13,460	\$22.29	March 11, 2016	\$157,347
	2010	11,516	\$27.36	March 1, 2017	\$76,236
		24,976			\$233,583
Phonse Delaney Vice President, Operations and Engineering	2002	5,524	\$12.035	May 14, 2012	\$121,224
	2003	5,504	\$12.810	March 13, 2013	\$116,520
	2004	17,672	\$15.280	March 10, 2014	\$330,466
	2005	15,892	\$18.405	March 1, 2015	\$247,518
	2006	13,535	\$22.940	February 28, 2016	\$149,426
	2007	11,972	\$28.190	May 7, 2014	\$69,318
	2008	12,524	\$28.270	February 26, 2015	\$71,512
	2009	12,048	\$22.290	March 11, 2016	\$140,841
	2010	14,256	\$27.360	March 1, 2017	\$94,375
		108,927			\$1,341,200
Alan Skiffington Vice President, Business Services and Chief Information Officer	2005	1,921	\$20.820	August 16, 2015	\$25,280
	2006	1,853	\$22.940	February 28, 2016	\$20,457
	2007	6,828	\$28.190	May 7, 2014	\$39,534
	2008	11,036	\$28.270	February 26, 2015	\$63,016
	2009	14,808	\$22.290	March 11, 2016	\$173,106
	2010	11,632	\$27.360	March 1, 2017	\$77,004
		48,078			\$398,397
Nipa Chakravarti Vice President, Customer Service	2006	725	\$22.940	February 28, 2016	\$8,004
	2007	2,664	\$28.190	May 7, 2014	\$15,425
	2008	2,840	\$28.270	February 26, 2015	\$16,216
	2009	8,524	\$22.290	March 11, 2016	\$99,646
	2010	7,156	\$27.360	March 1, 2017	\$47,373
		21,909			\$186,664

Footnotes:

- (1) Exercise price is the volume weighted average prices of the Fortis Shares traded on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant of the options.
- (2) The value of unexercised in-the-money options at December 31, 2010 is the difference between the option exercise price and the closing value of Fortis Shares. The closing price of Fortis Shares on the Toronto Stock Exchange at December 31, 2010 was \$33.98.

INCENTIVE PLAN AWARDS

The following table sets forth details of incentive plan awards for all Named Executive Officers for the year ended December 31, 2010.

Name and Principal Position	Option-based Awards Value Vested During the Year (\$) ⁽¹⁾	Non-equity Incentive Plan Compensation Value Earned During the Year (\$) ⁽²⁾
Karl W. Smith President and Chief Executive Officer	\$91,047	\$225,000
Ian Lorimer Vice President, Finance and Chief Financial Officer	\$20,392	\$85,000
Phonse Delaney Vice President, Operations and Engineering	\$34,873	\$100,000
Alan Skiffington Vice President, Business Services and Chief Information Officer	\$31,532	\$85,000
Nipa Chakravarti Vice President, Customer Service	\$16,469	\$72,500

Footnotes:

- (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 market price on the vesting date and the grant price of the respective option grants.
- (2) Represents short-term incentive in the form of cash bonus award earned for 2010. See REPORT ON EXECUTIVE COMPENSATION - Annual Incentive Plan.

PENSION ARRANGEMENTS

In 2010, the Corporation contributed to a registered retirement savings plan (“RRSP”) for all of the Named Executive Officers at an amount equal to 6.5% of their annual base salary, which contributions were matched by the Named Executive Officers up to a maximum RRSP contribution limit of \$22,000 as allowed by the Canada Revenue Agency. In 2010, the Corporation contributed \$11,000 for each of Mr. Smith, Mr. Lorimer, Mr. Delaney, Mr. Skiffington and Ms. Chakravarti.

All of the Named Executive Officers participate in a non-contributory defined contribution supplemental employee retirement plan (“DC SERP”) of the Corporation. In 2010, the DC SERP provided for the contribution by the Corporation of an amount equal to 13% of the annual base salary plus annual paid cash bonus of Mr. Smith, Mr. Lorimer, Mr. Delaney, Mr. Skiffington and Ms. Chakravarti in excess of \$169,230 to a notional account upon which interest will accrue at the interest rate of a 10-year Government of Canada bond, plus a premium of 0-3%, dependent upon years of service.

Prior to joining the Corporation, Mr. Delaney participated in a defined benefit pension plan with Newfoundland Power. To avoid a disincentive to Mr. Delaney’s acceptance of employment, the Corporation agreed to compensate him for loss of benefits forfeited upon termination from the Newfoundland Power defined benefit plan. Under the agreement, the Corporation will contribute an amount equivalent to his pension loss to Mr. Delaney’s DC SERP after his retirement from the Corporation. This SERP benefit payable to Mr. Delaney varies by his age at retirement or termination, starting at nil, increasing in steps to \$747,000, and decreasing back to nil. The benefit payable to Mr.

Delaney with respect to this payment is required to be paid over a period of 10 years or longer in equal monthly installments.

The following table sets forth details of the balances accrued due to the Named Executive Officers pursuant to the DC SERP for the year ended December 31, 2010.

Name and Principal Position	Accumulated Value at Start of Year (\$)	Compensatory (\$)	Non-compensatory (\$)	Accumulated Value at Year-end (\$)
Karl W. Smith President and Chief Executive Officer	\$520,768	\$66,400	\$32,788	\$619,956
Ian Lorimer Vice President, Finance and Chief Financial Officer	\$14,189	\$18,950	\$1,448	\$34,587
Phonse Delaney Vice President, Operations and Engineering	\$200,762	\$25,450	\$12,668	\$238,880
Alan Skiffington Vice President, Business Services and Chief Information Officer	\$79,694	\$18,300	\$3,551	\$101,545
Nipa Chakravarti Vice President, Customer Service	\$39,548	\$13,516	\$2,439	\$55,503

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of December 31, 2010, Karl Smith is indebted to the Corporation in respect of a housing loan provided to him on his transfer and relocation to the Corporation. On June 20, 2007, the Corporation provided a housing and relocation loan of \$1,222,850 to Mr. Smith that is interest free for a period of three years from the loan date. Subsequent to that date, Mr. Smith has reduced the amount of the loan to \$600,000. In 2010, the Board of Directors extended the interest free period for another three years, after which interest will accrue at the rate of prime plus 0.5%. The total amount of the loan must be repaid within 10 years of the loan grant date. The loan is secured by a mortgage on the residence purchased by Mr. Smith.

In addition, as of December 31, 2010, Karl Smith is indebted to the Corporation in respect of a loan provided to facilitate the exercise of a number of his options. On May 25, 2009, Mr. Smith acquired 31,200 Fortis Shares with a loan of \$399,672 provided by the Corporation. The total amount of the loan must be repaid within 10 years of the loan grant date and the interest on the loan will be equal to the amount of the dividends received on such shares. The loan is secured by the Fortis Share certificates held by Mr. Smith.

As of December 31, 2010, Phonse Delaney is indebted to the Corporation in respect of a housing loan provided to him on his transfer and relocation to the Corporation. On May 30, 2008, the Corporation provided a housing and relocation loan of \$810,000 to Mr. Delaney that is interest free for a period of three years from the loan date, after which interest will accrue at the rate of prime plus 0.5%. Subsequent to that date, Mr. Delaney has reduced the amount of the loan to \$150,000. The total amount of the loan must be repaid within 10 years of the loan grant date. The loan is secured by a mortgage on the residence purchased by Mr. Delaney.

As of December 31, 2010, Nipa Chakravarti is indebted to the Corporation in respect of loans provided to facilitate the exercise of a number of her options. On December 15, 2008, Ms. Chakravarti acquired 3,993 Fortis Shares with a loan of \$80,062 provided by the Corporation. On May 25, 2009, Ms. Chakravarti acquired 1,572 Fortis Shares with a loan of \$32,216 provided by the Corporation. The total amount of the loans must be repaid within 10 years of the respective loan grant dates and the interest on the loans will be

equal to the amount of the dividends received on such shares. The loans are secured by the Fortis Share certificates held by Ms. Chakravarti.

As of December 31, 2010, Alan Skiffington is indebted to the Corporation in respect of loans provided to facilitate the exercise of a number of his options. On November 24, 2008, Mr. Skiffington acquired 9,468 Fortis Shares with a loan of \$204,978 provided by the Corporation. On May 25, 2009, Mr. Skiffington acquired 1,853 Fortis Shares with a loan of \$42,508 provided by the Corporation. The total amount of the loans must be repaid within 10 years of the respective loan grant dates and the interest on the loans will be equal to the amount of the dividends received on such shares. The loans are secured by the Fortis Share certificates held by Mr. Skiffington.

As of December 31, 2010, Annette Butt is indebted to the Corporation in respect of a loan provided to facilitate the exercise of a number of her options. On May 25, 2009, Ms. Butt acquired 2,370 Fortis Shares with a loan of \$54,368 provided by the Corporation. The total amount of the loan must be repaid within 10 years of the loan grant date and the interest on the loan will be equal to the amount of the dividends received on such shares. The loan is secured by the Fortis Share certificates held by Ms. Butt.

The loan balances outstanding at March 4, 2011 are outlined in the table below:

Name and Principal Position	Date Provided	Amount Outstanding at March 4, 2011 (\$)	Largest Amount Outstanding in 2010 (\$)	Security for Indebtedness	Date Full Repayment Due
Karl Smith President and Chief Executive Officer	May 25, 2009	\$399,672	\$399,672	31,200 Fortis Shares	May 25, 2019
Nipa Chakravarti Vice President, Customer Service	December 15, 2008	\$80,062	\$80,062	3,993 Fortis Shares	December 15, 2018
Nipa Chakravarti Vice President, Customer Service	May 25, 2009	\$32,216	\$32,216	1,572 Fortis Shares	May 25, 2019
Alan Skiffington Vice President, Business Services and Chief Information Officer	November 24, 2008	\$204,978	\$204,978	9,468 Fortis Shares	November 24, 2018
Alan Skiffington Vice President, Business Services and Chief Information Officer	May 25, 2009	\$42,508	\$42,508	1,853 Fortis Shares	May 25, 2019
Annette Butt Vice President, Human Resources and Corporate Communications	May 25, 2009	\$54,368	\$54,368	2,370 Fortis Shares	May 25, 2019
Karl Smith President and Chief Executive Officer	June 20, 2007	\$600,000	\$600,000	A mortgage on the residence	July 1, 2017
Phonse Delaney Vice President, Operations and Engineering	May 30, 2008	\$150,000	\$150,000	A mortgage on the residence	May 30, 2018

A number of the Corporation's officers are indebted to the Corporation in non-material amounts relating to the employee share purchase plan, and computer loans under the employee personal computer purchase program, which are available to all employees.

TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

The employment contract for the Vice President, Business Services and Chief Information Officer, provides that in the event of a termination without cause, the Corporation shall pay severance in an amount equivalent to eighteen (18) months of his base salary, for a total payment of \$390,000. There are no other

employment contracts between the Corporation and its Named Executive Officers that provide for payments at, following or in connection with any termination, resignation, retirement, change in control of the Corporation or a change in the Named Executive Officers' responsibilities.

COMPENSATION OF DIRECTORS

The Corporation pays an annual retainer to each of its directors of \$18,000. In addition to the annual retainer, each director receives remuneration of \$1,000 for each director's meeting attended, \$1,000 for each committee meeting attended and each director that was not resident in the community in which a meeting is held receives an additional \$1,000 of remuneration if they travel to the community to attend the meeting.

The Chairman of the Board is not entitled to receive the annual retainer paid to directors as described above. Instead, the Chairman receives a separate annual retainer of \$45,000. The Chairpersons of each Board Committee receive remuneration in addition to the annual retainer paid to directors described above. The Chairperson of the GHR Committee receives an additional annual retainer of \$2,000. The Chairperson of the Audit, Risk and Environment Committee receives an additional annual retainer of \$4,000.

The directors are also reimbursed for miscellaneous out-of-pocket expenses incurred in carrying out their duties as directors of the Corporation. Mr. Smith was not paid any remuneration for services rendered in his capacity as a director in accordance with the Corporation's policy of not compensating a director that is also a member of the management of the Corporation.

The following table details individual director compensation for 2010.

Name	Annual Retainer (\$)	Meeting Fees (\$)	All Other Compensation ⁽¹⁾ (\$)	Total (\$)
Gregory E. Conn (Chair)	\$45,000	\$9,000	\$6,000	\$60,000
Judith J. Athaide	\$20,000	\$9,000	\$1,000	\$30,000
Brian F. Bietz	\$18,000	\$9,000	\$1,000	\$28,000
Mary Cameron	\$18,000	\$9,000	\$3,000	\$30,000
William J. Daley ⁽²⁾	\$9,000	\$4,000	\$2,000	\$15,000
Nora M. Duke ⁽³⁾	\$9,000	\$5,000	\$2,000	\$16,000
Al Duerr	\$20,000	\$9,000	\$1,000	\$30,000
Douglas J. Haughey ⁽⁴⁾	\$13,500	\$6,000	\$1,000	\$20,500
Joanne Lemke	\$18,000	\$9,000	\$4,000	\$31,000
H. Stanley Marshall	\$18,000	\$8,000	\$3,000	\$29,000
John S. McCallum ⁽⁵⁾	\$11,000	\$4,000	\$1,000	\$16,000
John C. Walker	\$18,000	\$9,000	\$3,000	\$30,000

Footnotes:

- (1) All Other Compensation denotes the director's compensation for travel time to meetings located in a city outside of the location of their primary residence, if applicable.
- (2) Mr. Daley joined the Board effective April 27, 2010.
- (3) Ms. Duke left the Board effective April 27, 2010.
- (4) Mr. Haughey joined the Board effective April 27, 2010.
- (5) Dr. McCallum left the Board effective April 27, 2010.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, there are no material contracts which have been entered into by the Corporation.

LEGAL PROCEEDINGS

The Corporation is subject to various legal proceedings and claims that arise in the ordinary course of business operations. The Corporation believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial position or results of operations.

A Statement of Claim was filed on December 18, 2007 in the Court of Queen's Bench, Judicial District of Edmonton, in which the Plaintiff, a minor, claims damages in excess of \$4.5 million against the numerous defendants, including the Corporation. The Plaintiff's claim arises from personal injuries he suffered in August 2006 as a result of a motorcycle accident. The Plaintiff alleges that the defendants or any of them, including the Corporation, negligently erected or failed to remove a wire that was strung between a sign and a power pole of the Corporation. While riding his motorcycle, the Plaintiff is alleged to have struck the wire causing his injuries. On August 27, 2008, the parents of the Plaintiff issued a Statement of Claim in the Court of Queen's Bench of Alberta, Judicial District of Edmonton claiming that they suffered damages arising from the mental distress they are alleged to have suffered as a result of witnessing the aftermath of their son's injuries. The combined value of the damages claimed in the action by the two parents is approximately \$350,000. In addition, the Alberta Government has filed a claim for approximately \$320,000 to recover health care costs the Provincial Government has incurred in the treatment of the Plaintiff. The Corporation's insurer has agreed to extend coverage for the Plaintiff's claim as well as the claim of his parents. Based on a preliminary investigation of the claims, management believes that the accident was not caused by the Corporation's facilities and that the Corporation has no liability for either the Plaintiff's claim or that of his parents. However, it is too early in the proceedings to provide a definitive assessment of the Corporation's exposure.

FORWARD-LOOKING STATEMENTS

The Corporation includes forward-looking information in the Annual Information Form 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 the Corporation's management.

The forward-looking information in the Annual Information Form includes, but is not limited to statements regarding: the Corporation's expectation on remaining a regulated electric utility; the Corporation's expectations relating to the conduct, outcome and timing of regulatory hearings and other litigation matters; the Corporation's expectation to generate sufficient cash required to complete planned capital programs from a combination of long-term debt and short-term borrowings, internally generated funds and equity contributions; the Corporation's belief that it does not anticipate any difficulties in accessing the required capital on reasonable market terms. The forecasts and projections that make up the forward-looking information are based on assumptions that include, but are not limited to: the Corporation's current business plans; the Corporation's understanding of the regulatory environment; the advice provided to the Corporation by its advisors; 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 Corporation's ability to maintain its electricity systems to ensure their continued performance; the commercial development of

alternative sources of energy; favourable economic conditions; the level of interest rates; access to capital; maintenance of adequate insurance coverage; the ability to obtain licenses and permits; retention of existing service areas; 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 which could cause results or events to differ from current expectations include, but are not limited to: legislative and regulatory developments that could affect costs, revenues and the speed and degree of competition entering the electricity distribution market, loss of service areas, costs associated with environmental compliance and liabilities, costs associated with labour disputes, adverse results from litigation, timing and extent of changes in prevailing interest rates, inflation levels, weather and general economic conditions in geographic areas where the Corporation operates, results of financing efforts, counterparty credit risk and the impact of accounting policies issued by Canadian or provincial standard setters.

All forward-looking information in the Annual Information Form 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.

TRANSFER AGENTS AND REGISTRARS

Computershare Trust Company of Canada, at its office located at Calgary, Alberta, is the Trustee under the Corporation's Indenture. Registers for the registration and transfer of the Debentures will be kept at the offices of the Trustee in Calgary, Alberta. The Trustee is also the paying agent for the Debentures.

AUDITORS

The Corporation's financial statements for the year ended December 31, 2010 have been audited by Ernst & Young LLP, which was first appointed by the shareholders of the Corporation on March 31, 2005. Ernst & Young LLP has confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information related to FortisAlberta may be found on SEDAR at www.sedar.com. Financial information is provided in the December 31, 2010 audited Financial Statements and Management Discussion and Analysis, which can also be found on SEDAR.