1997 Fortis Inc. Annual Report

FORTIS INC.

1997 ANNUAL REPORT

At home...with service

PROFILE

Fortis Inc. is a diversified corporation holding investments in five companies, three of which are electric utilities. Our vision is to be the leading service provider operating in Atlantic Canada, and a leader in electric distribution services in Canada. The Common Shares of Fortis Inc. are traded on the Montreal Exchange and The Toronto Stock Exchange. The First Preference Shares, Series B are traded on The Toronto Stock Exchange. The Fortis group consists of the following companies:

Newfoundland Power, a wholly owned subsidiary, supplies approximately 172,000 residential, commercial and industrial customers throughout the island portion of the Province of Newfoundland, constituting approximately 85% of the electrical customers in the Province. It is regulated by the Board of Commissioners of Public Utilities of Newfoundland on a traditional rate of return basis;

Maritime Electric, a wholly owned subsidiary, supplies approximately 63,000 residential, commercial and industrial customers, or approximately 93% of the electrical consumers on Prince Edward Island. It is governed by the Maritime Electric Company Limited Regulation Act which provides for highly deregulated operations;

Canadian Niagara Power, a 50% owned affiliate, distributes electricity to approximately 14,000 customers in the Town of Fort Erie, Ontario and supplies energy to other utilities in Canada and the United States;

Fortis Properties, a wholly owned subsidiary, owns and manages commercial, retail and hotel properties in Newfoundland and Nova Scotia. Fortis Properties also holds a 50% interest in AT&T Canada (Newfoundland), which provides long distance telecommunications services in Newfoundland; and

Fortis Trust, a wholly owned subsidiary, is a licensed trust company operating as a deposit-taking and mortgage-lending institution in Newfoundland and Prince Edward Island.

Contents

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Tel: (709) 737-2800 Fax: (709) 737-5307 Web site: www.fortis.ca

Major Service Centres

Newfoundland Power — A Fortis Company

St. John's
Carbonear
Bonavista/Port Union
Marystown
Clarenville
Gander
Grand Falls
Corner Brook
Stephenville
Port aux Basques

Maritime Electric

Charlottetown
Summerside
Roseneath

CNP Canadian Niagara Power

Fort Erie
Cowley Ridge

Fortis Properties

St. John's
Marystown
Gander
Corner Brook
St. Anthony
Halifax
Sydney

AT&T Canada Long Distance Services Company

St. John's
Clarenville
Gander
Grand Falls
Corner Brook
Stephenville
Goose Bay

Fortis Trust

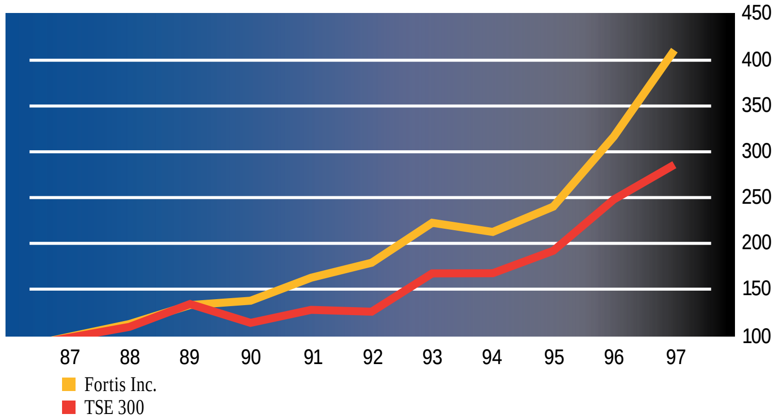
St. John's
Corner Brook
Charlottetown
Summerside

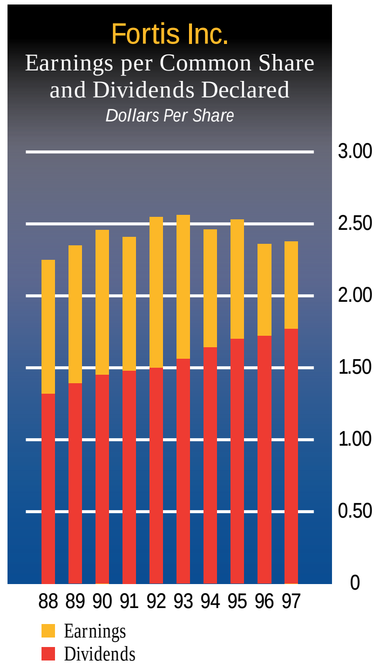
Printed on recyclable paper

FINANCIAL HIGHLIGHTS

Cumulative Total Return

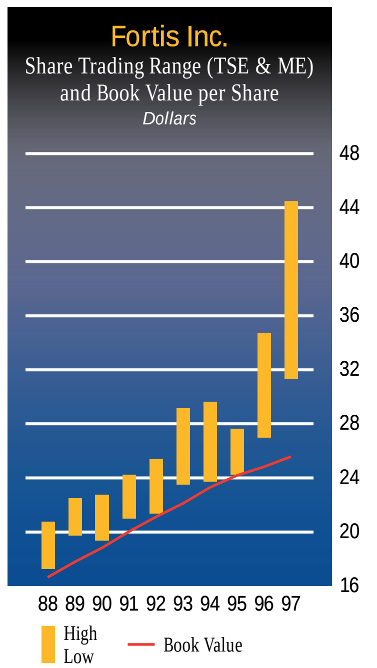
Investment of $100 made on December 31, 1987





Annual Comparison

	1997 *(in thousands)*	1996
Operating revenues	$ 493,826	$ 474,293
Earnings applicable to common shares	30,006	29,045
Total assets	1,017,396	997,534
Common shareholders' equity	326,543	309,851
Cash from operations	64,484	86,351



Quarterly Earnings and Dividends Paid per Common Share

	1997		1996	
Quarter Ended	Earnings	Dividends	Earnings	Dividends
March 31	$ 0.90	$ 0.44	$ 0.96	$ 0.43
June 30	0.81	0.44	0.94	0.43
September 30	0.40	0.44	0.25	0.43
December 31	0.27	0.44	0.21	0.43
Annual Totals	$ 2.38	$ 1.76	$ 2.36	$ 1.72

REPORT TO SHAREHOLDERS

Fortis improved its financial performance in 1997, and achieved several major milestones. Earnings applicable to common shares increased 3% to $30 million, resulting in earnings per share of $2.38 compared to $2.36 in 1996. This increase in earnings is attributable to a full year contribution from Canadian Niagara Power, a reduction in finance charges related to the redemption of the $50 million First Preference Shares, Series A on September 30, 1997, and increased earnings at Fortis Trust. Earnings in the other subsidiaries remained at or near 1996 results. In February, Fortis achieved a milestone by exceeding the billion dollar mark in assets, and closed the year with total assets of $1,017,396,000.

Following three consecutive years of expansion in both electric utility and property holdings, the focus in 1997 was on the consolidation and strengthening of our operations. A number of programs were initiated to streamline operations, control costs and improve efficiencies. Our subsidiary companies faced a number of challenges during the year and responded successfully.

Newfoundland Power implemented an early retirement program which enabled the Company to further downsize its workforce. It also continued its program of productivity initiatives that have resulted in revenue per employee increases of 14% over 1996 and 40% since 1992. The Company's earnings applicable to common shares declined slightly to $24.9 million from $25.1 million in 1996.

Maritime Electric faced a number of operating challenges in 1997. Severe winter storms, outages at the New Brunswick Power Point Lepreau Nuclear Generating Station, and the rupture of one of the two submarine cables serving Prince Edward Island were successfully overcome by the Company. At year end, the Company completed the transition of electrical rates to the levels prescribed by the Maritime Electric Company Limited Regulation Act (PEI). Despite these challenges, Maritime Electric was able to achieve earnings applicable to common shares of $7.9 million, off only $0.1 million from 1996.

Canadian Niagara Power contributed $4.6 million to the 1997 earnings of Fortis. Our investment in Ontario at a time when that Province is beginning to entertain structural change to its electrical industry, is a very important component of Fortis' development strategy. In addition to the immediate financial return, our involvement in Canadian Niagara Power will help us capitalize on electric utility opportunities in Ontario, and adjacent areas of the United States. Fortis intends to expand its electric utility assets in Ontario through Canadian Niagara Power.

Fortis Properties achieved a significant milestone in its evolution with the issuance, to

Following three consecutive years of expansion in both electric utility and property holdings, the focus in 1997 was on the consolidation and strengthening of our operations.

H. Stanley Marshall
President &
Chief Executive Officer
FORTIS INC.

Angus A. Bruneau
Chair of the Board
FORTIS INC.

a single institutional investor, of $50 million First Mortgage Bonds. Proceeds of the bond issue repaid inter-company borrowings. Real estate and hotel operations recorded improvements in earnings, however, intense competition in telecommunications adversely impacted the earnings of AT&T Canada (Newfoundland). Fortis Properties' earnings were essentially unchanged from the previous year.

Fortis Trust achieved its highest earnings from operations since being acquired by Fortis in 1989. Earnings of $473,000 exceeded 1996 performance by 43%.

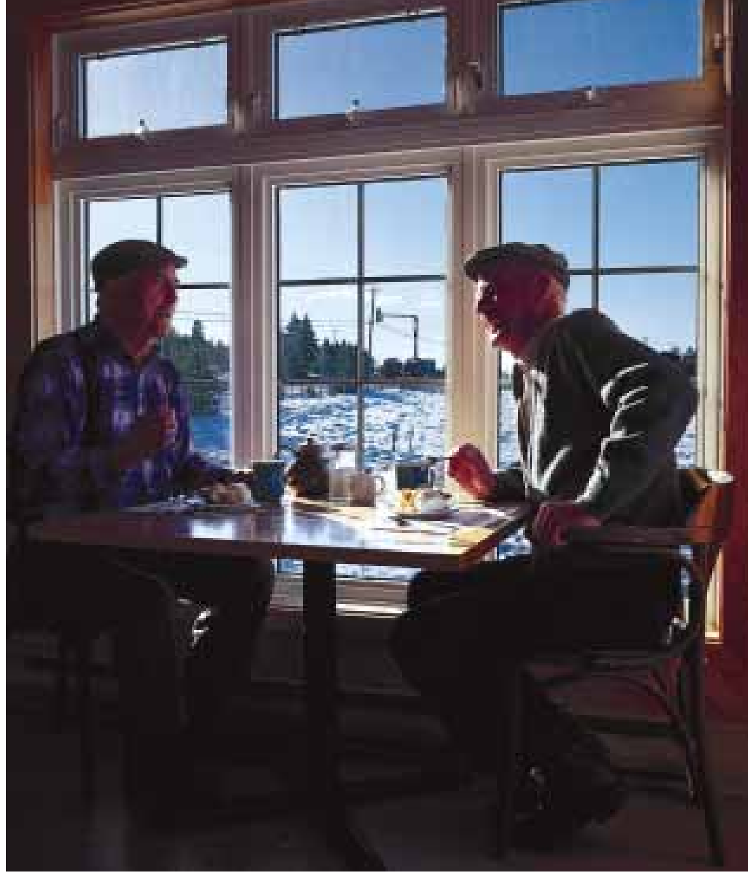
Through growth, diversification and the strengthening of our operating companies, we have established the expertise to conduct business successfully under several different regulatory regimes.

Fortis has been a keen observer of developments in the electric industry throughout the world for many years. Our confidence in the core business led to our expansion into Prince Edward Island in 1990 and our entry into Ontario in 1996. We are encouraged by the trend toward open access to transmission systems, competition in generation and alternative regulatory regimes in distribution. Since electrical energy is closely intertwined with local objectives and policies, it is expected that no single formula for deregulation will be applicable in all jurisdictions. Such factors as the source of generation, the extent of interconnection to other systems, geography, population density, and the efficiency of existing system operators must all be factored into developing an appropriate regime for each jurisdiction.

Through growth, diversification and the strengthening of our operating companies, we have established the expertise to conduct business successfully under several different regulatory regimes. In addition to our technical expertise in delivering reliable electric energy service under challenging environmental conditions, Fortis companies are engaged in energy marketing activities into the increasingly deregulated markets of the northeast United States. We look to the future with confidence and from a position of strength.

There were several changes in your Board of Directors during 1997. We welcomed Mr. Bruce Chafe and Mr. James Stanford to the Board. Mr. Chafe retired in 1997 from a major accounting firm while Mr. Stanford is President and Chief Executive Officer of Petro-Canada. These appointments filled vacancies created by the retirement of Messrs. Aidan Ryan and Arne Nielsen. Mr. Ryan retired as Chair of Newfoundland Power, and from the Fortis Board, after 40 years of dedicated service to your Company and the Canadian electrical industry. Mr. Nielsen, during his tenure as President of Mobil Oil Canada, had a direct involvement in the Hibernia Oil Project and made a significant contribution to the Fortis Board. Regrettably, Mr. Harold Lundrigan, who had been a member of the Fortis Board since 1991, elected to retire for health reasons in July. We were also saddened by the sudden passing in December of Mr. A. Fletcher McLaughlin. Mr. McLaughlin had a long career in the financial services industry and had joined the Board in early 1996. We thank our Board of Directors for their continuing support and direction.

Our continuing success reflects the achievements of over 1400 dedicated employees operating in five provinces across Canada. We appreciate their efforts and are encouraged by their accomplishments. More than 300,000 customers, and their families, rely upon Fortis companies for service of such quality and reliability that they take it for granted.



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Angus A. Bruneau
Chair of the Board

H. Stanley Marshall
President & Chief Executive Officer

SHARING OUR VISION

For more than one hundred years Newfoundland Power, and its predecessor electric utilities, have distributed electrical energy in the Province of Newfoundland. Over the years, the Company has delivered steady growth for its shareholders while extending and improving electrical service to its customers. By the late 1980's, it was clear that the Newfoundland system had matured and was entering a period of minimal growth. In order to increase earnings and enhance shareholder value, it was necessary to find new growth opportunities by diversifying into other business activities and territories.

On November 24, 1987, the shareholders of Newfoundland Power approved a corporate re-organization that created Fortis Inc. as its parent company. Fortis became the corporate vehicle for growth and diversification.

Since the establishment of Fortis in 1987, we have pursued a strategy of expanding the core electric utility business and diversifying into other service businesses. Our vision is to be the leading service provider within Atlantic Canada, and a leader in electric distribution services in Canada.

Through the acquisition of electrical operations in other provinces and diversification into real estate, hospitality, telecommunications and financial services, Fortis has succeeded in increasing earnings applicable to common shares by approximately 70% since 1987. Fortis has extended the Newfoundland Power record of annual common dividend increases to twenty-four years with the declaration on November 26, 1997, of a quarterly dividend of forty-five cents per share, up from forty-four cents. This performance reflects the success of our Company.

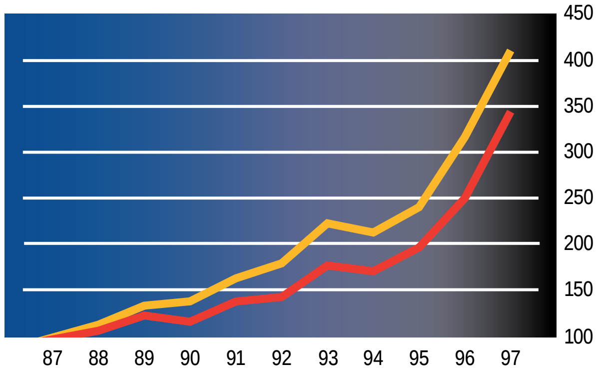
In achieving our vision, we are guided by three primary objectives:

Return – Earnings should continue at a rate at least commensurate with those of well-run Canadian utilities.

The Company's financial returns over the last several years compare favorably with other investor owned Canadian utilities. Fortis' earnings applicable to common shares increased by $1.0 million in 1997.

From a shareholder perspective, the most meaningful measure of performance is to compare the total return from an investment in Fortis with The Toronto Stock

Cumulative Total Return
Investment of $100 made on December 31, 1987



Exchange ("TSE") Gas/Electric Utilities Index. A $100 investment in Fortis common shares made in 1987 would have grown to $411 by the end of 1997, if dividends had been reinvested. A similar investment in the TSE Gas/Electric Utilities Index would have grown to $340. Over the same period the TSE 300 Index would have seen a $100 investment grow to $284.

H. Stanley Marshall
President &
Chief Executive Officer
FORTIS INC.

Philip G. Hughes
President &
Chief Executive Officer
NEWFOUNDLAND POWER

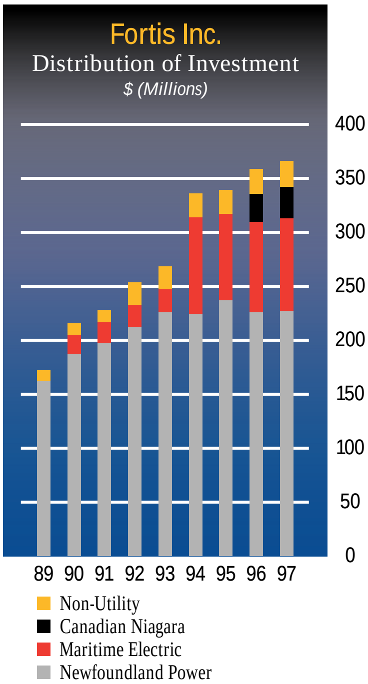
James A. Lea
President &
Chief Executive Officer
MARITIME ELECTRIC

John C. Walker
President &
Chief Executive Officer
FORTIS PROPERTIES

Risk – The financial and business risks should not be substantially greater than those associated with the operation of a Canadian electric utility.

At year end, our investments in Newfoundland Power, Maritime Electric and Canadian Niagara Power represented 93% of our total investment. Newfoundland Power continues to be regulated on a traditional rate of return basis. Maritime Electric, which was deregulated in 1994, has successfully met its commitment to bring power rates in PEI to not more than 110% of rates in New Brunswick for equivalent services. Given the trend to greater deregulation throughout the industry in North America, Maritime Electric, which has successfully made the transition, may face less business risk relative to regulated utilities over the long term. The rates charged by Canadian Niagara Power are governed by a franchise agreement with the Town of Fort Erie. Under this agreement, Canadian Niagara's rates are tied to rate levels of several other electric utilities operating on the Niagara Peninsula.

In terms of financial risk, Fortis does not attempt to leverage its investments with debt at the parent level. Ideally, each Fortis subsidiary will have sufficient resources to be self-supporting. This has always been true of its three utility investments, however, this is not always possible at the early stages of developing a new business. Also, some flexibility is necessary for Fortis to allocate it's financial resources to maximize the overall benefit.



Growth – The growth in assets and market capitalization should be greater than the average of other Canadian public corporations of similar size.

When Fortis was created in 1987, total assets of the Corporation were approximately $390 million. The assets of Fortis exceeded $1 billion at the end of 1997.

While continued profitable expansion in the utility business is our preferred investment, slow growth rates for existing operations mean that any significant expansion must come from the acquisition of other systems. The acquisition in 1996 of a 50% interest in Canadian Niagara Power leaves us well positioned to take advantage of expected opportunities in the electric utility

G. Wayne Watson
Vice President, Finance & CFO
FORTIS INC.

J. William Geldert
Vice President, Finance &
Corporate Secretary
MARITIME ELECTRIC

Glen C. King
Vice President, Finance & CFO
FORTIS TRUST

Neal J. Jackman
Vice President, Finance & CFO
FORTIS PROPERTIES

Karl W. Smith
Vice President, Finance & CFO
NEWFOUNDLAND POWER

industry in Ontario. Newfoundland Power and Maritime Electric have the potential for acquiring adjacent, government-owned operations and are prepared to do so, although none are currently contemplated.

Through Newfoundland Power, Maritime Electric, and Canadian Niagara Power, Fortis has extensive expertise in the operation and management of electric utilities. We will aggressively seek related opportunities in other jurisdictions in Canada but recognize that such opportunities will be limited because of the dominance of the industry by large government owned utilities.

With limited prospects for expansion of the core business, we will continue to pursue growth from our non-utility operations. In diversifying, we have endeavored to stay close to our utility roots, both geographically and in the nature of the business. We have also been conservative in making small initial investments upon entering new business areas. The strategies and direction of these non-utility investments continue to be evaluated. In all our operations, prudent capital management and the delivery of quality service are the central success factors.

Our vision incorporates a commitment to our customers. Fortis is first and foremost a service provider. We operate in several businesses in different parts of Canada. Since the ability to respond to local needs is important for quality service, each subsidiary and affiliate exercises considerable autonomy. We are generally perceived to be the strongest service organization in Newfoundland and Prince Edward Island.

We are the only company operating electric distribution systems in three provinces. Rates charged by Newfoundland Power are comparable with the median of those charged across Canada. The rates charged by Maritime Electric are somewhat higher but have been reduced by 20% since we acquired the Company in 1994. The rates charged by CNP are lower than those charged by neighboring municipal utilities. Costs of generation, transmission and

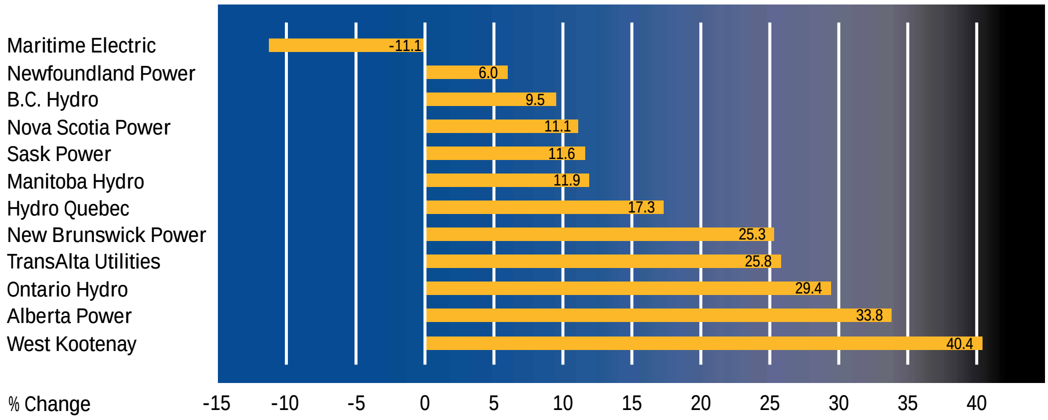
distribution blend to determine electricity rates to consumers, with sources of generation playing the most significant role in determining rates. Lower cost jurisdictions generally have access to low cost hydroelectric and natural gas generation.

In contrast to absolute pricing comparisons, changes in rates provide a measure of a utility's ability to control costs and adapt to changes in the industry. Over the period January 1, 1991, through January 1, 1998, Newfoundland Power and Maritime Electric led 12 of the major Canadian electric utilities in controlling rates. During this period Newfoundland Power's rates increased 6% while rates to Maritime Electric's customers decreased 11.1%. This compares to the average increase of 21.6% for the remaining 10 utilities.

Our core business remains the ownership of electric distribution utilities. Expansion into new business areas will be undertaken where there are real prospects for enhancing existing investments. Through

Cumulative Electric Rate Changes in Canada

From January 1, 1991 to January 1, 1998



growth and diversification, we can continue to strengthen our corporation. Our goal is to utilize our resources to maximize value for our shareholders over the long term. To achieve this goal, we believe that Fortis must continue to grow without disturbing the risk-reward balance which has been associated with the operation of electric utilities.

As we approach the 21st Century, the electric industry has begun a period of transition and restructuring. We anticipate new forms of regulation and new opportunities for the private sector to play an expanded role. The strengthening of our corporate capabilities since the creation of Fortis has positioned us to avail of these opportunities. Our balance sheet is strong and we have access to capital on reasonable terms. We will utilize our financial

capability prudently to achieve further expansion. We will remain focused in terms of the nature of our operations, while being sufficiently flexible to respond opportunistically to changing circumstances.

To achieve our vision in a decentralized organization, all employees within Fortis must share its central values. We hold fundamental that:

- All employees will consistently observe the highest ethical standards. We strive to earn and retain the trust and respect of all those whom we encounter inside and outside our organization.
- Decision making is delegated within the organization to the group or person most knowledgeable about the situation. We do not manage by manual; we empower our people, giving them the tools to do their jobs effectively. We are committed to training and educating our employees and keeping them informed of developments within the organization.
- Superior performance by employees is encouraged, recognized and rewarded. Group and individual performance are significant factors in determining compensation.
- All employees are expected to provide a full account of the financial and human resources entrusted to them. We account for our actions both individually and corporately.

Fortis is building a long record of delivering services of high quality and value to our customers and providing good returns to our shareholders. It is the source of our financial strength and the product of our strength in people. Our ability to attract, develop, and retain capable staff is the critical component in the growth of our enterprise. Our investment of capital has been opportunistic; our investment in people is strategic.

Through growth and diversification, we can continue to strengthen our corporation. Our goal is to utilize our resources to maximize value for our shareholders over the long term.

Holiday Inn St. John's

OPERATIONS

Newfoundland Power

Newfoundland Power operates an integrated system for the generation, transmission and distribution of electricity. The Company serves approximately 172,000 customers throughout the island portion of the Province of Newfoundland. These customers constitute 85% of all electrical consumers in the Province. The balance of the population is served by Newfoundland and Labrador Hydro ("Newfoundland Hydro"), a crown corporation that also serves several large industrial customers in the Province.

Newfoundland Power generates approximately 10% of its energy needs from twenty-two hydroelectric plants, and has eight diesel and three gas turbine units available for emergency use. These facilities have a total installed capacity of 147 megawatts ("MW"). The balance of the energy required by Newfoundland Power for its customers is purchased from Newfoundland Hydro.

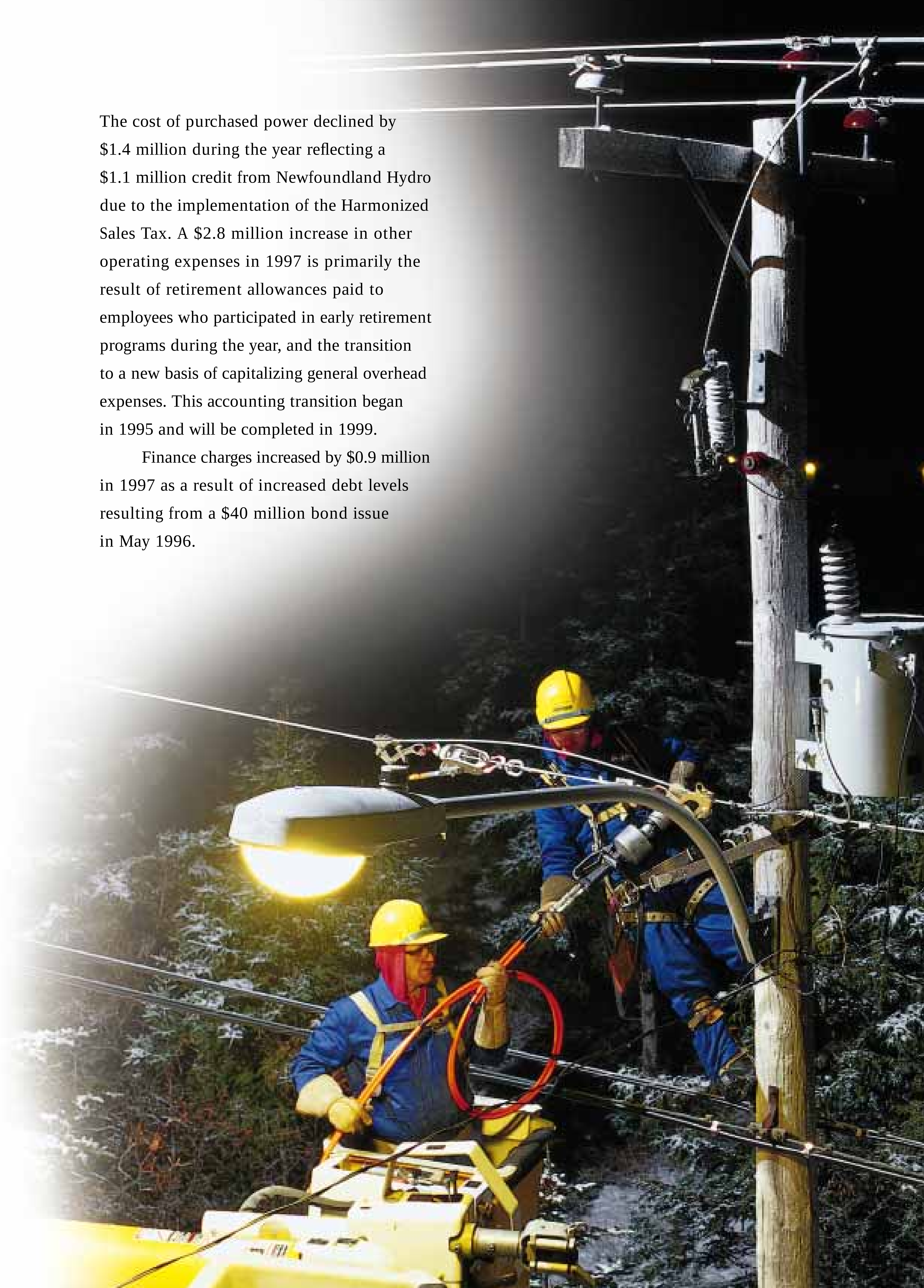
Financial Results

Net earnings applicable to common shares declined slightly to $24.9 million in 1997 from $25.1 million in 1996. Revenue increased by 0.6% to $343.7 million in 1997 compared to $341.6 million in 1996. The increase is due to higher rates in effect during the first quarter of 1997 and an increase in the proportion of energy sales to residential customers.

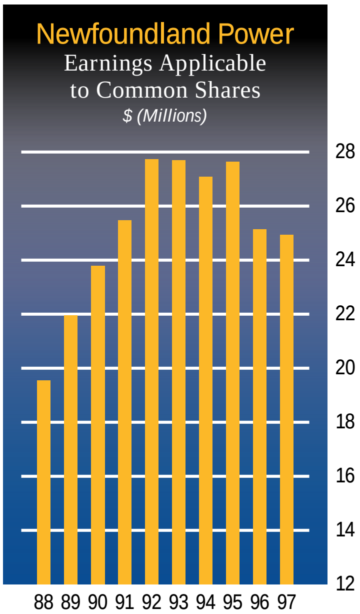
Operating expenses, increased by $1.9 million in 1997 to $275.1 million.

The cost of purchased power declined by $1.4 million during the year reflecting a $1.1 million credit from Newfoundland Hydro due to the implementation of the Harmonized Sales Tax. A $2.8 million increase in other operating expenses in 1997 is primarily the result of retirement allowances paid to employees who participated in early retirement programs during the year, and the transition to a new basis of capitalizing general overhead expenses. This accounting transition began in 1995 and will be completed in 1999.

Finance charges increased by $0.9 million in 1997 as a result of increased debt levels resulting from a $40 million bond issue in May 1996.



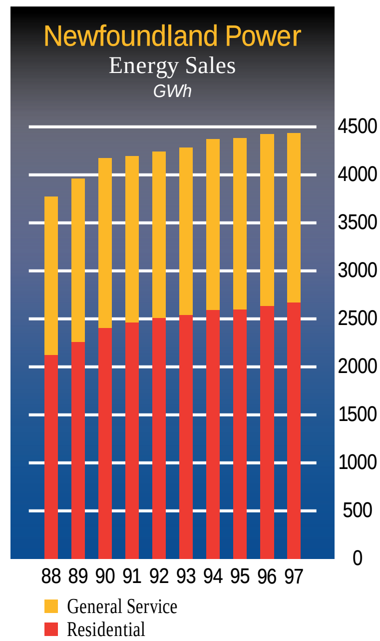
Net capital expenditures were $28.9 million in 1997 compared to $26.8 million in 1996. Capital expenditures are budgeted at $41.4 million for 1998. Approximately $11 million of the total project cost of $13 million has been allocated for the construction of a 6.1 MW hydroelectric generating plant at Rose Blanche Brook in 1998. This plant will improve reliability of supply for customers in southwestern Newfoundland while providing a cost effective source of new generation.



The 1998 capital program will be financed using internally generated funds.

Energy Sales

Energy sales increased by 0.3% in 1997 to total 4,438 Gigawatt hours ("GWh"). During 1997, residential energy sales increased by 34.7 GWh, or 1.3%, as a result of adding 1,793 new customers. Commercial sales declined by 19.2 GWh, or 1.1%. The completion of construction at Hibernia's Bull Arm site and the closure of significant mining operations on the Baie Verte Peninsula, together accounted for a 59.8 GWh reduction in commercial sales.



This decrease was substantially offset by a 40.6 GWh increase in sales to other large customers, including those in the fishing industry.

Energy Supply

In 1997, Newfoundland Power produced and purchased a total of 4,668 GWh of energy for distribution. The Company generated 424 GWh of this energy and purchased the remainder from Newfoundland Hydro. The amount of energy generated by Newfoundland Power is expected to increase in 1998 and subsequent years, because of efficiency improvements carried out on its generating facilities in 1997, and the commissioning of the Rose Blanche Brook hydroelectric plant in December 1998.

Customer Service

Newfoundland Power's 1997 operations centered around one common goal: to deliver superior customer service. To achieve this objective, Newfoundland Power worked throughout the year to enhance its understanding of customers' needs, simplify and refocus business processes, empower employees and measure results.

Results of research conducted in December 1997 indicate that 85.5% of the Company's customers are satisfied with overall service. This is a significant increase from the 70.7% rating in 1996.

One of the greatest contributors to customer satisfaction is reliability of power supply. Newfoundland Power continues to invest in the equipment, resources and training required to improve reliability. Despite the Company's commitment and efforts, customers experienced a slight

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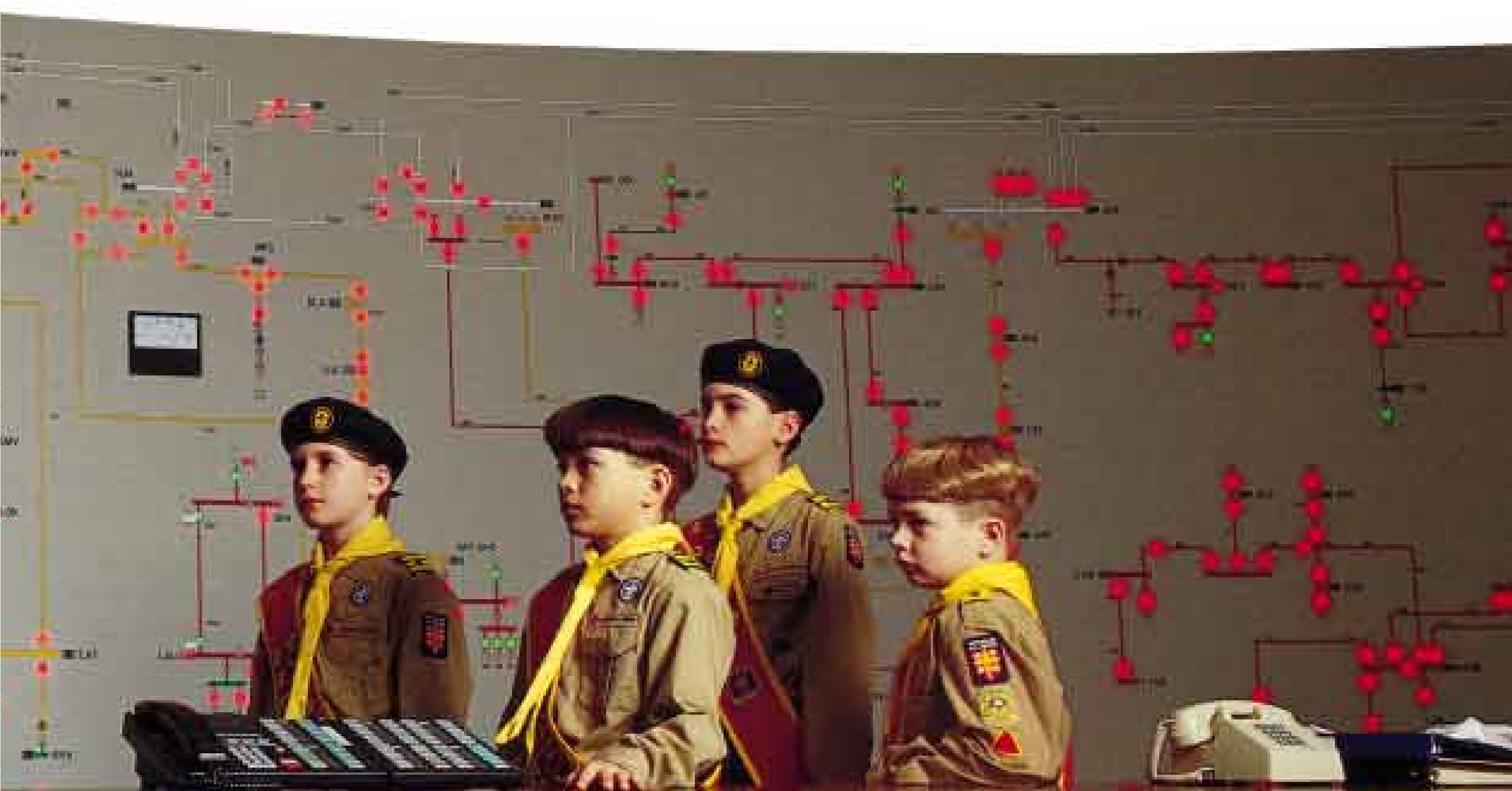
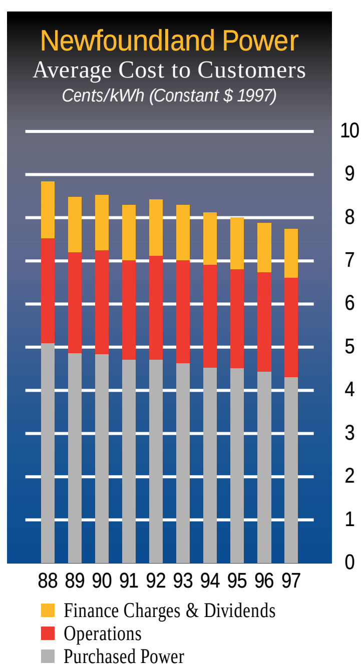


increase in the number and length of outages in 1997, due primarily to supply interruptions late in the year that originated with Newfoundland Hydro.

An emphasis on preventative maintenance programs, including a $10 million Insulator Replacement Program and the use of infra-red thermoscan detection technology, continued in 1997. By detecting and eliminating potential service problems before they occur, the Company is better able to provide a high level of power quality and uninterrupted service for its customers.

At the request of customers, the Company extended call centre hours to provide more personalized service, and introduced additional convenient payment options. These initiatives all contributed to enhanced customer service in 1997. Rates to both commercial and residential customers continue to be among the lowest in Atlantic Canada.



Environmental Initiatives

Newfoundland Power's long standing commitment to provide electrical service in an environmentally conscious manner was further demonstrated in 1997. The Company commenced working towards the objectives of the International Standards Organization ISO 14001 environmental management system in 1997. In addition, a five-year program designed to proactively identify and replace distribution transformers at risk of spill was initiated. The detection and removal of dangerous materials such as halon and asbestos from Company sites continued.

In 1997, the employee-driven Newfoundland Power Environmental Commitment Plan was launched by 200 Company employees, their families and community members with an island-wide roadside clean-up. This program promotes environmental awareness and, through partnering activities with school and community groups, coordinates projects fostering environmental protection and enhancement.

Regulation

The Company is regulated by the Board of Commissioners of Public Utilities of Newfoundland ("PUB"). In 1996, the PUB stated a case requesting the opinion of the Newfoundland Court of Appeal on a number of matters relating to the PUB's regulatory jurisdiction, principally the scope of the PUB's ability to define excess revenue and to disallow expenses on a retroactive basis. The Court heard argument in March 1997, but the Court's opinion has not yet been filed.

Human Resources

One hundred and four employees participated in early retirement programs offered by the Company in 1997. Newfoundland Power currently has approximately 700 employees.

Productivity improvements in 1997 have resulted in energy sales per employee increasing to approximately 6.3 million kilowatt hours ("kWh") compared to 5.5 million kWh in 1996.

The Company's continued emphasis on safety was rewarded in 1997 with five operating areas achieving one and two year milestones for time worked without a lost time injury. Since 1995, lost time injuries have decreased by 37.5%.

Outlook

In March 1998, the PUB gave notice that it would convene a hearing in April to review the Company's current rate of return and capital structure in view of the decline in long term interest rates. The Company's current allowed rate of return on common equity is 10.75% – 11.25% and was set by the PUB following a general rate hearing in 1996.

The Newfoundland economy is expected to exhibit improved growth in 1998, driven primarily by the mining and offshore oil industries. Much of the activity in these industries is located outside Newfoundland Power's service territory, therefore, the growth in energy sales by the Company during 1998 is not expected to exceed 1%.

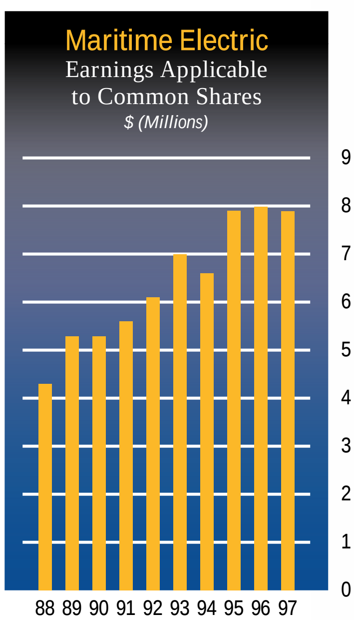
Rates to both commercial and residential customers continue to be among the lowest in Atlantic Canada.

Investment in employee training improves the quality of our service.

Maritime Electric

Maritime Electric is the principal distributor of electricity on Prince Edward Island. The Company owns and operates a fully integrated system of generation, transmission and distribution serving approximately 63,000 customers throughout the Province. Generating facilities are maintained in Charlottetown and Borden, however, the majority of the Province's energy requirements are purchased from New Brunswick Power ("NB Power") and delivered to the Island via two submarine cables. The energy purchased from NB Power includes an entitlement to 30 MW of power from their Point Lepreau Nuclear Generating Station ("Point Lepreau Nuclear Station").

Severe storms in April and December, extended outages at the Point Lepreau Nuclear Station, and an accident resulting in damage to one of the submarine cables serving PEI, created a number of operational challenges for the Company during 1997. This was also the final transition year for electric rates as prescribed by the Maritime Electric Company Limited Regulation Act. Maritime Electric's operation, which is at the vanguard of deregulated electric utilities in Canada, continued to prove a model for the industry. The Company was able to decrease electricity rates and absorb considerable additional energy expenses, while maintaining service reliability and satisfactory shareholder returns.



Charlottetown Thermal Generating Station

Financial Results

Maritime Electric's earnings applicable to common shares decreased $0.1 million to $7.9 million in 1997. Revenue in 1997 was $86.8 million, compared to $86.2 million in 1996. This reflects the implementation of rate reductions of 1%, for most customers, in January and July and an increase of 3.3% in energy sales over 1996. Operating expenses in 1997 were $65.4 million, compared to $64.2 million in 1996. The extended outages at the Point Lepreau Nuclear Station cost Maritime Electric $3.5 million in additional expense for replacement energy. Other expenses decreased by 26% from 1996.

Net capital expenditures totalled $13.5 million in 1997 and were focused primarily on improving customer service and system reliability.

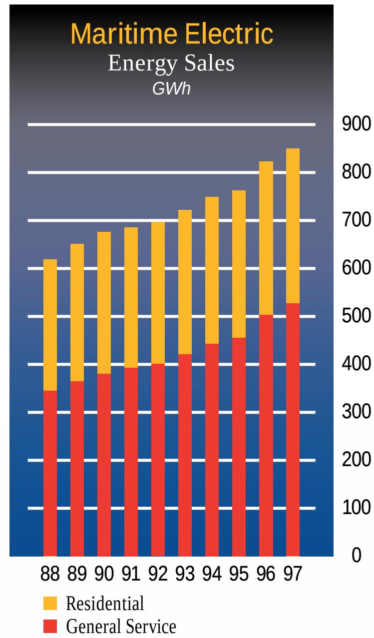
In January 1997, Maritime Electric completed a $15 million 8.625% First Mortgage Bond issue to pre-finance the redemption of the $10 million 11.2% First Mortgage Bonds due in 1998, and to meet other capital requirements.

Energy Sales

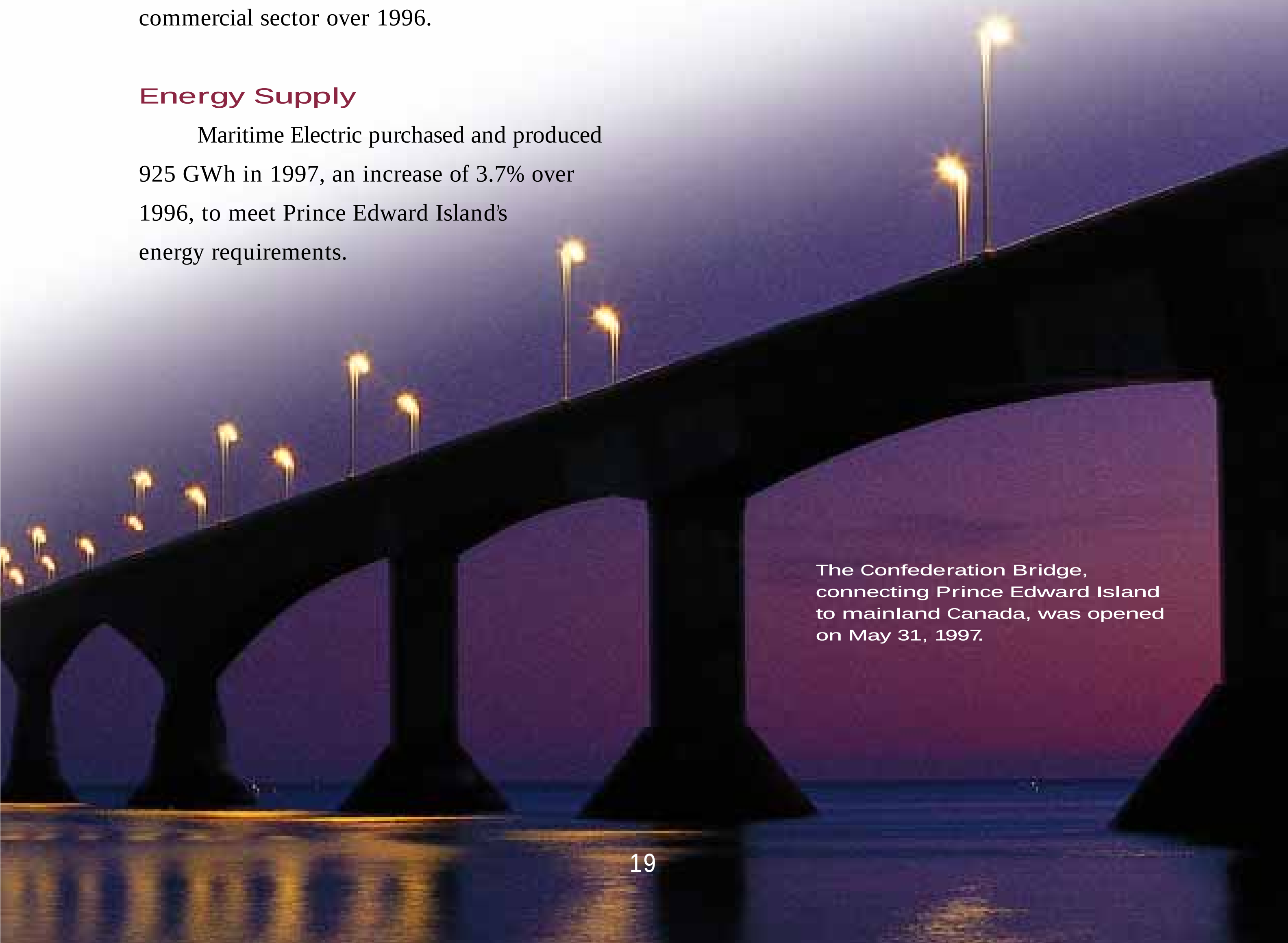
Energy sales in 1997 were 850 GWh, an increase of 3.3% over 1996 sales. The system peak demand in 1997 was 169 MW, an increase of 1.9% over 1996. Expansion in the potato processing industry and the opening of the Confederation Bridge in May 1997 contributed to a 15% growth in the commercial sector over 1996.

Energy Supply

Maritime Electric purchased and produced 925 GWh in 1997, an increase of 3.7% over 1996, to meet Prince Edward Island's energy requirements.



Outages at the Point Lepreau Nuclear Station, and the damage to a submarine cable, required Maritime Electric to generate 20 GWh during the year on Prince Edward Island. The balance of the Company's energy requirements was purchased from NB Power. Energy supply costs represented 83% of total operating expenses in 1997, compared to 72%, during the prior year.



The Confederation Bridge, connecting Prince Edward Island to mainland Canada, was opened on May 31, 1997.

Maritime Electric continues to focus upon the needs of its customers for high quality, reliable service.

The Point Lepreau Nuclear Station was taken out of service for unscheduled repairs in January and June. In addition, the annual planned outage for normal maintenance scheduled for March was deferred until late November and extended into late February 1998. During 1997, the Point Lepreau Nuclear Station was out of service for a total of 135 days. NB Power has initiated a performance improvement program at the Point Lepreau Nuclear Station which should reduce unscheduled outages in the future. Maritime Electric has also negotiated agreements with NB Power to reduce the cost of replacement energy during the outage planned for 1998.

On December 3, 1997, damage caused by a ship's anchor, occurred on one of the two submarine cables connecting Prince Edward Island with the mainland. Since the system load exceeded the capacity of the remaining cable, Maritime Electric's generating facilities in Charlottetown and Borden, and the City of Summerside plant, were put in operation. There was no disruption in service to customers. The cable was repaired and placed back in service on December 29, 1997.

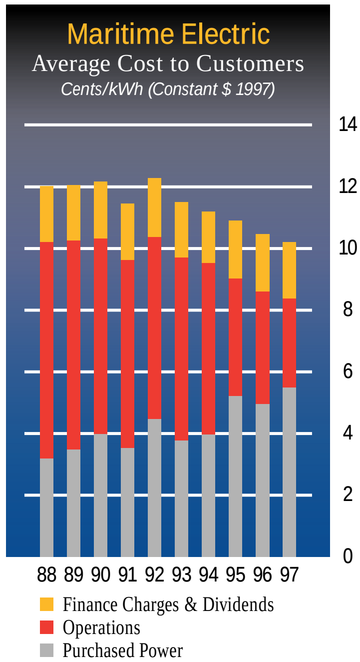
Customer Service

Maritime Electric's energy delivery system was tested in 1997 as storms caused damage that required the replacement of over 400 poles. Notwithstanding these challenges to the system, 1997 system reliability indices exceeded the 1990-1993 bench mark required under the Maritime Electric Company Limited Regulation Act.

Maritime Electric continues to focus upon the needs of its customers for high quality, reliable service. In June, the Company established a central call centre that has enabled it to increase the speed of its response to customer inquiries. Upgrades to the service order management system, the expansion of billing and payment options, meetings with senior citizen groups, electricians, and the school safety program all contributed to Maritime Electric becoming a more visible presence in the community and to enhancing customer service. Research during 1997 reported that 83% of customers surveyed were satisfied with the service provided by the Company, compared to 74% in 1996.

Environmental Initiatives

Maritime Electric's initiatives to enhance the environmental friendliness of its operations continued in 1997. During the year the Company completed the first five year cycle of environmental site assessments. Site assessments will continue in 1998 with the priority being the Charlottetown Thermal Generating Station. The program for the replacement of transformers in sensitive locations was completed ahead of schedule in February 1998.



Regulation

On January 1, 1998, the Company implemented the last in a series of price reductions that brought rates charged by Maritime Electric down to within 110% of NB Power rates for comparable service. The final rate decrease, which averaged 7% for most customers, brings rate reductions since January 1994 to a total of 20%. The Company also published a set of regulations reflecting operational policies and practices consistent with those of NB Power.

The continuing evolution of the electric utility industry will present opportunities for Maritime Electric. The State of Maine recently passed legislation requiring retail competition for energy supply beginning March 1, 2000. Hydro Quebec and NB Power published transmission tariffs as part of their filings to obtain access to the US electricity market. Maritime Electric believes that broader access to energy suppliers will present opportunities to reduce future energy costs.

Human Resources

Maritime Electric's workforce on December 31, 1997, consisted of 170 employees, down slightly from 174 people on staff at the end of 1996. The Company's focus on employee safety training and operating methodology improvements reduced lost time due to accidents by 54% from 1996 levels.

Outlook

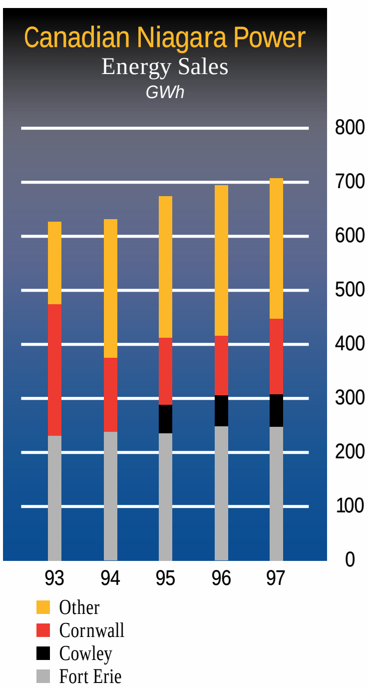
The opening of the Confederation Bridge has ushered in a new era for Prince Edward Island. Moderate economic growth is expected to result in an increase in energy sales of approximately 2% during 1998. Maritime Electric continues to monitor regulatory developments in other jurisdictions, and is well positioned to pursue related opportunities.

Maritime Electric believes that broader access to energy suppliers will present opportunities to reduce future energy costs.

Canadian Niagara Power

Canadian Niagara Power is an integrated electric utility based in Fort Erie, Ontario. Canadian Niagara Power has generated electricity from the Canadian side of Niagara Falls since the opening of the Rankine Generating Station in 1905. In October 1996, Fortis acquired a 50% interest in the Company from Niagara Mohawk Power Corporation, a major US utility, which retained 50% ownership.

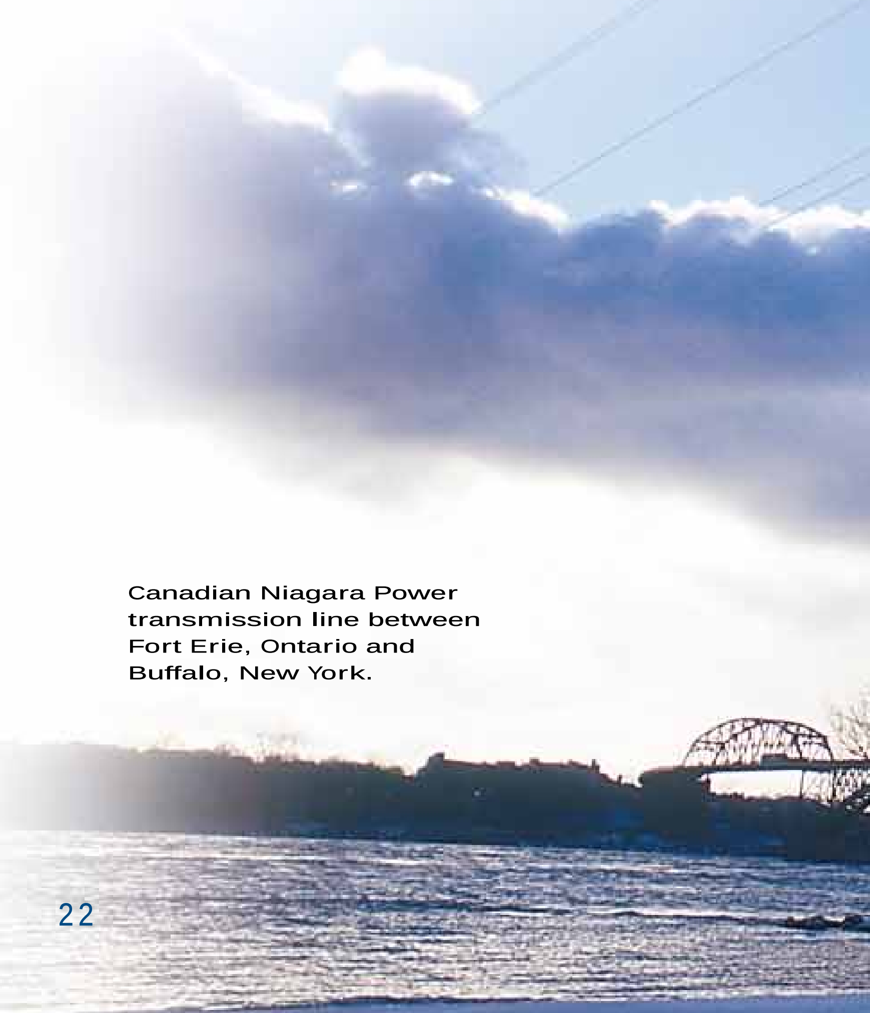
Canadian Niagara Power distributes electricity to approximately 14,000 customers in the Town of Fort Erie. It is one of the few Ontario companies engaging in wholesale energy supply by providing energy to Cornwall Electric in Ontario, and to American utilities. From its wind plant operation at Cowley Ridge, in Southern Alberta, Canadian Niagara Power also supplies electric energy to TransAlta Utilities and the Alberta Power Pool.



Canadian Niagara Power customer service centre, Fort Erie, Ontario.

Financial Results

During Fortis' first full year of involvement, Canadian Niagara Power generated revenues of $36.7 million, up 7% from 1996. Operating expenses increased slightly as a result of power purchases for use in Canadian Niagara Power's marketing activities. Net income for the year was $9.2 million.



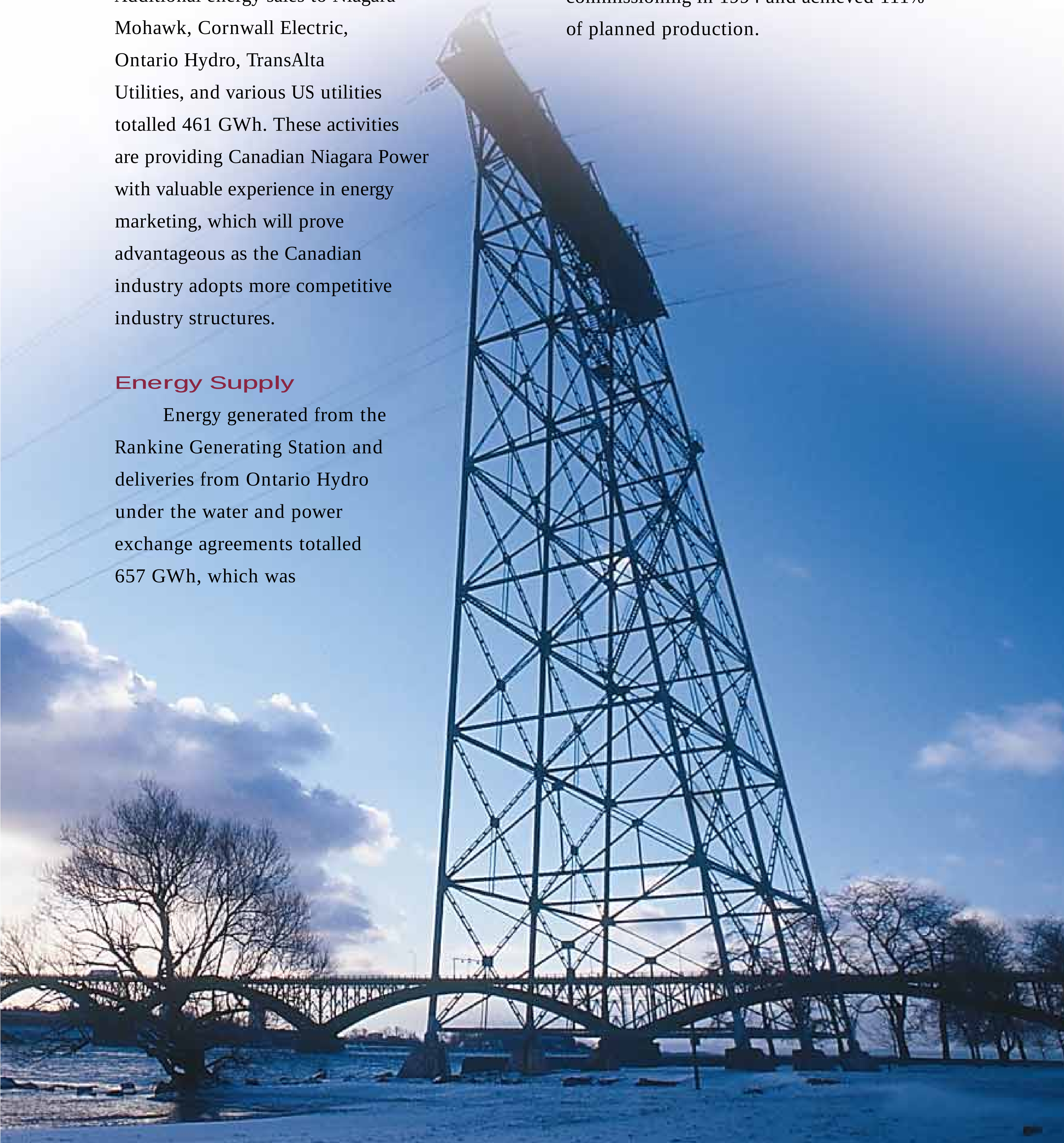
Canadian Niagara Power transmission line between Fort Erie, Ontario and Buffalo, New York.

Energy Sales

Canadian Niagara Power's energy sales in Ontario, Alberta, and the US increased 2% from 1996 to 708 GWh. Sales to Fort Erie customers declined by 0.3% to 247 GWh as a result of mild weather conditions. Additional energy sales to Niagara Mohawk, Cornwall Electric, Ontario Hydro, TransAlta Utilities, and various US utilities totalled 461 GWh. These activities are providing Canadian Niagara Power with valuable experience in energy marketing, which will prove advantageous as the Canadian industry adopts more competitive industry structures.

Energy Supply

Energy generated from the Rankine Generating Station and deliveries from Ontario Hydro under the water and power exchange agreements totalled 657 GWh, which was supplemented by purchases from Hydro Quebec and Niagara Mohawk of 16 GWh. A further 60 GWh was generated by the 52 windmills located at the Cowley Ridge Wind Farm. In 1997 Cowley Ridge delivered the greatest amount of energy since its commissioning in 1994 and achieved 111% of planned production.



Andrew Vallas, Director of Energy Marketing; **Deborah Langleann**, Customer Service Supervisor; **Mardon Erbland**, President & Chief Executive Officer; and **James Hreljac**, Controller.

Customer Service

Recent customer satisfaction surveys indicate that Canadian Niagara Power is doing a good job of meeting overall customer expectations. Nevertheless, Canadian Niagara Power is aggressively availing of the expertise of its corporate affiliates Niagara Mohawk and Fortis to develop customer service programs that will exceed Ontario norms.

Canadian Niagara Power celebrated 90 years of serving the Town of Fort Erie in August 1997. Its commitment to delivering reliable, quality electrical energy to Fort Erie customers was demonstrated with the commissioning of a new substation, reassessment of the distribution network and commencement of an upgrade project on the transmission line to Buffalo, New York to provide an alternative energy supply source for Fort Erie customers.

Canadian Niagara Power offers rate incentive programs to assist the growth of existing commercial and industrial customers, and to attract new businesses to its service area.

Canadian Niagara Power offers rate incentive programs to assist the growth of existing commercial and industrial customers, and to attract new businesses to its service area.

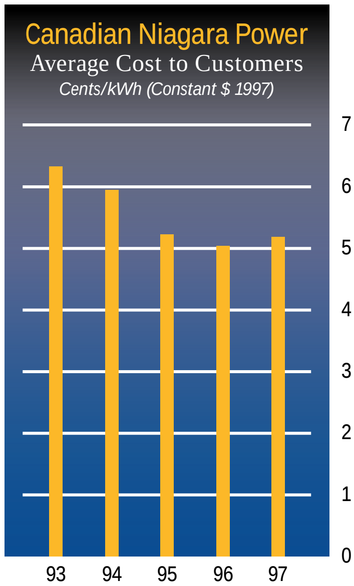
Rate incentive plans are being well received by our customers.

Regulation

Canadian Niagara Power is not subject to traditional rate of return regulation. Its franchise agreement with the Town of Fort Erie provides that residential rates not exceed 97% of those charged by a specified group of adjacent utilities. Late in 1997, the Ontario government released a white paper entitled "Direction for Change, Charting a Course for Competitive Electricity and Jobs in Ontario" that could signal a change in the regulatory structure for Canadian Niagara's distribution business.

Human Resources

Mardon J. Erbland, formerly a Vice President of Newfoundland Power, was appointed President and Chief Executive Officer of Canadian Niagara Power at the end of 1997. Under his leadership, Canadian Niagara Power and its 81 employees will focus on developing the core values of customer service, productivity, safety and respect for people.



Outlook

Restructuring of the electric utility industry in Ontario will provide both challenges and opportunities for the Company. Canadian Niagara Power was one of the first companies to bid power into the recently established interim market for electricity in Ontario.

The Company continues to strengthen its capability to operate in the expected new environment by focusing on quality customer service, improving its core distribution network and gaining expertise in marketing energy through its sales to Canadian and American utilities. Canadian Niagara Power will continue to look for electrical distribution and generation opportunities in Ontario.

Canadian Niagara Power has received notice to terminate its supply contract with Cornwall Electric effective December 1998. The Company is seeking alternative customers for the displaced energy, and the impact in 1998 will be minimal.

Indications of increased demand in Fort Erie through new residential, retail and tourism developments are encouraging. Completion of the transmission line upgrade to Buffalo, New York, as well as projects planned for the local distribution system, will enhance reliability and improve the productivity of Canadian Niagara Power's system.

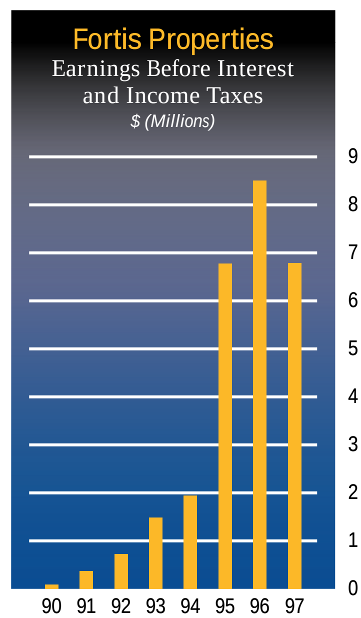
Fortis Properties Corporation

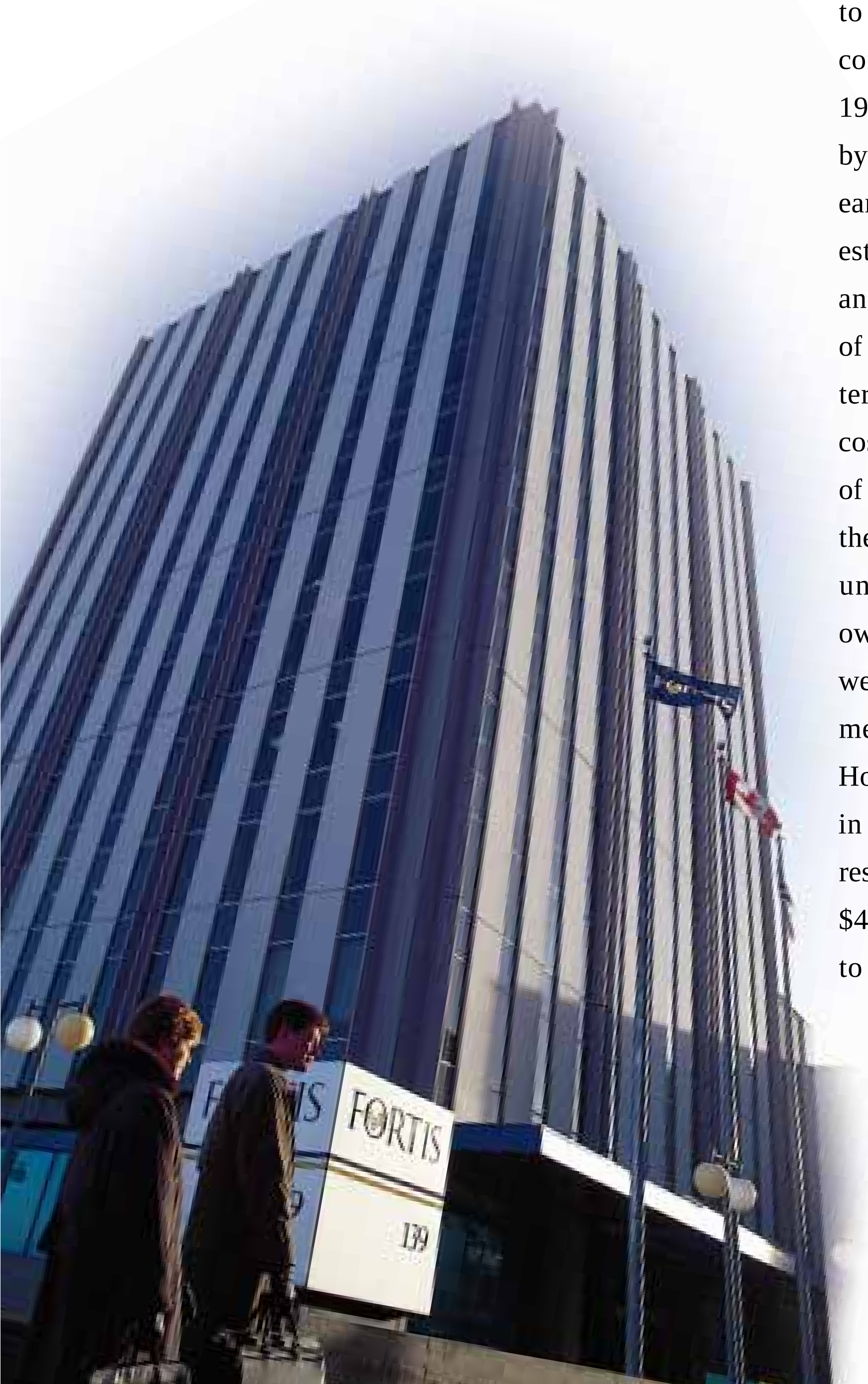
Fortis Properties is the primary vehicle for diversification by Fortis outside its core business of electric utilities. Since its inception in 1989, Fortis Properties has expanded its geographic and business scope throughout Newfoundland and Nova Scotia, with investments in real estate and hotels, and in telecommunications through its partnership with AT&T Canada Long Distance Services. Its asset base has grown to $113.3 million at the end of 1997.

During 1997, Fortis Properties achieved a significant milestone in its development. The Company created and sold $50 million of First Mortgage Bonds, Series A, maturing in twenty years, to a single institutional investor. The financing was secured by a fixed charge on seven office and community shopping mall properties.

Financial Results

Net earnings for the year remained unchanged at $1.1 million. Earnings before interest and taxes decreased $1.7 million to $6.8 million in 1997. A decline in the contribution from telecommunications in 1997 was offset by increased earnings in real estate and hotels and the benefit of lower short-term financing costs. A full year of operation of the Sydney hotels, under Fortis ownership, as well as improvements at the Holiday Inn St. John's and strong performance in the Nova Scotia real estate operations, resulted in revenues increasing by 12.3% to $40.2 million. Operating expenses increased to $33.4 million from $27.0 million in 1996.





The Fortis Building in St. John's, Newfoundland is the head office of Fortis Inc., Fortis Properties and Fortis Trust.

The Fraser Mall in Gander, Newfoundland is one of four community shopping malls owned and operated by Fortis Properties.

Capital expenditures decreased in 1997 because of reduced acquisition activity. Fortis Properties ended 1997 with $113.3 million in assets, up from $109.5 million in 1996.

Real Estate

The overall vacancy rate for owned and managed properties was 11.7% as of December 31, 1997, compared to 11.9% at the end of 1996. There was a significant reduction of the vacancy rate in Nova Scotia while good leasing results in Newfoundland were largely offset by the loss of two major retail tenants.

In 1997, the real estate market in the Halifax central business district consisted of approximately 4.7 million square feet of leasable space, of which Fortis Properties owns approximately 20%. Vacancy in the Halifax market decreased in 1997 to 9.9% from 16% in December 1996. Occupancy of Company owned properties was better than the market average as vacancy declined from 11.5% at the end of 1996 to 8.6% at year end 1997. While the absorption of space has been positive, increases in rental rates have lagged.

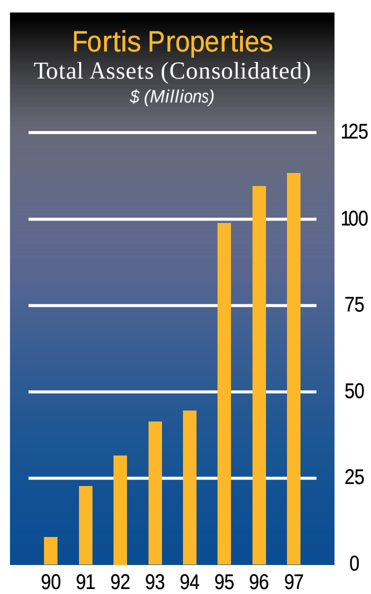
Vacancy in the Newfoundland properties increased to 15% at year end, compared to 12.4% in 1996, due primarily to the bankruptcies of a retail anchor tenant and a junior discount store. New tenants, combined with strong lease renewals helped to offset the losses.

The value of the Company's emphasis on customer service and attention to building quality was evident in 1997, as 97% of expiring tenancies were renewed.

The real estate portfolio was appraised in conjunction with the Company's debt financing and established that the market value of the seven properties charged as security for the bond issue had increased 7.4% over book value.

Fortis Hospitality

Fortis Hospitality is a wholly owned subsidiary of Fortis Properties. At the end of 1997, the Company owned and managed four properties with 608 rooms; Holiday Inn St. John's, Holiday Inn Corner Brook, Holiday Inn Sydney, and Delta Sydney. During 1997, the Sydney Inn was closed and the management contracts on three hotels were terminated. The cancellation of these management contracts has taken Fortis Hospitality out of the important regional markets of Halifax and Moncton.



The Company is seeking opportunities to re-enter these markets.

This was the first full year of operations for the Delta Sydney and Holiday Inn Sydney under Fortis ownership. During 1997, efforts focused on improving operations and positioning these properties in their respective markets.

In March, the food and beverage operation at the Holiday Inn St. John's was converted to an East Side Mario's franchise. This casual dining concept broadens the market appeal of the restaurant and meets the needs of a changing market place. Revenues from the food and beverage operation have more than doubled since the transformation, thereby having a positive impact on financial performance and the overall hotel operation.

Fortis Hospitality's weighted average revenue per available room increased by 28.8% over 1996. The Company's market share increased by 3.0% during the same period. These positive results are further reflected in the year-over-year increase in net operating income which grew to $2.2 million from $1.2 million in the previous year.

Telecommunications

The AT&T Canada (Newfoundland) Long Distance Services partnership experienced several major challenges in 1997, resulting in a decline in income for the year. Increased competition placed downward pressure on rates, keeping revenues at 1996 levels. Earnings were eroded by the lack of revenue growth combined with significantly higher contribution costs paid to the local telephone company, as mandated by the Canadian Radio Television Commission ("CRTC").

Overall billed minutes increased 8.2% in 1997, however, competitive initiatives including the introduction of flat rate per minute calling plans increased customer turnover, causing decreases in the number of residential billed minutes and the average revenue per minute from 1996.

In an effort to more effectively serve and expand its customer base and reduce related costs, the Partnership opened a call centre in St. John's during the first quarter of 1997. The centre has reduced the costs of customer acquisition, and improved customer service and retention.

Fortis Properties is the primary vehicle for diversification by Fortis outside its core business of electric utilities.

Human Resources

From its beginning in 1989, Fortis Properties has grown to a substantial company with 15 properties and 439 employees at the end of 1997. During 1997, emphasis was placed on improving the structures and systems needed to operate such a geographically, and operationally diverse enterprise, and on strengthening financial and administrative management.

All of the Company's hotels are unionized. New collective agreements were concluded at both the Holiday Inn Sydney and the Holiday Inn St. John's during the year.

Outlook

The real estate and hospitality industries continue to show improvement due to stronger economic growth. The real estate division is expected to be relatively stable both in terms of rental rates and lease renewals in 1998. Fortis Hospitality is forecast to improve its performance in 1998, primarily as a result of steady gains in market share and rate improvement. The division will focus on improving the operating performance of its current properties, while remaining positioned to expand into key regional markets as opportunities are identified. The hotels have undergone significant renovations and are well positioned in the markets in which they operate.

The new St. John's call centre has improved AT&T Canada (Newfoundland) customer service.

Intense competition in the telecommunications industry is expected to continue with the resultant pressures on rates and margins.

Fortis Trust

Fortis Trust is the financial services subsidiary of Fortis. As a niche player in a changing industry, Fortis Trust has established itself as an alternative to larger financial institutions by placing an emphasis on personalized customer service. The Company is a member of the Canada Deposit Insurance Corporation ("CDIC") and an approved lender by Canada Mortgage and Housing Corporation ("CMHC") for participation in insured lending programs under the National Housing Act ("NHA"). Fortis Trust has branches in St. John's, Corner Brook, and through an affiliation with Maritime Electric, operates throughout Prince Edward Island.

Financial Results

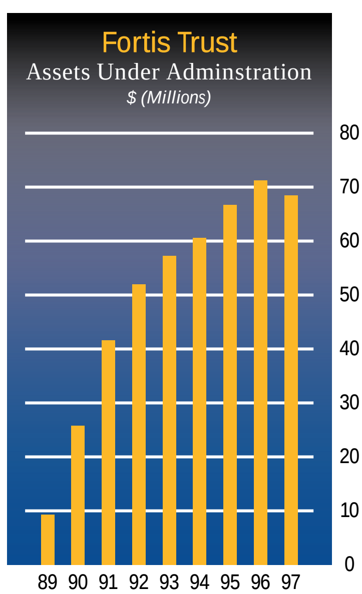
Fortis Trust generated a solid financial performance in 1997. Earnings for the year were a record $473,000, up 43 % over 1996. As a result of regulatory restrictions, Fortis Trust's capitalization rate (the ratio of average

As a niche player in a changing industry, Fortis Trust has established itself as an alternative to larger financial institutions by placing an emphasis on personalized customer service.

The Fortis Trust portfolio consists mainly of residential mortgages.

shareholders' equity to average assets) is in excess of the financial services industry average, which constrains the return on equity. The return on average assets was 0.77% up from 0.53 % in 1996. The increased profitability is the result of an improved interest rate spread, increased fee-based revenues, and reduced non-interest expenses.

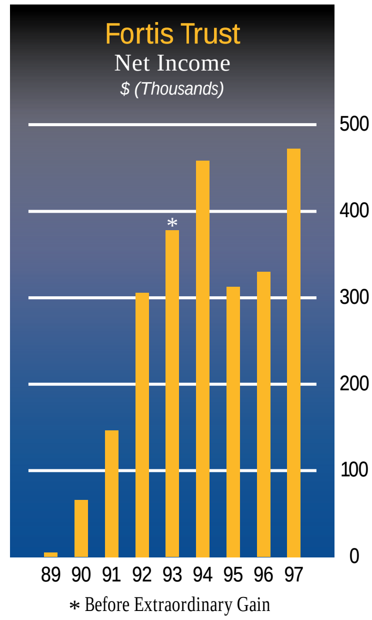
Assets under administration decreased by 4% from $71.3 million to $68.6 million in 1997. The decrease is attributable to a decline in retail deposit activity which reduced availability of mortgage funding. With the low interest rate environment and the strong capital market which existed throughout 1997, consumers shifted their funds from fixed term deposits to other financial products. The Company's emphasis, therefore, was concentrated on profitability as opposed to growth.



During 1997, NHA Mortgage Backed Securities totaling $4.2 million were issued providing funding and service fee revenues.

Risk Management

The Company has corporate policies and reporting processes to assess all significant risk areas including credit risk, interest rate risk, and liquidity risk. Fortis Trust adheres to CDIC's Standards for Sound Business and Financial Practices including an annual assessment and reporting program. Lending is primarily on residential first mortgages with 62.8 % of the portfolio CMHC insured. The ratio of gross impaired mortgages to total mortgages at year end of 0.14 % was less than the year end 1996 rate of 0.75 %.



Outlook

Earnings are expected to remain strong in 1998. Growth will be limited as the low interest rate environment continues to curtail retail deposit activity.

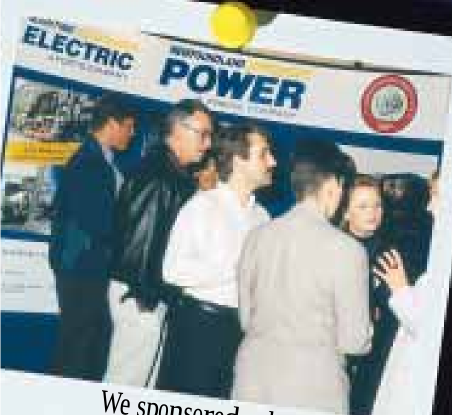
The Federal Budget announcement of government contribution to Registered Education Savings Plans ("RESP") should encourage growth of Fortis Trust's RESP product that it markets to customers as an alternative to pooled "scholarship" type plans.

OUR COMMUNITY

Fortis and its employees work to improve the quality of life in our communities by supporting volunteer activities and initiatives. We support hundreds of community activities throughout the areas we serve. With the support of Fortis companies, our employees are actively involved in sports groups, scout and guide troops, schools, health care institutions and innumerable other organizations. Our contributions are as diverse as our companies, and encompass financial assistance as well as employee time and use of company resources. Pictured on these pages is a small sampling of the activities of Fortis and its employees during 1997.

We worked together to raise awareness and Coats for Kids.

We supported the Prince Edward Island Festival for Health.



We sponsored a business networking session to introduce our companies to the community.

We are corporate partners of the St. John's Maple Leafs

We helped build homes for the Ed Schreyer work project in support of Habitat for Humanity.

We raised money to build a community walking trail.

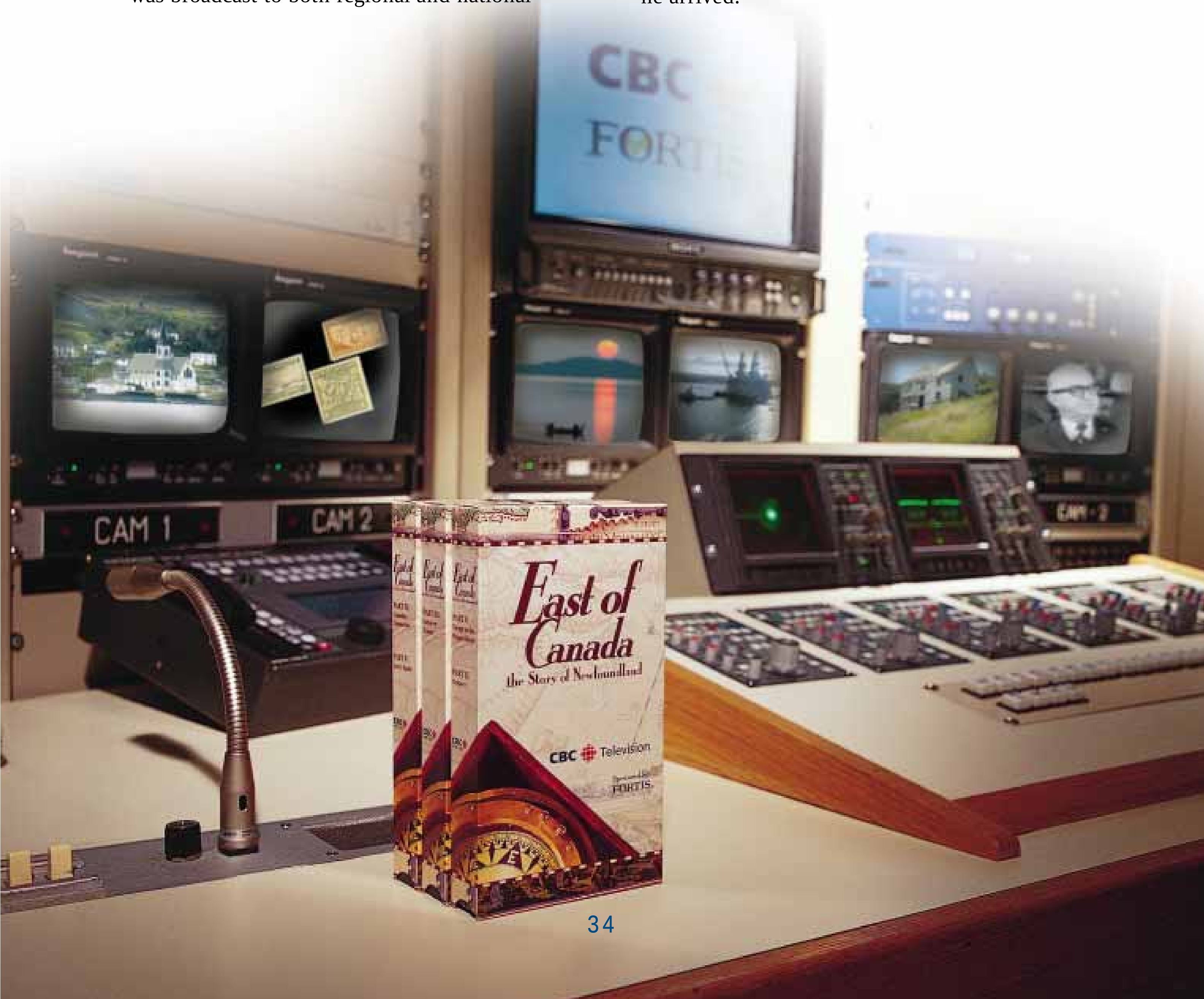
We helped the environment with an employee-driven roadside clean-up.

East of Canada
the Story of Newfoundland

To mark the 500th Anniversary of the discovery of Newfoundland by John Cabot, Fortis accepted the invitation of CBC Newfoundland and Labrador to become the presenting sponsor of *"East of Canada–The Story of Newfoundland."* This five part documentary series chronicles the history of Newfoundland as a colony, country and province with eyewitness and historian accounts and images recalling the history of Newfoundland's unique heritage. *"East of Canada, The Story of Newfoundland"* was broadcast to both regional and national audiences on the CBC National Network and CBC Newsworld in 1997. The series is presented in five parts:

PART I: Voyage to the Happy Island

John Cabot discovered Newfoundland in 1497, but other peoples, especially the Beothucks, had inhabited the land thousands of years before Cabot. The richness of Cabot's discovery provided a new life to the English and Irish who came after him, but it offered slow death to the Beothucks who lived here before he arrived.



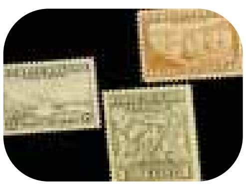
PART II: Outport

The outport is the fundamental unit of Newfoundland and Labrador society. Once upon a time, more than 1,400 of these communities stretched along the rugged coastline.

Now fewer than eight hundred remain – the others abandoned, or closed by government edict. This documentary is a tribute to the outport – why it developed, how it endured, and why it declined.

PART III: Nation or Notion?

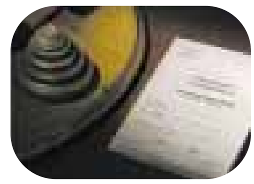
Newfoundland emerged as a nation in the 19th Century. It became a separate country,



and even made a brief appearance on the international stage. That time has passed. But has it? Newfoundland still has its own history, its customs, its language and its music. And Newfoundlanders still have their own way of looking at the world. Does a separate nation still lurk in the souls of Newfoundlanders?

PART IV: Canadian Connections

In the 1869 election, Newfoundland voters rejected overwhelmingly the idea of joining the Canadian Confederation. For the next 80 years the two countries had only a distance and sometimes fractious relationship. But there were hidden forces at work to change all that. This documentary examines those forces and shows that when Newfoundlanders finally tied the knot with Canada in 1949, it was a marriage of the head rather than the heart.



PART V: Joey's Spade

After Confederation, a silver spade turned the sods and a pair of scissors cut the ribbons for countless projects designed to industrialize Newfoundland. Usually wielded by Premier Joey Smallwood, the spade and scissors opened

power plants, oil refineries, factories (including one to make chocolates) and other projects, big and small, in a drive to modernize Newfoundland's economy. The results were mixed at best. This documentary looks at the impact, much of it drastic, which this process of industrialization made on the lives of many Newfoundlanders.

CBC FORTIS INC.

Copies of the video are available for purchase by contacting the CBC at 1-800-955-7711

MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis for Fortis Inc. is supplemental to the Consolidated Financial Statements and the Operations sections of the 1997 Annual Report, and should be read jointly with such sections on pages 12 through 31 and pages 41 through 51 hereof.

Overview

Fortis Inc. is a diversified corporation with holdings in five companies, three of which are electric utilities. All operations are carried out through subsidiaries.

Fortis' utility investments consist of Newfoundland Power and Maritime Electric, the principal distributors of electricity in Newfoundland and Prince Edward Island respectively, and a 50% interest in Canadian Niagara Power, which distributes electricity in Fort Erie, Ontario and markets electrical energy into the United States and Ontario.

Fortis has two non-utility subsidiaries. Fortis Properties owns and manages commercial real estate and hotels in Newfoundland and Nova Scotia. The Company also provides telecommunications services through a 50% interest in AT&T Canada (Newfoundland). Fortis Trust, with operations in Newfoundland and Prince Edward Island, is a deposit taking institution that lends primarily on residential mortgages.

The distribution of Fortis' total investment, at year end, is as follows:

Distribution of Fortis Inc. Total Investment

	1997	1996
Newfoundland Power	62 %	63%
Maritime Electric	23	23
Canadian Niagara Power	8	7
Fortis Properties	5	5
Fortis Trust	2	2
	100%	100%

Fortis' 50% interest in Canadian Niagara Power is proportionately consolidated. Results for 1996 include Fortis' share of the earnings of Canadian Niagara Power for the period October 11 to December 31, 1996.

1997 Performance Compared With 1996

Consolidated Earnings

	Earnings Applicable to Common Shares (*in millions*)			Segmented Earnings Per Share	
	1997	1996	Change	1997 $	1996
Wholly Owned Subsidiaries					
Newfoundland Power	$ 24.9	$ 25.1	$ (0.2)	$ 1.97	$ 2.04
Maritime Electric	7.9	8.0	(0.1)	0.63	0.65
Fortis Properties	1.1	1.1		0.09	0.09
Fortis Trust	0.5	0.3	0.2	0.04	0.02
	34.4	34.5	(0.1)	2.73	2.80
Share of Canadian Niagara Power	4.6	1.0	3.6	0.36	0.08
Corporate and Consolidation Adjustments	(2.8)	0.8	(3.6)	(0.22)	0.07
	36.2	36.3	(0.1)	2.87	2.95
Preferred Dividends	(6.2)	(7.3)	1.1	(0.49)	(0.59)
Earnings	$ 30.0	$ 29.0	$ 1.0	$ 2.38	$ 2.36
Average Common Shares Outstanding (millions)	12.6	12.3	0.3		

Operating Revenues

	(in millions) 1997	1996	Change
Newfoundland Power	$ 343.7	$ 341.6	$ 2.1
Maritime Electric	86.8	86.2	0.6
Canadian Niagara Power	18.2	4.1	14.1
Fortis Properties	40.2	35.8	4.4
Fortis Trust	4.9	5.5	(0.6)
Corporate and Consolidation Adjustments		1.1	(1.1)
	$ 493.8	$ 474.3	$ 19.5

The increase in operating revenues is primarily attributable to reporting a full year of revenue from the investment in Canadian Niagara Power on October 11, 1996, and the hotels acquired by Fortis Properties' subsidiary, Fortis Hospitality Corporation, in Sydney, Nova Scotia in July 1996.

Operating Expenses

	(in millions) 1997	1996	Change
Newfoundland Power	$ 275.1	$ 273.2	$ 1.9
Maritime Electric	65.4	64.2	1.2
Canadian Niagara Power	8.4	1.9	6.5
Fortis Properties	33.4	27.0	6.4
Fortis Trust	1.2	1.2	
Corporate and Consolidation Adjustments	5.4	2.9	2.5
	$ 388.9	$ 370.4	$ 18.5

The increase in operating expenses of Newfoundland Power is primarily the result of early retirement allowances offset by a $1.1 million credit on the cost of purchased power. The credit received represents the expected savings by the supplier from the implementation of the Harmonized Sales Tax on April 1, 1997.

Maritime Electric purchases most of the electricity that it distributes from NB Power, with a significant portion of such energy being generated at NB Power's Point Lepreau Nuclear Generating Station. This Station suffered outages during 1997 that required Maritime Electric to purchase replacement energy. Premiums paid for replacement energy during the shutdowns of the Point Lepreau Nuclear Station caused the majority of the increase in operating expenses at Maritime Electric.

Canadian Niagara Power's 1997 operating expenses represent proportionate consolidation of expenses for the entire year compared to approximately two and a half months in 1996.

The operation of the Sydney hotels for the full year in 1997, and higher contribution costs charged to AT&T Canada (Newfoundland) by the local telephone company, accounted for the increase in Fortis Properties' operating expenses. Depreciation also increased by $1 million as a result of the continuing capital program.

Finance Charges

	(in millions) 1997	1996	Change
Interest on Long Term Debt	$ 38.7	$ 38.5	$ 0.2
Dividends on Preference Shares	6.2	7.3	(1.1)
	$ 44.9	$ 45.8	$ (0.9)

Dividends on preferred shares decreased due to the redemption of the $50 million 8.7% First Preference Shares, Series A on September 30, 1997.

Corporate and Consolidation Adjustments

Corporate and consolidation adjustments in 1997 decreased earnings by $3.6 million for several reasons: (i) amortization of goodwill increased $1.4 million over 1996, related to a full year of amortization of the goodwill arising from the Canadian Niagara Power investment; (ii) finance costs increased by $1.0 million on debt incurred to facilitate the Canadian Niagara Power investment and; (iii) interest income decreased by $1.2 million mainly due to the repayment by Fortis Properties of debt owing to Fortis.

Liquidity and Capital Resources

Operating and capital expenditures were substantially financed by cash from operations. The redemption of preferred shares and repayments on debt were financed from the issuance of long term debt and common equity. A special dividend of $5 million was received during 1997 from Newfoundland Power.

External Financing

During 1997 Fortis issued 290,628 Common Shares (1996 - 290,826) under its dividend reinvestment, share purchase, and stock option plans that contributed $9.1 million to equity (1996 - $8.1 million).

The $50 million 8.7% First Preference Shares, Series A, issued in September 1987, were redeemed on September 30, 1997.

In October 1997, Fortis Properties issued $50 million 7.5% First Mortgage Bonds, Series A, due 2017. The proceeds of the bond issue repaid debt owing to Fortis.

Maritime Electric completed a $15 million long-term debt issue on January 10, 1997. This bond issue carries a coupon rate of 8.625%, and matures in 2027.

Capital Expenditures

(in millions)	1997	1996	Change
Capital Expenditures			
Newfoundland Power	$ 28.9	$ 26.8	$ 2.1
Maritime Electric	13.5	14.1	(0.6)
Canadian Niagara Power	1.1	0.5	0.6
Fortis Properties	6.2	12.0	(5.8)
	$ 49.7	$ 53.4	$ (3.7)

Investing

Capital expenditures during 1997 of Fortis' subsidiaries and affiliates represent normal capital improvements in the various companies. Fortis Properties 1996 expenditures included the acquisition of three hotels in Sydney, Nova Scotia.

Dividends

Dividend payments increased in 1997 to $22.5 million from $21.4 million due to an increase in the quarterly dividend from $0.43 to $0.44, and the issuance of 290,628 common shares pursuant to the various Fortis share plans. This year marked the 24th consecutive year of dividend increases on common shares.

Risk Analysis

Fortis believes that its subsidiaries, and Canadian Niagara Power, are well positioned to meet the challenges from changes in regulation, increased competition and slow economic growth in parts of its service territory.

A major risk facing the electric utility subsidiaries is the potential for competition in the traditionally regulated industry. Transmission access is currently in place in the United States and retail competition will be implemented in many states by the year 2000. The Province of Ontario recently proposed sweeping changes to its electric utility industry, including full retail competition in the year 2000. Management is reviewing the Corporation's operations and making the changes necessary to ensure that operating subsidiaries, and Canadian Niagara Power, are favorably positioned to react to any such changes.

The principal long term risk facing Newfoundland Power is the recovery of current and past expenses incurred in the delivery of electrical services. This risk is affected by a number of factors including general economic conditions, potential changes in regulation and the regulatory system, and competition in the energy marketplace. Newfoundland Power's regulator has announced that it will convene a hearing to review the Company's allowed rate of return in view of the decline in long term interest rates since the last general rate hearing in 1996 which established an allowed rate of return on common equity of 10.75% to 11.25%.

Maritime Electric purchases the majority of its energy requirements from NB Power. Maritime Electric's rates for the energy it sells are not directly linked to its costs, but are limited by legislation to not more than 110% of NB Power's rates for comparable services. Since Maritime Electric operates oil fired generators and purchases most of its energy from NB Power's thermal and nuclear generators, two of the major risks facing the Company are its exposure to increases in the price of oil, and the availability of NB Power's Point Lepreau Nuclear Generating Station. Management continues to take a proactive approach towards reducing the Company's exposure to these risks. The Company is in the second year of a five year energy purchase agreement with NB Power, the provisions of which effectively reduce exposure to oil price increases.

Fortis continues to assess the strategic value of current and prospective non-utility investments. Fortis Properties has strategically positioned itself to manage risk by diversifying its business base and operating territory. The business base includes commercial and retail properties, hospitality services, and telecommunications. Fortis Properties' real estate and hotel assets are located in major service centres of Newfoundland and Nova Scotia. Fortis Trust faces interest rate risk and strives to minimize its exposure by matching the maturities of assets and liabilities. The Company's credit risk philosophy is conservative, with a primary focus on insured residential first mortgages.

Year 2000

A significant challenge to virtually all businesses is the need to prepare for the impact of the century change on computer systems. Many information systems in current use have been designed to identify calendar years by reference to only the last two digits of the year. Unless those systems are appropriately modified, the arrival of the year 2000 will create system confusion or failure, with attendant business disruptions. The Year 2000 issue impacts each of the Fortis subsidiary companies, and Canadian Niagara Power. The principal risk faced by the electrical utilities relates to complex computer applications used in the delivery of customer service. Similarly, Fortis Properties relies heavily on information technology in the provision of communication services and to a lesser degree, hospitality services. All of the Fortis companies rely on information technology systems for financial management and reporting.

Committees have been formed in the subsidiaries to deal with this issue. Committee members include both information technology specialists and system users. During 1997, major applications were assessed and potential problems were identified by the committees, and through consultation with external specialists. Action plans are being formulated to mitigate the risks associated with the Year 2000 issue. The committees have outlined timetables for modification of existing systems or implementation of new systems. Testing will be performed throughout the modification and implementation stages, with completion of all activities scheduled for June 1999.

Several third party suppliers have been approached regarding the Year 2000 issue and have advised that the issue is being addressed. During 1998, the Company will continue to address the remaining risks associated with third parties with whom it does business.

For the most part, modification of existing systems will be performed, however, some implementation of new systems will be required. Costs incurred to date, which consists primarily of employee time, have been recognized as a charge to income. No significant additional hardware purchases outside the ordinary course expenditures for technological improvements have been identified. Based on current estimates, the future expected write-downs and additional costs associated with the Year 2000 issue are not considered material.

Outlook

Significant changes to Fortis' operations are not anticipated for 1998. Subsidiaries will focus on improving operations and continue to build solid foundations to take advantage of long term opportunities. Fortis will continue to explore opportunities to acquire electric utility assets which may become available in Canada or the Northeast United States as industry restructuring evolves.

Fortis' earnings in 1998 will be favorably affected by lower dividends on preference shares resulting from the redemption of the First Preference Shares, Series A and refinancing with lower cost after tax debt. Earnings, however, could be affected by the outcome of the hearing into the rate of return allowed for Newfoundland Power.

No long term debt issues are planned in 1998 as it is anticipated that financing requirements will be met by cash from operations, short term bank financing and equity generated by the Company's various share purchase plans.

FINANCIALS

Management Report

The accompanying financial statements of Fortis Inc. and its subsidiaries, and all information in the annual report, are the responsibility of management and have been approved by the Board of Directors. The financial statements include certain amounts that are based on management's best estimates and judgments.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial information contained elsewhere in the annual report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. The effectiveness of these internal controls is evaluated on an ongoing basis by the external auditors.

The Audit Committee, which is comprised solely of outside directors, reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Committee meets with the external auditors, with and without management present, to discuss the results of the audits, the adequacy of the internal accounting controls and financial reporting matters.

The consolidated financial statements have been audited by Deloitte & Touche, Chartered Accountants, and their report follows.

President and Chief Executive Officer

Vice President, Finance and
Chief Financial Officer

Auditors' Report

To the Shareholders,
Fortis Inc.

We have audited the consolidated balance sheets of Fortis Inc. as at December 31, 1997 and 1996 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland,
Chartered Accountants
February 26, 1998.

FORTIS INC.

(Incorporated under the laws of the Province of Newfoundland)

CONSOLIDATED BALANCE SHEETS

As at December 31

ASSETS	1997	(in thousands)	1996
Current Assets			
Cash	$ 11,823		$ 7,587
Accounts receivable	58,186		53,116
Materials and supplies	6,373		7,578
Prepaid expenses	2,221		2,175
	78,603		70,456
Other Assets			
Mortgages receivable–Fortis Trust	57,568		60,971
Deferred charges (Note 1)	42,437		36,151
Corporate income tax deposit (Note 13)	15,595		15,595
	115,600		112,717
Utilities' Capital Assets (Note 2)	684,874		676,317
Income–Producing Properties (Note 3)	93,474		90,291
Goodwill	44,845		47,753
	$ 1,017,396		$ 997,534

LIABILITIES			
Current Liabilities			
Bank indebtedness	$ 46,433		$ 54,210
Accounts payable and accrued charges	80,844		79,883
Deposits payable–Fortis Trust	29,820		35,729
Current instalments of long term debt (Note 4)	15,061		2,671
	172,158		172,493
Long Term Debt (Note 4)	435,627		435,654
Deposits Due Beyond One Year–Fortis Trust	20,444		17,448
Deferred Credits (Note 5)	54,194		53,658
Non-Controlling Interest (Note 6)	8,430		8,430

SHAREHOLDERS' EQUITY			
Common shares (Note 7)	141,063		131,924
Retained earnings	185,480		177,927
Common shareholders' equity	326,543		309,851
	$ 1,017,396		$ 997,534

Contingent liability (Note 13)

See accompanying notes to consolidated financial statements.

Approved on Behalf of the Board:

Director

Director

FORTIS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

For the Year Ended December 31

	1997	(in thousands)	1996
Operating Revenues	$ 493,826		$ 474,293
Operating Expenses			
Purchased power	243,119		236,398
Other expenses	103,595		97,990
Depreciation and amortization	42,252		35,993
	388,966		370,381
Operating Income	104,860		103,912
Finance Charges			
Interest and amortization (Note 8)	38,658		38,487
Dividends on preference shares	6,232		7,325
	44,890		45,812
Earnings Before Undernoted Items	59,970		58,100
Income Taxes (Note 9)	29,449		28,029
Earnings Before Non-Controlling Interest	30,521		30,071
Non-Controlling Interest	515		1,026
Earnings Applicable to Common Shares	$ 30,006		$ 29,045
Average Common Shares Outstanding	12,623		12,319
Earnings Per Common Share	$ 2.38		$ 2.36

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Year Ended December 31

	1997	(in thousands)	1996
Balance at Beginning of Year	$ 177,927		$ 170,852
Earnings applicable to common shares	30,006		29,045
Dividends on common shares	(22,453)		(21,390)
Premium paid on early redemption of preference shares of Maritime Electric			(580)
Balance at End of Year	$ 185,480		$ 177,927

See accompanying notes to consolidated financial statements.

FORTIS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31

	1997	*(in thousands)*	1996
Cash from operations			
Earnings applicable to common shares	$ 30,006		$ 29,045
Items not affecting cash			
Depreciation and amortization	42,252		35,993
Deferred income taxes	(17)		(593)
Non-controlling interest	515		1,026
Other	587		1,717
Change in non-cash working capital	(8,859)		14,312
	64,484		81,500
Working capital of Canadian Niagara Power Company, Limited at date of acquisition			4,851
	64,484		86,351
Cash from external financing			
Issue of common shares	9,139		8,078
Redemption of preference shares	(50,000)		
Net proceeds from long term debt	66,508		59,805
Repayment of long term debt	(4,145)		(43,908)
Redemption of preference shares of subsidiaries			(8,080)
Increase (decrease) in bank indebtedness	(7,777)		17,352
Increase in deposits payable beyond one year	2,996		745
	16,721		33,992
Cash used in investing			
Acquisition of 50% interest in Canadian Niagara Power Company, Limited			(25,208)
Net capital expenditures	(49,681)		(53,420)
Mortgages	3,403		(3,556)
Increase in deferred charges	(7,723)		(12,262)
Other investments			(1,392)
	(54,001)		(95,838)
Dividends			
Common shares	(22,453)		(21,390)
Subsidiaries to minority shareholders	(515)		(1,026)
	(22,968)		(22,416)
Increase in cash	4,236		2,089
Cash, beginning of year	7,587		5,498
Cash, end of year	$ 11,823		$ 7,587

See accompanying notes to consolidated financial statements.

Summary of Accounting Policies

Consolidated Financial Statements

Consolidated financial statements include the accounts of Fortis Inc. (the "Corporation") and the following wholly owned subsidiaries:

Newfoundland Light & Power Co. Limited ("Newfoundland Power")
Maritime Electric Company, Limited ("Maritime Electric")
Fortis Properties Corporation ("Fortis Properties")
Fortis Trust Corporation ("Fortis Trust")

The accounts of Fortis Properties include its wholly owned subsidiary, Fortis Hospitality Corporation, and the 50% interest in AT&T Canada (Newfoundland) partnership which has been reported on a proportionate consolidation basis.

The Corporation's 50% interest in Canadian Niagara Power Company, Limited ("Canadian Niagara") has been reported on a proportionate consolidation basis commencing October 11, 1996.

Basis of Presentation

The Corporation considers its operations fall principally into one business segment – the sale of electricity in the provinces of Newfoundland, Prince Edward Island and Ontario.

The Corporation's other operations include:

Fortis Properties – owners and managers of commercial real estate and hotels in Atlantic Canada. Fortis Properties also holds a 50% interest in AT&T Canada (Newfoundland) partnership, providing long distance telecommunications to customers in the Province of Newfoundland.

Fortis Trust – a trust company dealing primarily in residential first mortgages and guaranteed investment certificates in Newfoundland and Prince Edward Island.

Revenue – Real Estate

Real estate revenue is derived from leasing retail and office space to tenants for varying periods of time. The leases are primarily of a net nature with tenants paying basic rental plus a pro rata share of defined overhead expenses. Certain retail tenants pay additional rent based on a percentage of the tenant's sales. Expenses recovered from tenants are recorded as revenue and overhead costs as operating expenses.

Income-Producing Properties

Income-producing properties are recorded at cost.

Amortization

Fortis Properties depreciates income-producing buildings on the sinking fund method using an imputed interest rate of 6% over the estimated useful lives of twenty-five to forty years. Telecommunications capital assets are depreciated using the straight line method based on the estimated economic lives of the assets, which primarily range from three to forty years.

Goodwill

Goodwill, representing the excess of the acquisition cost of shares of Maritime Electric and Canadian Niagara over the assigned value of net assets acquired, is being amortized on a straight line basis over twenty-five and twelve years respectively. Expected future earnings support the carrying value of goodwill.

Changes in Financial Position

Bank indebtedness is considered a non-current liability in the statement of changes in financial position as it is anticipated the indebtedness will be replaced by long term debt or capital stock.

The accounting policies which follow are principally related to Newfoundland Power, Maritime Electric and Canadian Niagara.

Regulation

Newfoundland Power is regulated by the Board of Commissioners of Public Utilities of the Province of Newfoundland ("The P.U.B."). Accounting policies conform to generally accepted accounting principles and to accounting requirements established from time to time by The P.U.B. for Newfoundland Power.

Maritime Electric operates under the Maritime Electric Company Limited Regulation Act (Prince Edward Island) and is monitored by the Island Regulatory and Appeals Commission.

Revenue

Revenue from the sale of electricity by Newfoundland Power is recognized on billings rendered monthly, on a cyclical basis, to customers.

Revenue from the sale of electricity by Maritime Electric and Canadian Niagara is recognized on the accrual basis.

Utilities' Capital Assets

Capital assets of Newfoundland Power are stated at values approved by The P.U.B. as at June 30, 1966 with subsequent additions at cost. Capital assets at Maritime Electric and Canadian Niagara are stated at cost. The cost of capital assets retired, less net salvage, is charged to accumulated amortization.

Maintenance and repairs are charged against revenue, while renewals and betterments are capitalized.

Amortization

Amortization is provided in the accounts of Newfoundland Power, Maritime Electric and Canadian Niagara primarily on a straight line method based on the estimated service life of capital assets.

The composite rate of amortization before reduction for amortization of contributions in aid of construction and contributions from government are:

	1997	1996
Newfoundland Power	3.7%	3.7%
Maritime Electric	3.3%	3.2%
Canadian Niagara	3.5%	3.3%

Interest Charged to Construction

On certain construction projects, Newfoundland Power records interest at varying rates as set out by The P.U.B.. Maritime Electric calculates interest during construction at a rate approximately equal to the cost of capital. Such interest is capitalized and included as a cost in the appropriate capital asset account.

Customer and Government Contributions

Contributions represent the cost of capital assets contributed by customers and governments. Certain contributions by the Province of Newfoundland to Newfoundland Power carry conditional options allowing the Province to reacquire the capital assets so contributed. These accounts are being reduced annually by an amount equal to the charge for amortization provided on the contributed portion of the cost of the assets involved.

Weather Normalization Account

The P.U.B. has ordered provision of a weather normalization account in Newfoundland Power to adjust for the effect of variations in temperature and streamflow when measured against long term averages. The balance in the weather normalization account as at December 31, 1997 is subject to P.U.B. approval.

Materials and Supplies

Materials and supplies are recorded at average cost.

Pension Costs

Newfoundland Power and Canadian Niagara maintain defined benefit pension plans for its employees. In 1996, Maritime Electric replaced its defined benefit pension plan with a group registered retirement savings plan.

Pension costs are actuarially determined using the projected benefit method prorated on service and management's best estimate assumptions.

Deferred Charges

Deferred pension costs represent the cumulative difference between pension fund contributions and pension costs recorded in the Corporation's accounts. Adjustments arising from plan amendments, experience gains and losses, changes in actuarial assumptions and the difference between the actuarial present value of accrued pension obligations and the market value of pension plan assets are amortized on a straight line basis over the expected average remaining service life of the employee group, except for early retirement offerings at Newfoundland Power, which are being amortized on a straight line basis over ten years.

Other deferred charges are amortized as follows:

Debt discount and expenses – over the life of each issue, except for realized exchange losses incurred by Newfoundland Power which are amortized, as approved by The P.U.B., over five years ending 1997.

Capital stock issue expenses – over a twenty year period from date of issue except for retractable preference shares which are amortized over the retraction period.

Deferred Income Taxes

The Corporation, Canadian Niagara and the Corporation's subsidiaries, except Newfoundland Power, follow the tax allocation basis of providing for income taxes. The P.U.B. specifies Newfoundland Power's method of accounting for income taxes. Commencing January 1, 1981, The P.U.B. allowed the tax allocation method with respect to the timing difference between amortization and capital cost allowances for all depreciable assets. If the full tax allocation method of accounting had always been followed, the cumulative amount of the deferred income tax credit would have been increased by approximately $86.7 million to December 31, 1997 (1996 - $85.3 million).

1. Deferred Charges

	1997	December 31 (in thousands)	1996
Deferred pension costs	$ 28,565		$ 24,006
Deferred recoverable costs	2,919		2,109
Unamortized capital stock issue expenses	912		1,029
Unamortized debt discount and expenses	4,192		5,190
Weather normalization account	3,706		2,705
Other	2,143		1,112
	$ 42,437		$ 36,151

2. Utilities' Capital Assets

	1997	December 31 (in thousands)	1996
Utilities' capital assets	$ 1,130,030		$ 1,095,613
Accumulated amortization	445,156		419,296
	$ 684,874		$ 676,317

3. Income-Producing Properties

	1997	December 31 (in thousands)	1996
Land, buildings and tenant inducements	$ 99,966		$ 95,271
Accumulated amortization	6,492		4,980
	$ 93,474		$ 90,291

4. Long Term Debt

			1997	December 31 (in thousands)	1996
Fortis Inc.					
2,000,000 8.70% First Preference Shares, Series A			$		$ 50,000
2,000,000 5.95% First Preference Shares, Series B			50,000		50,000
			50,000		100,000
Newfoundland Power First mortgage sinking fund bonds:					
11.50%	Series AB,	due 2005	13,950		14,100
11.875%	Series AC,	due 2007	35,470		35,870
10.55%	Series AD,	due 2014	35,353		35,753
10.90%	Series AE,	due 2016	37,600		38,000
9.00%	Series AG,	due 2020	38,800		39,200
10.13%	Series AF,	due 2022	38,000		38,400
8.90%	Series AH,	due 2026	39,635		40,000
			238,808		241,323
Maritime Electric First mortgage bonds:					
11.20%	due 1998		10,000		10,000
12.00%	due 2010		15,000		15,000
11.50%	due 2016		12,000		12,000
8.55%	due 2018		15,000		15,000
8.625%	due 2027		15,000		
8.92%	due 2031		20,000		20,000
			87,000		72,000

4. Long Term Debt *(continued)*

	December 31		
	1997	*(in thousands)*	1996
Fortis Properties			
7.5% First mortgage bonds, due 2017	50,000		
Obligations under capital leases	1,884		1,375
Promissory note			510
	51,884		1,885
Canadian Niagara			
Term loan	17,500		17,500
Note payable–10.867% due 2013	5,496		5,617
	22,996		23,117
	450,688		438,325
Less: Current instalments	15,061		2,671
	$ 435,627		$ 435,654

During the year, the Corporation redeemed all of the outstanding First Preference Shares, Series A, at a redemption price of $25.00 per share.

First Preference Shares, Series B are retractable at the holder's option on or before November 25, 2002 at $25.00 per share together with all accrued and unpaid dividends thereon. The Corporation may redeem any or all of the outstanding First Preference Shares, Series B, at any time on or after December 2, 2002 for a redemption price of $25.00 together with all accrued and unpaid dividends thereon.

The Newfoundland Power and Maritime Electric first mortgage bonds are secured by a first fixed and specific charge on utilities' capital assets owned or to be acquired and by a floating charge on all other assets.

The Fortis Properties first mortgage bonds are secured by a fixed and floating charge on specific income-producing properties.

The Canadian Niagara term loan is secured by a general security agreement covering all its assets and a collateral mortgage on real property. The note payable is secured by a charge on specific capital assets.

Canadian Niagara is party to two interest rate swap contracts with durations of ten years to hedge against interest exposures on $14 million of indebtedness. The separate contracts have the effect of fixing the rate of interest on $14 million of the $17.5 million term loan. The remaining $3.5 million of the term loan bears interest at a floating rate of Bankers' acceptance rate plus 1%.

The annual requirements to meet sinking fund payments, instalments and maturing issues of long term debt in each of the next five years are as follows:

			(in thousands)		
	1998	1999	2000	2001	2002
Sinking fund payments and instalments	$ 5,061	$ 5,922	$ 6,011	$ 6,107	$6,211
Maturing issues	10,000				
	$ 15,061	$ 5,922	$ 6,011	$ 6,107	$6,211

The estimated fair value of long term debt was $583 million at December 31, 1997 (1996 - $535 million). Fair value was estimated using present value techniques based on borrowing rates at year end for debt with similar terms and maturities and quoted market value for those instruments which are publicly traded. Since the Corporation does not intend to settle the debt prior to maturity, the fair value estimate does not represent an actual liability and therefore does not include exchange or settlement costs.

5. Deferred Credits

	December 31 1997	(in thousands) 1996
Contributions in aid of construction	$ 27,200	$ 25,592
Contributions from government	3,687	4,678
Deferred income taxes	21,221	21,238
Post retirement benefits–Canadian Niagara	2,086	2,150
	$ 54,194	$ 53,658

6. Non-Controlling Interest

The non-controlling interest at December 31, 1997 consists of preference shares of Newfoundland Power.

7. Capital Stock

Authorized
(a) an unlimited number of Common Shares without nominal or par value;
(b) an unlimited number of First Preference Shares without nominal or par value;
(c) an unlimited number of Second Preference Shares without nominal or par value.

Issued and Outstanding	December 31 1997	(in thousands) 1996
12,768,286 Common Shares (1996–12,477,658)	$ 141,063	$ 131,924

Common Shares were issued during the year for cash as follows:	Number of Shares	Amount (in thousands)
Consumer share purchase plan	81,957	$ 2,856
Dividend reinvestment plan	61,365	2,137
Employee share purchase plan	27,527	966
Executive stock option plan	119,779	3,180
	290,628	$ 9,139

At December 31, 1997, 950,390 common shares were reserved for issue under the terms of the above plans.
The Corporation is authorized to grant certain key employees of Fortis Inc. and its subsidiaries options to purchase common shares.

The following stock options are outstanding as at December 31, 1997:

Number of Shares	Exercise Price	Expiry Date
5,625	$ 24.08	1998
14,485	$ 28.85	1999
22,419	$ 24.60	2000
24,416	$ 27.49	2001
51,422	$ 33.10	2002
118,367		

Preference Shares-Issued and Outstanding
In accordance with revised reporting requirements of the Canadian Institute of Chartered Accountants introduced in 1996, the Corporation's preference shares, presented below, are reported as long term debt in the consolidated financial statements (See Note 4).

	December 31 1997	(in thousands) 1996
Issued		
2,000,000 8.70% First Preference Shares, Series A	$	$ 50,000
2,000,000 5.95% First Preference Shares, Series B	50,000	50,000
	$ 50,000	$ 100,000

8. Interest and Amortization

		1997	December 31 (in thousands)		1996
Interest - long term debt	$	39,730		$	36,308
- other		722			1,834
Interest charged to construction		(490)			(485)
Interest earned		(1,592)			(1,330)
Amortization of debt and stock issue expenses		288			2,160
	$	38,658		$	38,487

9. Income Tax Rate

Taxes on income vary from the amount that would be determined by applying the combined statutory Canadian federal, Newfoundland, Nova Scotia, Prince Edward Island and Ontario provincial income tax rates to earnings. The following is a reconciliation of the combined statutory rates to the effective income tax rate:

	December 31 1997	1996
	%	%
Statutory income tax rate	43.7	43.4
Large corporations tax	1.9	1.9
General expenses capitalized	(1.9)	(3.1)
Pension costs	(3.0)	(2.1)
Dividends on preference shares	4.5	5.5
Other	3.9	2.6
Effective income tax rate	49.1	48.2

10. Financial Instruments

The Corporation and it subsidiaries do not utilize derivative financial instruments, however, Canadian Niagara, which is proportionately consolidated, is a party to interest rate swap contracts (Note 4) and forward exchange contracts.

Canadian Niagara enters into forward exchange contracts primarily to protect against the possibility of loss from future exchange rate fluctuations. Forward exchange contracts are used to hedge anticipated future sales denominated in U.S. dollars. At December 31, 1997, Canadian Niagara had entered into forward exchange contracts to sell approximately $143,000 ($100,000 U.S.) of U.S. dollars on January 5, 1998.

11. Pensions

The Corporation and certain of its subsidiaries maintain contributory defined benefit pension plans covering regular employees. The plans provide pensions based on length of service and final average earnings.

The present value of the accrued pension benefits is $126.3 million (1996 - $116.5 million) and the value of the pension plan assets is $126.4 million (1996 - $113.3 million).

Pension costs charged to income and capital in 1997 amounted to $4.6 million (1996 - $5.3 million).

12. Commitments

Fortis Properties has given an option to one of its tenants to purchase specific property under the terms of a ground lease. The option is exercisable by the tenant between January 15, 2019 and January 14, 2020 for a total consideration of $48.3 million. Should the option not be exercised, full ownership of the property will revert to the tenant at the end of the ground lease term, July 1, 2034.

13. Contingent Liability

Newfoundland Power

In July 1995, Revenue Canada reassessed Newfoundland Power for the years 1988 to 1993 disallowing certain amounts capitalized for regulatory and accounting purposes but claimed as an expense for income tax purposes. The reassessments also included in income the value of electricity consumed in December but not billed to customers until January. Newfoundland Power's practice, which has been consistent and is in accordance with regulatory requirements, is to record revenue on a billed basis.

In management's opinion, Newfoundland Power has reported its tax position appropriately. On October 12, 1995 Newfoundland Power filed notices of objection to the reassessments with the Minister of National Revenue. No provision has been made in the accounts for additional income taxes, if any, which may be determined to be payable.

Should Newfoundland Power be unsuccessful in defending its position, a liability of approximately $36.4 million, including interest to December 31, 1997, would arise offset by approximately $16.6 million related to recording electricity revenue on the accrual basis. Should this occur, Newfoundland Power would make application to The P.U.B. to have the amount considered in the rate making process.

In accordance with provisions of the Income Tax Act, Newfoundland Power paid $15,595,000 in 1995, representing one-half of the amount in dispute, pending resolution of this matter.

14. Related Party Transactions

During the year Canadian Niagara entered into transactions with other related parties in the normal course of operations. These transactions are measured at the exchange amount established and agreed to by the related parties.

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

HISTORICAL FINANCIAL SUMMARY

	1997	1996	1995	1994
Income Statement (in thousands $)				
Operating Revenues	493,826	474,293	447,035	388,558
Purchased Power	243,119	236,398	230,095	205,776
Other Operating Expenses	103,595	97,990	84,908	65,831
Depreciation and Amortization	42,252	35,993	37,998	32,722
Finance Charges: Interest Expense	38,658	38,487	37,246	28,814
Dividends Preference Shares	6,232	7,325	4,448	4,350
Income Taxes	29,449	28,029	20,334	23,040
Equity Income				
Non-controlling Interest	515	1,026	1,414	1,062
Earnings Applicable to Common Shares	30,006	29,045	30,592	26,963
Balance Sheet (in thousands $)				
Current Assets	78,603	70,456	72,659	78,230
Long Term Investments				
Other Assets	160,445	160,470	120,289	94,618
Capital Assets	778,348	766,608	723,461	664,713
Total Assets	1,017,396	997,534	916,409	837,561
Current Liabilities	172,158	172,493	153,368	160,864
Long Term Debt	385,627	335,654	285,343	264,699
Preference Shares	50,000	100,000	100,000	50,000
Deposits Due Beyond One Year	20,444	17,448	16,703	18,172
Deferred Credits	54,194	53,658	47,307	48,337
Minority Interest	8,430	8,430	18,990	20,702
Common Shareholders' Equity	326,543	309,851	294,698	274,787
Cash Flow (in thousands $)				
Operations	64,484	86,351	60,701	62,134
External Financing	16,721	33,992	60,057	64,557
Investing Activities	54,001	95,838	103,078	106,405
Dividends Paid	22,968	22,416	22,048	24,136
Financial Statistics				
Return on Average Common Equity	9.43%	9.61%	10.74%	10.71%
Capitalization Ratios (year end)				
Long Term Debt	50.0%	44.5%	41.8%	44.3%
Non-controlling Interest	1.1%	1.1%	2.7%	3.3%
Preference Shares	6.5%	13.3%	14.1%	8.1%
Common Shareholders' Equity	42.4%	41.1%	41.4%	44.3%
Interest Coverage				
Debt	2.6	2.6	2.4	2.8
All Fixed Charges	2.0	1.9	2.0	2.2
Capital Expenditures	49,681	53,420	89,893	51,249
Common Share Data				
Book Value per Share–Year End ($)	25.58	24.83	24.18	23.29
Average Common Shares Outstanding (in thousands)	12,623	12,319	12,100	10,949
Earnings per Common Share ($)	2.38	2.36	2.53	2.46
Dividends Declared per Common Share ($)	1.77	1.72	1.70	1.64
Dividends Paid per Common Share ($)	1.76	1.72	1.69	1.62
Dividend Payout Ratio	73.9%	72.9%	66.8%	65.9%
Price Earnings Ratio	17.6	14.4	10.8	10.5
Share Trading Summary (TSE & ME)				
Closing Price ($)	42.00	34.00	27.25	25.75
Volume (in thousands)	3,380	3,405	2,018	2,030

Note: Certain comparative figures have been reclassified to conform with the current year's presentation.

1993	1992	1991	1990	1989	1988	1987
343,252	337,405	324,774	309,853	278,815	265,879	248,579
186,142	184,527	181,034	174,185	159,266	152,671	139,599
55,168	55,518	51,047	49,772	43,752	40,812	41,809
27,513	26,396	24,942	24,242	20,996	19,046	17,362
25,885	24,778	23,531	22,603	18,914	18,145	16,151
4,350	4,350	4,350	1,207			
18,827	16,480	15,632	13,456	12,039	13,243	13,163
2,396	2,387	1,920	863			
1,480	1,931	2,316	2,460	2,456	2,684	2,800
26,283	25,812	23,842	22,791	21,392	19,278	17,695
57,504	62,176	53,095	46,775	46,098	44,521	39,734
36,574	35,526	30,755	17,007			
57,398	50,887	45,147	32,457	13,008	3,165	3,058
508,213	493,631	474,831	456,536	413,125	372,920	346,883
659,689	642,220	603,828	552,775	472,231	420,606	389,675
102,660	96,638	125,134	112,649	86,350	79,363	56,013
221,988	218,906	157,312	157,881	164,959	138,724	140,632
50,000	50,000	50,000	50,000			
19,683	13,517	13,213	1,600			
25,621	25,820	26,480	24,849	22,833	24,748	24,413
10,905	22,296	29,889	30,938	33,600	33,671	34,876
228,832	215,043	201,800	174,858	164,489	144,100	133,741
62,194	61,244	57,671	49,715	44,153	44,649	34,304
4,174	16,805	30,072	70,588	37,754	16,644	18,550
48,924	53,245	68,802	105,495	66,755	46,346	39,104
21,893	21,508	21,521	17,120	15,317	14,011	13,414
11.84%	12.38%	12.66%	13.49%	13.93%	13.88%	13.63%
43.6%	43.5%	41.2%	38.9%	47.5%	44.1%	47.7%
2.2%	4.4%	6.2%	7.4%	8.9%	10.6%	10.8%
9.7%	9.8%	10.4%	11.9%			
44.5%	42.3%	42.2%	41.8%	43.6%	45.3%	41.5%
2.7	2.8	2.8	2.5	2.6	2.8	2.9
2.2	2.2	2.0	2.1	2.2	2.3	2.3
43,752	46,916	45,052	69,242	56,774	46,346	39,104
22.13	21.10	20.04	18.82	17.78	16.63	15.66
10,270	10,131	9,907	9,254	9,091	8,575	8,521
2.56	2.55	2.41	2.46	2.35	2.25	2.08
1.56	1.50	1.48	1.45	1.39	1.32	1.25
1.54	1.49	1.48	1.435	1.375	1.30	1.24
60.2%	58.8%	61.4%	58.3%	59.1%	58.7%	60.1%
11.2	9.6	9.9	8.8	9.5	8.9	9.1
28.75	24.50	24.00	21.63	22.38	20.13	19.00
3,041	2,186	1,773	1,802	1,578	1,050	1,598

INVESTOR INFORMATION

Head Office

The Fortis Building
Suite 1201
139 Water Street
P.O. Box 8837
St. John's, NF A1B 3T2

1998 Annual Meeting

The Annual and Special General Meeting of Shareholders will be held on Wednesday, May 20, 1998, at the Holiday Inn St. John's, 180 Portugal Cove Road, St. John's, Newfoundland, Canada, at 11:00 a.m., St. John's time.

Shareholder Services

General Inquiries

Inquiries for general information or for any publication of the Corporation may be directed to the Corporate Secretary at the Head Office.

Financial Inquiries

Shareholders and financial analysts may obtain information by contacting Investor Relations at the Head Office address.

Stock Prices

	$		
	High	Low	Close
1997	42.50	31.30	42.00
1996	34.70	27.00	34.00
1995	28.00	24.25	27.25
1994	30.00	23.75	25.25
1993	29.25	23.50	28.75
1992	24.50	22.00	24.50
1991	24.25	21.00	23.88
1990	22.75	19.38	21.63
1989	22.50	19.75	22.38
1988	20.75	17.25	20.00
1987	21.75	16.63	19.00

Duplicate Annual Reports

While every effort is made to avoid duplications, some shareholders may receive extra reports as result of multiple share registrations. Shareholders wishing to consolidate these accounts should contact the Transfer Agent.

Important Dates – Dividends* and Earnings

Expected Dividend Record Dates

- May 8, 1998
- August 7, 1998
- November 6, 1998
- February 6, 1999

Expected Dividend Payment Dates

- June 1, 1998
- September 1, 1998
- December 1, 1998
- March 1999

Expected Earnings Release Dates

- May 21, 1998
- August 21, 1998
- November 20, 1998
- March 1999

* *The declaration and payment of dividends are subject to Board of Directors' approval.*

Exchange Listings

- Common (FTS) – The Toronto Stock Exchange and Montreal Exchange;
- First Preference, Series B (FTSPRB) – The Toronto Stock Exchange

Dividend Reinvestment Plan

Fortis Inc. offers a Dividend Reinvestment and Share Purchase Plan to Common Shareholders as a convenient method of increasing their investment in Fortis Inc. Participants have their dividends plus any optional cash payments (minimum of $100; annual maximum $20,000) automatically deposited in the plan to purchase additional Common Shares. Shares are sold quarterly on March 1, June 1, September 1, and December 1 at the average market price then prevailing on The Toronto Stock Exchange. Inquiries should be directed to Dividend Reinvestment Services, Montreal Trust Company.

Valuation Day

For capital gains purposes, the valuation day prices are as follows:

December 22, 1971	$ 6.125
February 22, 1994	$28.625

Transfer Agent and Registrar

Montreal Trust Company Stock Transfer Services
Place Montreal Trust 7th Floor
1800 McGill College Avenue
Montreal, Quebec H3A 3K9
Telephone: (514) 982-7933

Montreal Trust is responsible for the maintenance of shareholder records and the issue, transfer and cancellation of stock certificates. Transfers can be effected in their St. John's, Halifax, Charlottetown, Montreal, Toronto and Vancouver offices. Montreal Trust also distributes dividends and shareholder communications. Inquiries with respect to these matters and corrections to shareholder information should be addressed to the Transfer Agent.

CORPORATE DIRECTORY

Fortis Inc.

Directors
Angus A. Bruneau (Chair); Bruce Chafe; Gilbert S. Bennett; Linda L. Inkpen; H. Stanley Marshall; David A. Scales; James M. Stanford.

Officers
H. Stanley Marshall, *President & Chief Executive Officer*;
G. Wayne Watson, *Vice President, Finance & Chief Financial Officer;*
Ronald W. McCabe, *General Counsel & Corporate Secretary.*

SUBSIDIARIES AND AFFILIATES

Newfoundland Power

Directors
Linda L. Inkpen (Chair); Frank J. Coleman; Derrick E. Gill; Derek F. Hiscock; Frank P. Howard; Philip G. Hughes; Janet Kelly; James A. Lea; H. Stanley Marshall; John E. Moore; Harold L. Wareham.

Officers
Philip G. Hughes, *President & Chief Executive Officer;*
John G. Evans, *Vice President, Engineering & Energy Supply;*
Earl A. Ludlow, *Vice President, Operations;*
Karl W. Smith, *Vice President, Finance & Chief Financial Officer;*
Peter S. Alteen, *Corporate Counsel & Secretary.*

Maritime Electric

Directors
David A. Scales (Chair); Beverley L. Deelstra; Philip G. Hughes; Frederick E. Hyndman; James A. Lea; W. David Loggie; N.Pauline MacDonald; H.Stanley Marshall; George A. McMurdo; Raymond M. Murphy.

Officers
James A. Lea, *President & Chief Executive Officer;*
John D. Gaudet, *Vice President, Operations;*
J. William Geldert,*Vice President, Finance & Corporate Secretary.*

Fortis Properties

Directors
Bruce Chafe (Chair); H. Stanley Marshall; Harry G. Benson; Norval R. Blair; Robert W. Verge; John C. Walker; G. Wayne Watson.

Officers
John C. Walker, *President & Chief Executive Officer*;
Stanley D. Collins, *Vice President, Real Estate - Newfoundland;*
Neal J. Jackman,*Vice President, Finance & Chief Financial Officer;*
Ronald W. McCabe, *General Counsel & Corporate Secretary;*
Michael A. Mulcahy, *Vice President, Employee & Corporate Services;*
Wayne W. Myers, *Vice President, Real Estate - Nova Scotia.*

Fortis Trust

Directors
David R. Baird (Chair); Philip G. Hughes; Malcolm C. LeMessurier; H. Stanley Marshall; A. Douglas Moores; Harold L. Wareham; Derek W. Young.

Officers
H. Stanley Marshall, *President & Chief Executive Officer;*
Glen C. King, Vice President, *Finance & Chief Financial Officer;*
Ronald W. McCabe, *General Counsel & Corporate Secretary;*
John E. Sargent, *Vice President & Branch Manager;*
Donald B. Reid, *Assistant Secretary.*

Canadian Niagara Power

Directors
Harry W. Macdonell (Chair); Gilbert S. Bennett; Albert J. Budney, Jr.; William E. Davis; Richard Drouin; H. Stanley Marshall; Milan M. Nastich; Grant L. Reuber; G.Wayne Watson.

Officers
Mardon J. Erbland, *President & Chief Executive Officer;*
David H. Gordon, *Assistant Secretary;*
James G. Hreljac, *Controller;*
Ronald W. McCabe, *Corporate Secretary.*

BOARD OF DIRECTORS

Corporate Governance

The Board of Directors and management of Fortis have always recognized the importance of good corporate governance practices in the proper conduct of the affairs of the Corporation. The 1994 report of The Toronto Stock Exchange Committee on Corporate Governance provided guidelines for corporations to assess their governance practices. Fortis is in compliance with most of the 14 guidelines. A detailed assessment is set out in the Management Information Circular in respect of the May 20, 1998 Annual and Special Meeting of Shareholders.

The Board annually appoints from its members a number of standing committees. Each committee has a written mandate that sets out in detail the activities or areas of the Corporation's business to which the committee is required to devote its attention. With only minor exceptions, the committees' decision making is limited to the making of recommendations to the full Board. All committees are currently composed of unrelated directors.

Committees of the Board of Directors

Nominating and Corporate Governance

This Committee is charged among other things, with,

i) proposing to the full Board new nominees for election to the Board;
ii) carrying out processes specified by the Board for assessing the effectiveness of the Board as a whole and each Board committee;
iii) reviewing and making recommendations to the Board with respect to the adequacy and form of the compensation of directors;
iv) developing and recommending the approach to corporate governance issues; and
iv) approving the engagement of an outside consultant by an individual director.

It is composed of Dr. Inkpen (Chair), and Messrs. Chafe, and Scales.

Audit

This Committee monitors most aspects of Fortis' financial activities and liaises with the external auditors to perform reviews of most financial related public documents.
It is composed of Messrs. Bennett (Chair), Chafe and Stanford.

Human Resources

This Committee reviews recommendations for the appointment of senior management and compensation policies for Fortis and its subsidiaries. It is responsible for the administration of Fortis' short term incentive, stock option and pension plans.

It is composed of Messrs. Scales (Chair), Bennett, Stanford and Dr. Inkpen.

In Memoriam

In December 1997, Fortis was saddened by the sudden passing of A. Fletcher McLaughlin. Mr. McLaughlin had a distinguished career in investment banking and provided counsel to Fortis on a number of acquisitions and financings. He joined the Fortis Board on April 24, 1996 and also served on the Board of Fortis Properties.

Photography: Ad Vantage Productions, St. John's, NF; Ray Fennelly, St. John's, NF; Ned Pratt, St. John's, NF; Charlie Falk, Gander, NF; Barrett & MacKay Photographers, Cornwall, PEI; Liam Sharp, Toronto, ON Map Art: WorldSat, Mississauga, ON Film house: StanMont, Montreal, PQ Printer: Robinson-Blackmore, St. John's, NF
Design & Production: Bristol Communications Inc., St. John's, NF Special thanks to: Hayward Interiors, St. John's, NF

Angus A. Bruneau

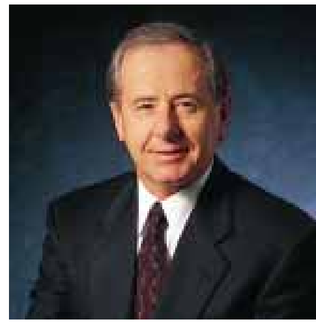
Chair, Fortis Inc., St. John's, Newfoundland

Angus A. Bruneau, 62, is non-executive Chair of the Board of Fortis Inc. He joined Newfoundland Power as President, and a director, in 1986 and retired as Chief Executive Officer of Fortis on May 1, 1996. Dr. Bruneau is Chair of the Board of Air Canada's Atlantic regional airline, Air Nova, and is a director of Petro-Canada, SNC-Lavalin, Canada Life, Inco, and the Nature Conservancy of Canada.

Gilbert S. Bennett

Business Consultant and Corporate Director, Toronto, Ontario

Gilbert S. Bennett, 59, is Chair of Canadian Tire Corporation and Bracknell Corporation. Mr. Bennett is a director of Air Nova, and Canadian Niagara Power. He was appointed to the Fortis Board on July 15, 1993, and serves on the Human Resources Committee and as Chair of the Audit Committee.



Bruce Chafe

Corporate Director, St. John's, Newfoundland

Bruce Chafe, 61, retired as a senior partner of Deloitte & Touche in May 1997, and was elected to the Fortis Board on May 15, 1997. He serves on the Nominating and Corporate Governance Committee and Audit Committee. Mr. Chafe was appointed Chair of the Board of Fortis Properties in 1998.

Linda L. Inkpen

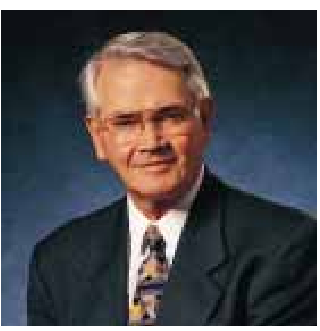
Medical Practitioner, St. John's, Newfoundland

Linda L. Inkpen, 50, is a medical practitioner who was elected to the Fortis Board on April 13, 1994. She serves on the Human Resources Committee and as Chair of the Nominating and Corporate Governance Committee. Dr. Inkpen was appointed Chair of the Board of Newfoundland Power in April 1997.

H. Stanley Marshall

President and Chief Executive Officer, Fortis Inc, St. John's, Newfoundland

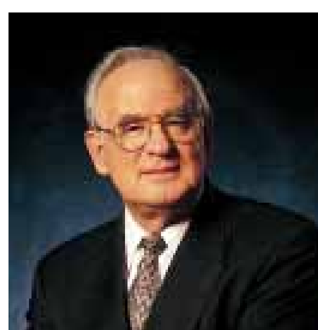
H. Stanley Marshall, 47, joined Newfoundland Power as a solicitor in 1979 and became Vice President, Corporate Affairs of Fortis in 1987. He was appointed President and Chief Operating Officer, and a director on October 1, 1995, and became Chief Executive Officer on May 1, 1996.



David A. Scales

Chairman, Maritime Electric, Charlottetown, Prince Edward Island

David A. Scales, 67, joined the Fortis Board on April 26, 1995. He serves on the Nominating and Corporate Governance Committee and as Chair of the Human Resources Committee. Mr. Scales is Chair of the Board of Maritime Electric.



James M. Stanford

President and Chief Executive Officer, Petro-Canada, Calgary, Alberta

James M. Stanford, 60, is President and Chief Executive Officer of Petro-Canada. He was appointed to the Fortis Board on July 21, 1997, and serves on the Audit Committee and Human Resources Committee. Mr. Stanford is a director of Petro-Canada and Moore Corporation, and a member of the Board of Governors of the University of Alberta.