FortisBC Energy Inc.
An indirect subsidiary of Fortis Inc.

Annual Information Form
For the Year Ended December 31, 2014
dated March 13, 2015

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All figures are expressed in Canadian dollars unless otherwise noted.

Except as otherwise stated, the information in this Annual Information Form is given as of December 31, 2014.

FORWARD-LOOKING INFORMATION

Certain statements contained in this Annual Information Form contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation's management. The forward-looking information in the 2014 Annual Information Form and the information incorporated herein by reference includes, but is not limited to, statements regarding: the Corporation's expected level of capital expenditures; and the Corporation's expectation that compliance with environmental laws and regulations will not have a material effect on the Corporation's capital expenditures, earnings or competitive position.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include but are not limited to: receipt of applicable regulatory approvals and requested rate orders; absence of administrative monetary penalties; the ability to report under United States generally accepted accounting principles ("US GAAP") beyond the Canadian securities regulators exemption to the end of 2018 or earlier; absence of asset breakdown; absence of environmental damage and health and safety issues; absence of adverse weather conditions and natural disasters; ability to maintain and obtain applicable permits; the adequacy of the Corporation's existing insurance arrangements; the First Nations' settlement process does not adversely affect the Corporation; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefits costs; the ability of the Corporation to attract and retain skilled workforces; absence of information technology infrastructure failure; absence of cyber-security failure; no significant decline in interest rates; continued energy demand; the ability to arrange sufficient and cost effective financing; no material adverse ratings actions by credit ratings agencies; the competitiveness of natural gas pricing when compared with alternate sources of energy; continued population growth and new housing starts; the availability of natural gas supply; and the ability to hedge certain risks including no counterparties to derivative instruments failing to meet obligations.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory approval and rate orders risk (including the risk of imposition of administrative monetary penalties); continued reporting in accordance with US GAAP risk; asset breakdown, operation, maintenance and expansion risk; environment, health and safety matters risk; weather and natural disasters risk; permits risk; underinsured and uninsured losses; risks involving First Nations; labour relations risk; employee future benefits risk; human resources risk; information technology infrastructure risk; cyber-security risk; interest rates risk; impact of changes in economic conditions risk; capital resources and liquidity risk; competiveness and commodity price risk; counterparty credit risk; natural gas supply risk; and, other risks described in this Annual Information Form. For additional information with respect to these risk factors, reference should be made to the section entitled "Risk Factors" in this Annual Information Form, the section entitled "Business Risk Management" in the Corporation's Management Discussion & Analysis for the year ended December 31, 2014 and the other continuous disclosure materials filed from time to time on SEDAR at www.sedar.com, and which are incorporated herein by reference.

All forward-looking information in this Annual Information Form and the information incorporated herein by reference is qualified in its entirety by this cautionary statement and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

GLOSSARY

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

"AECO" which is the benchmark price for Alberta natural gas;

"ARO" means asset retirement obligation;

"BC Hydro" means British Columbia Hydro and Power Authority, a British Columbia Crown corporation and electric utility serving the majority of British Columbia residents;

"BCUC" or "Commission" means the British Columbia Utilities Commission;

"Board" means the Board of Directors of FEI;

"CNG" means compressed natural gas;

"COPE" means Canadian Office and Professional Employees Union Local 378;

"Corporation" or **"FEI"** means FortisBC Energy Inc.;

"DBRS" means DBRS Limited;

"EMS" means environmental management system;

"FBC" means FortisBC Inc.;

"FHI" means FortisBC Holdings Inc.;

"FEVI" means FortisBC Energy (Vancouver Island) Inc.;

"FEW" means FortisBC Energy (Whistler) Inc.;

"Fortis" means Fortis Inc.;

"IBEW" means International Brotherhood of Electrical Workers Union, Local 213;

"LNG" means liquefied natural gas;

"Moody's" means Moody's Investors Service;

"NEB" means the National Energy Board;

"PBR" means the performance based rate setting methodology for regulation of public utilities;

"PJ" means petajoule;

"PRMP" means price risk management plan approved by the BCUC;

"Rate Base Assets" means all transmission, distribution and other utility assets that are used or required to be used to provide service to utility customers, which are included in the calculation of the Corporation's revenue requirement for the applicable year and are subject to a regulated rate of return;

"Spectra" means Westcoast Energy Inc. doing business as Spectra Energy Transmission;

"Station 2" is the gas market trading hub in northern British Columbia located on the Spectra pipeline system;

"Sumas" means the price point relating to the Huntingdon gas market trading hub, located on the border of British Columbia;

"TGHI" means Terasen Gas Holdings Inc.;

"TransCanada" means TransCanada Pipelines Limited;

"TSX" means Toronto Stock Exchange;

"UCA" or the **"Act"** means the *Utilities Commission Act* (British Columbia), as amended.

1.0 CORPORATE STRUCTURE

1.1 NAME AND INCORPORATION

FEI was formed by the amalgamation on July 1, 1989 under the *Company Act (*British Columbia) a predecessor to the *Business Corporations Act (*British Columbia), of Inland Natural Gas Co. Ltd., B.C. Gas Inc., Columbia Natural Gas Limited and Fort Nelson Gas Ltd. The Corporation's name was changed to "BC Gas Utility Ltd." on July 1, 1993 (pursuant to an arrangement between FEI and a subsidiary) and then to "Terasen Gas Inc." on April 25, 2003. On January 1, 2007 the Corporation and one of its subsidiaries, Terasen Gas (Squamish) Inc. were amalgamated and on March 1, 2011 the Corporation changed its name to "FortisBC Energy Inc.".

Most recently on December 31, 2014, the Corporation amalgamated with FEVI, FEW and TGHI and continues to operate under the name FortisBC Energy Inc. Prior to the amalgamation, FEI, FEVI, FEW and TGHI were under common control and therefore the amalgamation has been presented on a pooling-of-interest basis, as if the historical financial position and operating results of these corporations had always been amalgamated. Prior period financial and operating information in this Annual Information Form has been restated to present the results of the amalgamated Corporation (unless otherwise specified).

FEI's head office and registered office is located at #1000 - 1111 West Georgia Street, Vancouver, British Columbia ("BC"), V6E 4M3.

1.2 INTER-CORPORATE RELATIONSHIPS

The Corporation is an indirect, wholly-owned subsidiary of Fortis, a diversified, international distribution utility holding corporation having investments in distribution, transmission and generation utilities, as well as commercial real estate and hotel operations.

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 THREE-YEAR HISTORY

Over the past three years the Corporation's Rate Base Assets have grown by approximately 6 per cent. This growth reflects the Corporation's capital expenditures necessary to ensure the ability to provide service, public and employee safety and reliability of supply of natural gas to the Corporation's customer base.

2.2 OUTLOOK

Anticipated capital expenditures by the Corporation for 2015, before contributions in aid of construction and including cost of removal are expected to be approximately $400 million. Capital expenditures include forecast 2015 costs associated with the Tilbury LNG facility expansion project of approximately $170 million. Planned capital expenditures are based on detailed forecasts of energy demand, weather and cost of labour and materials, as well as other factors including economic conditions, which could change and cause actual expenditures to differ from forecasts.

3.0 THE BUSINESS OF FORTISBC ENERGY INC.

3.1 GENERAL

The Corporation is the largest distributor of natural gas in BC serving approximately 967,000 residential, commercial and industrial and transportation customers in more than 125 communities. Major areas served by the Corporation are the Greater Vancouver, Fraser Valley, Thompson, Okanagan, Kootenay, North Central Interior, Vancouver Island, Sunshine Coast and Whistler regions of BC. The Corporation provides transmission and distribution services to its customers, and obtains natural gas supplies on behalf of most residential, commercial and industrial customers.

FEI holds operating agreements with most of the incorporated municipalities in which it distributes gas in the Greater Vancouver and Fraser Valley service areas. The operating agreements are in force so long as the distribution lines of FEI are operative and do not contain any provision entitling the municipality to purchase the distribution system. No fees are payable by FEI under these operating agreements.

FEI holds franchise or operating agreements with most of the incorporated municipalities in which it distributes gas in the interior of BC. The terms of these franchise agreements range from 10 to 21 years. While such franchise or operating agreements are in effect, the municipalities receive franchise fees of three per cent of the gross revenue from customers in the municipality. Historically, approximately one-quarter of these franchise agreements in the interior contained a provision to the effect that at the end of the term the municipality could purchase the distribution system within the municipality as a going concern and at a price equal to the fair value of the business undertaking. If the municipality did not exercise the right to purchase or grant a new franchise or operating agreement, gas utilities would be required under the Act to continue to provide service in the municipality unless the BCUC ordered otherwise. FEI no longer has any franchise agreements in the interior that contain right to purchase provisions. Some of those franchise agreements have expired and in some other cases, an arrangement was developed to enable the transfer of economic risks and rewards of ownership to the municipality, while allowing FEI to continue to operate within the municipality. In the case of Vancouver Island, FEI has agreements with the District of Highlands and the District of Saanich that contain an option allowing each district to purchase the distribution system within its boundaries at a price that is higher of the fair market value of the assets and undertaking as a going concern or the most recent determination of the rate base associated with those assets as approved by the BCUC. However, FEI has recently entered into replacement operating agreements with these districts that do not contain a purchase option. Upon approval of the replacement operating agreements by the BCUC, those options will have expired.

Between 2000 and 2005 the Corporation entered into leasing arrangements whereby certain natural gas distribution assets were leased to certain municipalities and then leased back by the Corporation from the municipalities. The natural gas distribution assets are considered to be integral equipment to real estate assets and as such the transactions have been accounted for as financing transactions. The proceeds from these transactions have been recorded as a financial liability included in capital lease and finance obligations. Lease payments less the portion considered to be interest expense decrease the financial liability. The transactions have implicit interest rates between 7.17 per cent and 8.76 per cent and are being repaid over a 35 year period. Each of the arrangements allow the Corporation, at its option, to terminate the lease arrangements early, after 17 years. If the Corporation exercises this option, the Corporation would pay the municipality an early termination payment which is equal to the carrying value of the obligation on the Corporation's financial statements at that point in time.

The following table compares 2014 and 2013 natural gas revenue, sales and number of customers by customer class:

	Natural Gas Revenue				**Natural Gas Sales Volumes**				**Customers at Year End**			
	2014		**2013**		**2014**		**2013**		**2014**		**2013**	
	$ millions	**%**	**$ millions**	**%**	**PJs**	**%**	**PJs**	**%**	**#**	**%**	**#**	**%**
Residential	807	56	773	56	72	37	75	37	875,623	91	865,148	91
Commercial	434	30	408	30	45	23	47	24	89,204	9	87,999	9
Industrial	39	3	42	3	4	2	5	2	364	-	351	-
Transportation	97	7	89	6	62	32	61	31	2,248	-	2,247	-
Other	58	4	66	5	12	6	12	6	13	-	16	-
Total	1,435	100	1,378	100	195	100	200	100	967,452	100	955,761	100

3.2 GAS PURCHASE, STORAGE AND OFF-SALES AGREEMENTS

(a) Gas Purchase Agreements

In order to acquire supply resources that ensure reliable natural gas deliveries to its customers, FEI purchases natural gas supply from counterparties, which include producers, aggregators, and marketers. These counterparties adhere to standards of counterparty creditworthiness, and contract execution/management policies. FEI contracts for approximately 138 PJs of baseload and seasonal supply, of which the majority is sourced in north east BC and transported on Spectra Energy's Westcoast Pipeline T-South pipeline transportation system. The remainder is sourced in Alberta and transported on TransCanada's pipeline transportation system.

FEI procures and delivers gas directly to core market customers. Transportation only customers are responsible to procure and deliver their own gas to the FEI system and FEI then delivers the gas to the operating premises of these customers. FEI contracts for transportation capacity on third party pipelines, such as Spectra and TransCanada, to transport gas supply from various market hubs to FEI's system. These third party pipelines are regulated by the NEB. FEI pays both fixed and variable charges for the use of transportation capacity on these pipelines, which are recovered through rates paid by FEI's core market customers. FEI contracts for firm transportation capacity in order to ensure it is able to meet its obligation to supply customers within its broad operating region under all reasonable demand scenarios.

(b) Gas Storage and Peak Shaving Arrangements

FEI incorporates peak shaving and gas storage facilities into its portfolio to:

- Supplement contracted baseload and seasonal gas supply in the winter months while injecting excess baseload supply to refill storage in the summer months.
- Mitigate the risk of supply shortages during cooler weather and a peak day.
- Manage the cost of gas during winter months.
- Balance daily supply and demand on the distribution system during periods of peak use that occur over the course of the winter months.

FEI holds approximately 35.5 PJs of total storage capacity. FEI's own Tilbury and Mt. Hayes LNG peak shaving facilities provide on-system storage capacity and deliverability. FEI also contracts for underground storage capacity and deliverability from third parties in north east BC, Alberta and the Pacific Northwest of the United States. On a combined basis, FEI's Tilbury and Mt. Hayes facilities, the contracted storage facilities, and other peaking arrangements can deliver up to 0.74 PJs per day of supply to FEI on the coldest days of the heating season. The heating season typically occurs during the December through February period.

(c) Off-System Sales

FEI engages in off-system sales activities that allow for the recovery or mitigation of costs of any unutilized supply and/or pipeline and storage capacity that is available once customers' daily load requirements are met.

Under the Gas Supply Mitigation Incentive Plan ("GSMIP") revenue sharing model, which is approved by the Commission, FEI can earn an incentive payment for its mitigation activities. Historically, FEI has earned approximately $1 million annually through GSMIP while the remaining savings are credited back to customers through reduced rates. In the gas contract year ending October 31, 2014, FEI earned an incentive payment of approximately $1.2 million.

The current GSMIP program was approved by the Commission following a comprehensive review in 2011. In 2013, the Commission approved an extension of the program until October 31, 2016.

(d) Price Risk Management Plan

In the past, FEI engaged in price risk management activities to limit the exposure to fluctuations in natural gas prices and to ensure, to the extent possible, that natural gas commodity costs remained competitive against other energy sources. These have typically included the use of derivative instruments which were implemented pursuant to a PRMP approved by the Commission. In July 2010, the BCUC ordered a review of FEI's PRMP hedging strategy in the context of the *Clean Energy Act* (British Columbia) and the expectation of increased domestic natural gas supply. Following a comprehensive review process, in July 2011 the BCUC directed FEI to suspend the majority of its natural gas commodity hedging activities except for the implementation of winter Sumas/AECO basis swaps. For winter 2013/14, FEI has reduced its Sumas price exposure risk by purchasing supply only at Station 2 and in Alberta. All hedges that had been in place from previously approved PRMPs prior to the suspension of the hedging strategy, expired in 2014.

(e) Unbundling

The FEI Customer Choice program allows eligible commercial and residential customers a choice to buy their natural gas commodity supply from FEI or directly from third-party marketers. FEI continues to provide the delivery service of the natural gas to all its customers.

The program has been in place since November 2004 for commercial customers and November 2007 for residential customers. For the year ended 2014, approximately 7 per cent of eligible commercial customers and 5 per cent of eligible residential customers participated in the program by purchasing their commodity supply from alternate providers.

3.3 OPERATIONS

Operations is comprised of three main functional groups; Transmission (Pipeline) Operations, Plant Operations and Distribution Operations.

(a) Transmission (Pipeline) Operations

The Transmission (Pipeline) Operations group is responsible for ensuring the transmission system delivers natural gas from interconnecting pipelines, or company owned LNG facilities, to the distribution network and for operating and maintaining the mainline pipelines in a safe, reliable and cost effective manner.

Transmission assets operated by the group include the interior transmission system mainline, the Southern Crossing Pipeline, the coastal transmission system, transmission pressure lateral pipelines and transmission marine loops.

(b) Plant Operations

The Plant Operations group is responsible for ensuring compressor stations and LNG facilities are operated and maintained in a safe, reliable and cost effective manner. Assets operated by the group include interior, coastal and island compressor stations and LNG plants at Tilbury (Delta) and Mt. Hayes (Vancouver Island).

(c) Distribution Operations

The Distribution Operations group is responsible for providing safe, reliable and cost effective service directly to gas customers.

The activities within Distribution Operations are organized into four main functions: Emergency Management, Installation and Renewal, Operations and Maintenance, and Account Services. The functional areas are described in greater detail below.

Emergency Management includes providing first and rapid response in order to ensure public, asset and employee safety. The activities include first response to system damage, gas odours, fire and carbon monoxide calls, emergency prevention through public education, and maintaining stand-by resources. Emergency response personnel and resources are mustered throughout the Corporation's service area to provide timely response to emergencies.

Installations include new mains, services, meters, stations and projects required to add customers and improve system reliability, integrity and capacity. Renewals are essentially replacements of the gas system components generally due to age, technology and obsolescence. Although employees routinely perform these activities, a portion of installation and renewal activity is performed by external contractors, particularly during periods of high customer additions activities.

Operations and Maintenance includes scheduled and unscheduled operating and maintenance activities dedicated to mitigating operating risks and ensuring the safety and reliability of the distribution system. Activities include system inspection, leak survey, preventive and corrective maintenance of equipment, valves, stations and meter sets. The level of activity required is influenced by code and standard requirements (i.e. Canadian Standards Association), regulatory requirements, operating and asset conditions.

Account Services work performed by Distribution employees includes premise calls, meter lock-offs, unlocks and reactivations, meter exchanges/renewals and other customer inquiries requiring a field workforce response.

3.4 OTHER OPERATIONS, ASSETS AND ACTIVITIES

(a) Other Operations

Operations support functions are primarily located in the regional centres located throughout the service territory, and include planning, resource management, and dispatching. There are also several centralized Operations support groups located in Surrey including Process Support, the Operations Centre (permits and work closing), Operational Reporting, Claims, Engineering, Asset Management and Records. The support groups provide the necessary expertise to assess work priorities, plan and design work to be completed, establish and maintain processes to be followed, and coordinate who, when and how the work gets completed. They also monitor costs and operational metrics to ensure commitments made to customers, regulators and other stakeholders are met.

(b) Other Assets

Other assets of the Corporation include those supporting the ongoing maintenance and operation of the system, such as office and service buildings, transport and work equipment and other office and information technology assets.

(c) Other Activities

The Corporation's other activities are relatively small in comparison to its regulated gas operations but provide an opportunity to leverage the utilization of the Corporation's utility operation, maintenance and management resources under service contracts to third parties.

3.5 OTHER MATERIAL CORPORATE ISSUES

(a) Insurance

The Corporation, through Fortis, maintains insurance coverage including liability, all risk property, boiler and machinery, and directors' and officers' liability insurance for the benefit of the Corporation. The Corporation also maintains insurance coverage that is required by provincial statute, which covers automobile liability, firefighting expense and non-owned aircraft liability. Management believes that the coverage, amounts and terms of the Corporation's insurance agreements are consistent with industry practices.

(b) Employees

The Corporation employed approximately 1,750 employees as at December 31, 2014. The organized employees of FEI are represented by the IBEW and COPE unions. IBEW represents employees in specified occupations in the areas of transmission and distribution. The term of the current collective agreement with the IBEW is July 10, 2012 to March 31, 2015. The Corporation and IBEW have reached a ratified agreement for a new contract with a term of April 1, 2015 to March 31, 2019.

There are two collective agreements between the Corporation and COPE. The term of the first collective agreement with COPE, representing employees in specified occupations in the areas of administration and operations support is April 1, 2012 to March 31, 2015. The term of the second collective agreement with COPE, representing customer service employees is April 1, 2014 to March 31, 2017.

(c) Specialized Skills and Knowledge

The skills and knowledge needed to operate and maintain natural gas transmission and distribution systems are key to the Corporation's success. These skills are currently available, and the Corporation has placed considerable focus in succession planning on ensuring that these skills are preserved as the Corporation's workforce ages and retires.

(d) Intellectual Property

Fortis owns the trademark "FortisBC", which it has licensed the Corporation to use.

(e) Real Property

Certain of the Corporation's transmission and distribution facilities cross over land that is owned by the governments of Canada or BC. The Corporation believes it has obtained appropriate access rights from the relevant governments through Crown leases, statutory rights of way, land use permits and licences of occupation. Where transmission or distribution lines extend over or under waterways, various provincial and federal government bodies must approve the installation of those lines. Agreements and permits in this respect have been obtained from the appropriate government body.

The Corporation's transmission and distribution lines at times also cross over or run parallel to lands owned by various railway companies. In these circumstances, appropriate access rights, generally referred to as crossing agreements, have been obtained from the relevant railway company. Some of the Corporation's transmission and distribution lines are located on lands owned by other persons, including local governments, corporations, First Nations and individuals. The Corporation believes it has obtained or is in the process of obtaining the rights to use these lands through working with the property owner to come to an agreement (such as statutory rights of way) permitting land usage.

If the Corporation becomes aware of a situation in which it has not acquired the requisite usage rights, it will attempt to come to an agreement to secure usage rights with the landowner. The Corporation has the power to expropriate land if necessary.

(f) Seasonality

Due to the seasonal nature of the Corporation's natural gas transmission and distribution operations and its impact on natural gas consumption patterns, the natural gas transmission and operations of FEI normally generate higher earnings in the first and fourth quarters and lower net earnings in the second quarter, which are partially offset by net losses in the third quarter.

4.0 REGULATION

4.1 OVERVIEW

Public utilities in BC, such as FEI, are subject to the regulatory jurisdiction of the BCUC. The UCA is the legislation that defines the scope of the BCUC's jurisdiction regarding the regulation of public utilities and the responsibilities of those public utilities. The BCUC's primary responsibility is to establish just and reasonable utility rates, which include an opportunity for the public utilities to earn a fair return on the investments they have already made and will make in the future to provide customers with safe and reliable service.

4.2 REVENUE REQUIREMENT

The rate setting process generally has two main elements: revenue requirements and rate design.

The utility's revenue requirements represent the total revenues that are necessary for the utility to recover prudent costs for providing the utility services, to recover prudent investment, and to earn a fair return on its investment. The cost of providing service includes energy costs, operating and maintenance expenses, depreciation expenses, taxes, financing costs and a return on equity. Rate base is the book value of utility plant in service (plant less accumulated depreciation and customer contributions in aid of construction), plus gas in storage and utility deferred charges, plus an allowance for working capital invested in the business, and is the investment base to which a rate of return is applied to arrive at the revenue requirements. The return on rate base is established by determining the cost of individual components of the capital structure, including equity, and weighting such costs to determine an aggregate return on rate base. Both the capital structure and rate of return on equity are determined by the BCUC.

The BCUC usually determines a public utility's revenue requirements based on the cost of service method. Pursuant to this method, the Corporation forecasts the volume of gas that will be delivered during normal weather, together with all of the other costs of providing service (including the return on rate base) that FEI forecasts to incur in the test year(s). Variances between the forecast costs and the actual costs incurred, and variances in the actual volume of gas delivered from what has been forecast, normally result in variances in FEI's return, except for variances that are captured by deferral accounts for future recovery or refund.

From 2010 through 2013, FEI's revenue requirements were determined based on cost of service regulation; from 2014 to 2019, a PBR Plan will be applied. The approved PBR Plan incorporates an incentive mechanism for improving operating and capital expenditure efficiencies. Operation and maintenance expenses and base capital expenditures during the PBR period are subject to an incentive formula reflecting incremental costs for inflation and half of customer growth, less a fixed productivity adjustment factor of 1.1 per cent each year. The PBR Plan also includes a 50/50 sharing of variances from the formula-driven operations and maintenance expenses and capital expenditures over the PBR period, and a number of service quality measures designed to ensure FEI maintains service levels. It also sets out the requirements for an annual review process which will provide a forum for discussion between FEI and interested parties regarding its current performance and future activities.

When approved by the BCUC, FEI employs deferral accounts to address certain uncontrollable or non-routine items and to match costs incurred to the periods that the costs benefit. Two primary deferral mechanisms currently in place decrease the volatility in rates caused by such factors as fluctuations in gas supply costs and the significant impacts of weather and other changes on use rates. In addition, during the term of the PBR Plan, FEI has a deferral account to flow through variances in the majority of its other costs and revenues, excluding the formulaic operation and maintenance costs.

After revenue requirements have been established, costs are allocated among different classes of energy users/customers and rates are designed to reflect the cost of providing services to each rate class. Before any rate can be put into effect, it must be filed with and approved by the BCUC.

In BC, the regulatory process for revenue requirement determination and rate design involves participation of interested parties, such as customer representatives, other public groups or private individuals.

4.3 REGULATORY DECISIONS AND OUTLOOK

Important regulatory information pertaining to decisions made by the BCUC with respect to FEI, is summarized in the following table.

	2015[(2)]	2014[(3)]	2013[(3)]	2012[(3)]	2011[(3)]
Rate Base Assets ($ millions)					
FEI[(1)]	3,668	2,773	2,777	2,725	2,636
FEVI		806	808	780	729
FEW		39	40	41	43
	3,668	3,618	3,625	3,546	3,408
Deemed common equity component of total capital structure (%)					
FEI	38.50	38.50	38.50	40.00	40.00
FEVI		41.50	41.50	40.00	40.00
FEW		41.50	41.50	40.00	40.00
Allowed rate of return on common equity (%)					
FEI	8.75	8.75	8.75	9.50	9.50
FEVI		9.25	9.25	10.00	10.00
FEW		9.50	9.50	10.00	10.00

Notes:

1. Includes Fort Nelson.
2. 2015 Rate Base Assets are subject to BCUC approval. 2015 figures reflect post-amalgamation FEI.
3. 2011 through 2014 figures reflect pre-amalgamation FEI, FEVI and FEW.

5.0 SAFETY AND ENVIRONMENTAL MATTERS

5.1 GENERAL

Canadian federal, provincial and municipal governments share jurisdiction over matters affecting safety and the environment. As a result, the Corporation is subject to provincial occupational health and safety legislation as well as federal, provincial and municipal requirements relating to the protection of the environment including, but not limited to, fish, wildlife, water and land protection and the proper storage, transportation, disposal, waste discharge and release of hazardous and non-hazardous substances. In addition, both the provincial and federal governments have environmental assessment legislation, which is designed to foster better land-use planning through the identification and mitigation of potential environmental impacts of projects or undertakings prior to and after commencement.

5.2 ENVIRONMENTAL MANAGEMENT SYSTEM

The environmental risks associated with the Corporation’s activities and operations are managed under the framework of an EMS. FEI has an EMS in place to manage the impacts of its activities on the environment and the design of the EMS is consistent with the guidelines of ISO 14001, an internationally recognized standard for EMS.

The Corporation’s EMS includes an environmental policy, a summary of the environmental risks associated with the Corporation’s business and operations, a summary of relevant environmental legislation, and an internal reporting process. The EMS also includes environmental training requirements for employees and contractors and reinforces environmental guidelines that serve to minimize the environmental impacts of FEI operations, and ensure compliance with applicable environmental legislation. FEI has external audits of its EMS conducted on a regular cycle to ensure continued compliance with ISO 14001 standards and legal requirements.

5.3 PERMITS, LICENCES AND APPROVALS

Various federal and provincial statutes require the Corporation to obtain and comply with specific permits, licenses and approvals in the course of its operations.

5.4 ENVIRONMENTAL EXPENDITURES

The Corporation incurs environmental compliance and environmental management system related capital expenditures in connection with capital projects and in connection with ongoing operation and maintenance activities that are not reasonably quantifiable. The Corporation's cost of compliance with environmental laws and regulations did not have a material effect on the operating costs, capital expenditures, earnings or competitive position of the Corporation in 2014 and, based on current laws, facts and circumstances, is not expected to have a material effect on such matters in the future. Operating and capital costs associated with complying with environmental laws and regulations are generally recoverable by the Corporation through rates.

5.5 RELEASES

Federal, provincial and municipal environmental legislation regulate the release of substances into the environment through the regulation of discharges that have an adverse effect or a potentially adverse effect on the environment. FEI believes that the potential for spills, and resulting enforcement actions under existing environmental legislation, is reduced through implementation of spill prevention, waste discharge authorizations, material handling, emergency response programs and spill response guidelines in conjunction with appropriate training. The potential for an adverse effect resulting from a spill is further reduced by the Corporation through the tracking of all incidents and potential incidents in an incident reporting database in order to facilitate continual learning and improvement.

5.6 HAZARDOUS SUBSTANCES

The Corporation manages hazardous substances used in its operations such as herbicides. The Corporation has environmental management programs in place to deal with the hazardous substances including programs to deal with herbicides:

Herbicides - The Corporation uses herbicides primarily for the control of incompatible vegetation on rights-of-way, along transmission and distribution lines and on station sites. The Corporation uses an integrated approach toward vegetation management using manual and mechanical cutting, natural competition from compatible vegetation, together with the selective use of herbicides. Patrols occur to monitor vegetation growth and assess appropriate maintenance activities. Site-specific conditions, including tree species, tree density, height, terrain, prevailing wind directions, and adjacent land uses, are considered by the Corporation in determining the appropriate overall vegetation management plan. Herbicides are applied in accordance with applicable federal and provincial legislation, which governs application, notification and reporting.

Other - In addition some facilities and products used in operational activities contain substances that are designated for special treatment under occupational health and safety legislation, such as asbestos, lead and mercury. The Corporation has exposure control plans in place to address situations when these kinds of substances are encountered or utilized.

5.7 SITE INVESTIGATION AND REMEDIATION

Spills and leaks of substances may occur in the normal course of the Corporation's operations and may result in future clean-up costs being incurred in connection with these releases. The Corporation has from time to time, investigated sites for potential contamination and remediated sites where appropriate. It is possible that remediation costs could be incurred in the future due to contamination at sites and the Corporation expects that costs incurred for site remediation would be recovered through rates.

5.8 AIR EMISSIONS MANAGEMENT AND POLICY

BC government policy direction with respect to air emissions management regulation continues to unfold, but it remains to be determined to what extent a greenhouse gas emissions cap will impact FEI. To mitigate this uncertainty, BC is a participant in the Western Climate Initiative. This group, consisting of several states and provinces, plans to implement a cap and trade program to reduce greenhouse gas emissions. The cap and trade program was expected to begin on January 1, 2012 but the government has delayed the development of this regulatory initiative. The specific details regarding the cap and trade program will be defined in regulation once it is developed. If implemented the cap and trade program is expected to have a declining cap on emissions that all covered facilities must meet, either by reducing emissions internally or by purchasing allowances from other facilities for releases over the capped amount. In 2011, the Corporation began reporting its greenhouse gas emissions pursuant to the provincial greenhouse gas reporting regulation. In addition, the Corporation continues to report its greenhouse gas emissions under Environment Canada's Greenhouse Gas Reporting program.

BC's energy plan and greenhouse gas reduction targets legislation continue to present risks and opportunities for FEI. These government initiatives continue to place pressure on natural gas consumption because its direct use in space and water-heating contributes to greenhouse gas emissions. Further, electricity that is produced from hydro sources has been given increased emphasis over natural gas for thermal applications. However, FEI continues to work with the provincial government to emphasize that efficient use of natural gas for thermal applications reduces strain on electrical grids, allowing for more efficient electricity use domestically, resulting in increased opportunity to export less emissions-intensive electricity to other jurisdictions.

Energy and emissions policy in BC also presents opportunities for FEI by creating support for incentives to expand the use of renewable energy (such as biogas), transportation related incentives (LNG/CNG refueling) and to expand the Energy Efficiency and Conservation program. The *Carbon Tax Act* improves the position of natural gas relative to other fossil energy, as the tax is based on the amount of carbon dioxide equivalent emitted per unit energy.

5.9 ASSET RETIREMENT OBLIGATIONS

The Corporation does not currently have any identified AROs and as such no amounts have been recorded as at December 31, 2014. The nature, amount and timing of costs associated with land and environmental remediation and/or removal of assets cannot be reasonably estimated due to the nature of their operation; applicable licences, permits and laws are reasonably expected to be renewed or extended indefinitely to maintain the integrity of the related assets and to ensure the continued provision of service to customers. In the event that environmental issues are identified, or the applicable licences, permits, laws or agreements are terminated, AROs will be recorded at that time provided the costs can be reasonably estimated.

5.10 EMERGENCY PREPAREDNESS AND SAFETY

FEI has detailed emergency preparedness plans in place to respond to natural disasters, accidents and emergencies, and regularly tests these plans in simulations involving employees and other emergency response organizations.

The Corporation is committed to monitoring and assessing its safety management system regularly. FEI incorporates safety performance measures into its employee compensation system, sets challenge levels and objectives for performance, and conducts safety and environmental audits regularly.

6.0 RISK FACTORS

For more information with respect to risks and uncertainties to which the Corporation is subject, see the section entitled "Business Risk Management" in the Corporation's Management Discussion & Analysis for the year ended December 31, 2014, which is filed on SEDAR at www.sedar.com, and is incorporated herein by reference.

7.0 CAPITAL STRUCTURE

FEI's business requires the Corporation to have ongoing access to capital to allow it to build and maintain the gas systems in its service territory. In order to ensure that this access to capital is maintained and in accordance with BCUC requirements, the Corporation targets a long-term capital structure that includes 38.5 per cent equity and 61.50 per cent debt. The cost of capital for regulated utilities in BC is reviewed periodically which can result in a change in the equity component of the Corporation.

7.1 SHARE CAPITAL

The Corporation is authorized to issue 500,000,000 common shares without par value, 100,000,000 first preference shares without par value of which 3,000,000 have been designated as 8.625 per cent cumulative redeemable retractable first preference shares without par value, 50 have been designated as cumulative redeemable perpetual first preference shares without par value, 40 have been designated as cumulative redeemable non-convertible perpetual first preference shares without par value, 3,000,000 have been designated as 7.10 per cent cumulative redeemable retractable first preference shares without par value and 3,000,000 have been designated as 6.32 per cent cumulative redeemable first preference shares without par value, none of which are issued and 100,000,000 second preference shares without par value. As at December 31, 2014, 313,438,012 common shares were issued and outstanding. Fortis indirectly owns all of the issued common shares through its wholly-owned subsidiary, FHI.

Holders of common shares of the Corporation are entitled to receive, out of monies lawfully available for dividends, dividends as and when declared by the Board and are entitled to one vote per share on all matters to be voted on at all meetings of shareholders except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Upon the liquidation, dissolution or winding-up of the Corporation, the holders of common shares are entitled to receive, after payment of any amounts payable on the First Preference shares or the Second Preference shares, the remaining assets available for distribution, after payment of liabilities. The common shares do not have exchange, conversion, redemption or retraction rights.

The First Preference shares may be issued from time to time in one or more series, each series comprising of the number of shares, designation, rights and restrictions determined by the Board. The First Preference shares are entitled to priority over the common shares and the Second Preference shares with respect to the payment of dividends and distributions of assets in the event of the liquidation, dissolution or winding-up of the Corporation. Except in respect of a meeting of holders of the First Preference shares or of a particular series of the First Preference shares, or except as may otherwise be provided in the rights attached to any series of First Preference shares, holders of the First Preference shares will not be entitled to vote at any meetings of shareholders.

The Second Preference shares may be issued from time to time in one or more series, each series comprising of the number of shares, designation, rights and restrictions determined by the Board. The Second Preference shares are entitled to priority over the common shares with respect to the payment of dividends and distributions of assets in the event of the liquidation, dissolution or winding-up of the Corporation. Except in respect of a meeting of holders of the Second Preference shares or of a particular series of the Second Preference shares, or except as may otherwise be provided in the rights attached to any series of Second Preference shares, holders of the Second Preference shares will not be entitled to vote at any meetings of shareholders.

7.2 DIVIDEND POLICY

The declaration and payment of dividends is at the discretion of the Board and will be influenced by ongoing capital structure management. In 2014, FEI paid $95.0 million in dividends, compared with $150.0 million in 2013 and $95.0 million in 2012. As part of its approval of the acquisition of Terasen Inc. by Fortis, the BCUC imposed a number of conditions intended to ring-fence FEI from its parent corporation. These restrictions include a prohibition on the payment of dividends unless FEI has in place at least as much common equity as that deemed by the BCUC for rate-making purposes. FEI's dividend policy is intended to ensure that FEI maintains at least as much common equity as that deemed by the BCUC for rate-making purposes.

8.0 CREDIT RATINGS

The following table discloses the Corporation's credit ratings as of December 31, 2014:

Credit Ratings	DBRS	Moody's
Commercial paper	R-1 (Low), Stable Trend	-
Secured long-term debt	A, Stable Trend	A1, Stable Outlook
Unsecured long-term debt	A, Stable Trend	A3, Stable Outlook

In June 2014, Moody's affirmed the long-term credit ratings of the Corporation of A1 and A3 and changed the rating outlook to stable from negative. In January 2015, DBRS affirmed the long-term credit ratings of the Corporation after the completion of the amalgamation on December 31, 2014.

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

Securities issued by FEI are rated by DBRS and Moody's. FEI paid each of these agencies a maintenance fee to provide ratings during 2014 and 2013, but did not pay for or receive any other services from the agencies during those years. The ratings assigned to securities issued by FEI are reviewed by these agencies on an ongoing basis. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. DBRS rates debt instruments by rating categories ranging from AAA which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Moody's rates debt instruments by rating categories ranging from Aaa which represents the highest quality of securities to C which represents the lowest quality of securities.

According to the Moody's rating system, debt securities rated A are considered to possess many favourable investment attributes and are to be considered as upper medium grade obligations. Factors giving support to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its rating category.

According to the DBRS rating system, debt securities rated A are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA related entities. While a respectable rating, entities in the A category are considered to be more susceptible to economic conditions and have greater cyclical tendencies than higher rated companies. Any qualifying negative factors which exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry. "High" or "Low" are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating which is essentially in the middle of the category. For short term debt a rating of R-1 is of prime credit quality.

9.0 MARKET FOR SECURITIES

None of the issued and outstanding shares of the Corporation or any of its debentures are listed on any exchange.

10.0 DIRECTORS AND OFFICERS

10.1 DIRECTORS

The following table sets forth the name, province or state, and country of residence of each director of the Corporation, his or her respective position and office with the Corporation as at the date of filing of this Annual Information Form. In addition this table sets forth each director's principal occupation during the five preceding years, and the period during which he or she has served as a director of the Corporation and when his or her term expires:

NAME AND RESIDENCE	TERM AS A DIRECTOR (4)	PRINCIPAL OCCUPATION FOR THE FIVE PRECEDING YEARS
Harold G. Calla(1) British Columbia, Canada	Commencing 2007. Term expires at the next annual general meeting.	Chair of the First Nations Financial Management Board.
Brenda Eaton(1) British Columbia, Canada	Commencing 2009. Term expires at the next annual general meeting.	Corporate Director; additionally Chair, Seaterra Commission; prior thereto Chair, BC Housing to April 2012.
Ida J. Goodreau(2) British Columbia, Canada	Commencing 2007. Term expires at the next annual general meeting.	Corporate Director; additionally Adjunct Professor, Sauder School of Business, University of British Columbia.
David G. Hutchens (1) Arizona, USA	Commencing January 2015. Term expires at the next annual general meeting.	President & Chief Executive Officer ("CEO"), UNS Energy Corporation and additionally President & CEO, Tucson Electric Power Company since May 2014; prior thereto Chief Operation Officer ("COO") of Tucson Electric Power Company since August 2013; prior thereto President of Tucson Electric Power Company since December 2011; prior thereto Vice President of Tucson Electric Power Company.
Michael A. Mulcahy British Columbia, Canada	Commencing 2014. Term expires at the next annual general meeting.	President & CEO of the Corporation and additionally of FortisBC Inc. since August 2014; prior thereto Executive Vice President, Human Resources, Customer & Corporate Services of the Corporation and additionally of FortisBC Inc. since November 2011; prior thereto Executive Vice President, Customer & Corporate Services of the Corporation and additionally of FortisBC Inc. since July 2010; prior thereto Vice President, Customer & Corporate Services of FortisBC Inc.
Barry V. Perry(2) Newfoundland and Labrador, Canada	Commencing 2007. Term expires at the next annual general meeting.	President & CEO of Fortis Inc. since January 2015; prior thereto President of Fortis Inc. since July 2014; prior thereto Vice President, Finance & Chief Financial Officer ("CFO") of Fortis Inc.

NAME AND RESIDENCE	TERM AS A DIRECTOR [4]	PRINCIPAL OCCUPATION FOR THE FIVE PRECEDING YEARS
David R. Podmore[2][3] British Columbia, Canada	Commencing 2007. Term expires at the next annual general meeting.	Chairman & CEO, Concert Properties Ltd.
Christopher F. Scott [2] British Columbia, Canada	Commencing 2013. Term expires at the next annual general meeting.	Corporate Director; additionally Consultant to First Nations Bands since 2011; prior thereto First Nations Liaison & COO of Osoyoos Indian Band Dev. Corp.; and additionally Owner/Operator of Premium Varietal Vineyard.
Karl W. Smith [1] Newfoundland and Labrador, Canada	Commencing 2014. Term expires at the next annual general meeting.	Executive Vice President & CFO of Fortis Inc. since June 2014; prior thereto President & CEO of FortisAlberta Inc.
John C. Walker [2] British Columbia, Canada	Commencing 2007. Term expires at the next annual general meeting.	Executive Vice President, Western Canadian Operations of Fortis Inc. since August 2014; prior thereto President & CEO of the Corporation since July 2010; and additionally and prior thereto President & CEO of FortisBC Inc.
Janet P. Woodruff [1] British Columbia, Canada	Commencing 2013. Term expires at the next annual general meeting.	Corporate Director; additionally Consultant since 2011; prior thereto Vice President & Special Advisor of BC Hydro since 2010.

Notes:

1. Member of the Audit & Risk Committee.
2. Member of the Governance Committee.
3. Chair of the Board.
4. The Articles of the Corporation provide that if Corporation does not hold an annual general meeting in accordance with the *Business Corporations Act,* (British Columbia), the Directors then in office shall be deemed to have been elected or appointed as Directors on the last day on which the annual general meeting could have been held pursuant to the *Business Corporations Act* (British Columbia), and they may hold office until other Directors are appointed or elected or until the day on which the next annual general meeting is held.

10.2 OFFICERS

The following table sets forth the name, province and country of residence of each executive officer of the Corporation, his or her respective position and office with the Corporation as at the date of filing of this Annual Information Form. In addition, this table sets forth each officer's principal occupation during the five preceding years:

NAME AND RESIDENCE	OFFICE HELD	PRINCIPAL OCCUPATION FOR THE FIVE PRECEDING YEARS
Michael A. Mulcahy British Columbia, Canada	President & CEO	President & CEO of the Corporation and additionally of FortisBC Inc. since August 2014; prior thereto Executive Vice President, Human Resources, Customer & Corporate Services of the Corporation and additionally of FortisBC Inc. since November 2011; prior thereto Executive Vice President, Customer & Corporate Services of the Corporation and additionally of FortisBC Inc. since July 2010; prior thereto Vice President, Customer & Corporate Services of FortisBC Inc.
Roger A. Dall'Antonia British Columbia, Canada	Executive Vice President, Customer Service & Regulatory Affairs	Executive Vice President, Customer Service & Regulatory Affairs of the Corporation and additionally of FortisBC Inc. since August 2014; prior thereto Vice President, Strategic Planning, Corporate Development & Regulatory Affairs of the Corporation and additionally of FortisBC Inc., since January, 2012; prior thereto Vice President, Finance & CFO & Treasurer of the Corporation since July 2010; prior thereto Vice President, Corporate Development & Treasurer of the Corporation.
Doyle Sam British Columbia, Canada	Executive Vice President, Operations & Engineering	Executive Vice President, Operations & Engineering of the Corporation and additionally of FortisBC Inc. since February 2014; prior thereto Executive Vice President, Network Services, Engineering & Generation of the Corporation and additionally of FortisBC Inc. since February 2013; prior thereto Vice President, Engineering & Generation of the Corporation and additionally FortisBC Inc. since November 2011; prior thereto Vice President, Engineering & Operations of FortisBC Inc.
Cynthia M. Des Brisay British Columbia, Canada	Vice President, Energy Supply & Resource Development	Vice President, Energy Supply & Resource Development of the Corporation and additionally of FortisBC Inc. since February 2011; prior thereto Vice President, Energy Supply & Gas Transmission of the Corporation and additionally of FortisBC Inc. since July 2010; prior thereto Vice President, Gas Supply & Transmission of the Corporation.

NAME AND RESIDENCE	OFFICE HELD	PRINCIPAL OCCUPATION FOR THE FIVE PRECEDING YEARS
Jody D. Drope British Columbia, Canada	Vice President, Human Resources & Environment, Health and Safety	Vice President, Human Resources & Environment, Health and Safety of the Corporation and additionally of FortisBC Inc. since November 2014; prior thereto Chief Human Resources Officer of the Corporation and additionally of FortisBC Inc. since November 2010; prior thereto Human Resources Manager of FortisBC Inc.
Michele I. Leeners British Columbia, Canada	Vice President, Finance & CFO	Vice President, Finance & CFO of the Corporation since January, 2012; and additionally Vice President, Finance & CFO of FortisBC Inc.
Douglas L. Stout British Columbia, Canada	Vice President, Market Development & External Relations	Vice President, Market Development & External Relations of the Corporation and additionally of FortisBC Inc. since August 2014; prior thereto Vice President, Energy Solutions & External Relations of the Corporation and additionally of FortisBC Inc. since July 2010; prior thereto Vice President, Marketing & Business Development of the Corporation.
Dennis A. Swanson British Columbia, Canada	Vice President, Corporate Services	Vice President, Corporate Services of the Corporation and additionally of FortisBC Inc. since November 2014; prior thereto Director, Regulatory Affairs of the Corporation and additionally of FortisBC Inc.
Monic D. Pratch British Columbia, Canada	Corporate Secretary	Chief Privacy Officer, Corporate Secretary & Counsel of the Corporation and of FortisBC Inc. since November 2014; prior thereto Chief Privacy Officer & Counsel of the Corporation and additionally of FortisBC Inc. since February 2011; prior thereto Counsel of the Corporation and additionally of FortisBC Inc. since May 2010; prior thereto Associate Lawyer of Duncan Craig LLP.
Debra G. Nelson British Columbia, Canada	Assistant Corporate Secretary	Assistant Corporate Secretary and Manager, Corporate Compliance and Secretariat of the Corporation; and additionally since July 2010, Assistant Corporate Secretary of FortisBC Inc.

10.3 CONFLICTS OF INTEREST

Other than as disclosed herein, to the knowledge of management of the Corporation, there are no existing or potential material conflicts of interest among the Corporation or a subsidiary of the Corporation and any director or officer of the Corporation or such subsidiary.

11.0 EXECUTIVE COMPENSATION

The Corporation’s Statement of Executive Compensation is attached as Schedule “A”.

12.0 SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation does not have a compensation plan under which securities of the Corporation are authorized for issuance. See “Executive Compensation –Stock Option Plan” in Schedule “A” of this Annual Information Form for a description of the Fortis 2012 Stock Option Plan.

13.0 INDEBTEDNESS OF EXECUTIVE OFFICERS, DIRECTORS, AND EMPLOYEES

The following table sets forth details of the aggregate indebtedness of all executive officers, directors, and employees and former executive officers, directors and employees outstanding as of the date of this Annual Information Form to the Corporation or any of its subsidiaries in connection with (i) the purchase of securities and (ii) all other indebtedness, other than routine indebtedness.

Aggregate Indebtedness ($)		
Purpose	**To the Corporation or its Subsidiaries**	**To Another Entity**
Share purchases	Nil	Nil
Other	Nil	Nil

14.0 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation, or person or Corporation that beneficially owns, or controls or directs, directly or indirectly, more than 10 per cent of any class or series of the Corporation’s outstanding voting securities, nor any associate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Corporation or during the current financial year of the Corporation that has materially affected or is reasonably expected by the Corporation to materially affect the Corporation.

For more information with respect to the Corporation’s material transactions with related parties, see the section entitled “Related Party Transactions” in the Corporation’s Management Discussion & Analysis for the year ended December 31, 2014, which is filed on SEDAR at www.sedar.com, and is incorporated herein by reference.

15.0 MATERIAL CONTRACTS

The Corporation has not entered into any material contracts subsequent to January 1, 2002 that are outside the ordinary course of business.

16.0 LEGAL PROCEEDINGS

FEI was the plaintiff in a BC Supreme Court action against the City of Surrey (“Surrey”) in which FEI sought the court’s determination on the manner in which costs related to the relocation of a natural gas transmission pipeline would be shared between itself and Surrey. The relocation was required due to the development and expansion of Surrey’s transportation infrastructure. FEI claimed that the parties had an agreement that dealt with the allocation of costs. In turn, Surrey advanced counterclaims including an allegation that FEI breached the agreement and that Surrey suffered damage as a result. In December 2013, the Court issued a decision which ordered FEI and Surrey to share equally the cost of the pipeline relocation. The Court also decided that Surrey was successful in its counterclaim that FEI breached the agreement. In December 2014, FEI and Surrey reached a settlement, resolving all pending claims and relief sought.

17.0 TRANSFER AGENTS AND REGISTRARS

BNY Trust Company of Canada, as agent for CIBC Mellon Trust Company, is the registrar and transfer agent and trustee for the Corporation’s unsecured debentures and purchase money mortgages. Transfers of these securities may be effected at BNY Trust Company of Canada’s offices in the cities of Vancouver, Toronto or Montreal.

18.0 INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Accountants is the auditor of the Corporation and was appointed effective as at July 26, 2007 and each year thereafter. The Corporation's auditor, Ernst & Young LLP, has prepared the audit report attached to the audited consolidated financial statements for the Corporation's financial year ended December 31, 2014. Ernst & Young LLP remains independent with respect of the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

19.0 ADDITIONAL INFORMATION

Additional financial information is also provided in the Corporation's financial statements for the financial year ended December 31, 2014, and management's discussion and analysis of such financial results. A copy of such documents and additional information relating the Corporation is contained on SEDAR at www.sedar.com.

SCHEDULE "A" - EXECUTIVE COMPENSATION

A. COMPENSATION DISCUSSION AND ANALYSIS

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

The Corporation's executive compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance. The Governance Committee recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive's level of responsibility. The objectives of base salary are to recognize market pay, and acknowledge competencies and skills of individuals. The objectives of the annual incentive plan are to reward achievement of short-term financial and operating performance and focus on key activities and achievements critical to the ongoing success of FEI. Medium and long-term incentive plans focus executives on sustained shareholder value creation.

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

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

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

Each of the components is discussed further in the following sections of this Schedule "A".

REPORT ON CORPORATE GOVERNANCE

Governance Committee

Specifically, the Governance Committee provides assistance to the Board by overseeing the Corporation's policy and performance in matters of corporate governance, including the nomination of Directors, matters of environment and safety, and matters of human resource management, including compensation of executive officers and the Corporation's pension plans.

With regards to executive compensation matters, the responsibilities of the Governance Committee include reviewing and making recommendations to the Board regarding:

- the adequacy and form of compensation of directors;
- the appointment and compensation of executive officers;
- the overall effectiveness of the senior management team including the CEO; and
- the development of policy for orderly succession to senior positions and targets used by the Corporation to measure performance for compensation purposes.

Additionally, the Governance Committee believes that the Corporation's compensation regime appropriately takes into account the performance of the Corporation and the contribution of the President & CEO and other executive officers of the Corporation toward that performance.

The mandate of the Governance Committee includes making recommendations to the Board with respect to the governance and management of the pension plans and designating executive officers for purposes of participation in supplemental pension plans. In regards to non-union pension matters, the Governance Committee appoints the auditor for the pension plan financial statements. The Board establishes or terminates pension plans, is the fiduciary and administrator for the plans and approves the governance structure, major plan design changes and the mandate of the Governance Committee.

The Corporation recognizes the importance of appointing knowledgeable and experienced individuals to the Governance Committee. The Governance Committee composition includes members that have the necessary background and skills to provide effective oversight of corporate governance and executive compensation, including adherence with sound risk management principles.

To enable the Governance Committee to fulfill its mandate, all Governance Committee members have significant senior leadership and/or governance experience. More specifically, a majority of the membership of the Governance Committee has direct operational or functional experience overseeing compensation policies and practices at large organizations similar in complexity to FEI.

The members of the Governance Committee are Ida J. Goodreau, Barry V. Perry, David R. Podmore, John C. Walker and Christopher F. Scott. These directors are independent directors with the exception of Barry V. Perry, President & CEO of Fortis Inc. and John C. Walker, Executive Vice President, Western Canadian Operations of Fortis Inc.

In fulfilling its duties and responsibilities with respect to executive compensation, the Governance Committee seeks periodic input, advice, and recommendations from various sources, including the Board, executive officers, and external independent consultants. The Governance Committee retains discretion in its executive compensation decisions and is not bound by the input, advice, and/or recommendations received from the external independent consultant.

Compensation Review Framework

Annual Review

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

As part of the annual review process, Fortis engages Hay Group Limited (“Hay Group”), its primary compensation consultant, to provide comparative analyses of market compensation data reflecting the pay levels and practices of Canadian commercial industrial companies. Using this data, a detailed review is prepared to analyze the Corporation’s competitive compensation positioning against its peer group. Hay Group provides Fortis and its subsidiaries’ management preliminary recommendations on the basis of pay competitiveness, emerging market trends and best practices. In addition, the Corporation may from time to time engage Hay Group to provide specific analysis of its executive compensation components.

Management then takes into account the corporate performance against pre-determined objectives and together with the CEO recommends a set of new performance objectives for the following year. Individual performance reviews, incentive award payouts, and compensation adjustments, if any, are also determined at this stage. The CEO does not make recommendations to the Governance Committee with respect to his own compensation.

In the final step, the Governance Committee reviews the recommendations set forward by management and the compensation consultant prior to seeking approval from the Board regarding current year’s compensation payouts and next year's performance objectives. The Governance Committee and the Board may exercise discretion when making compensation decisions in appropriate circumstances and make deviations from the prescribed incentive award formulas, if necessary.

Competitive Positioning

FEI does not measure performance against a particular reference group. However, as a general policy, FEI establishes base and incentive compensation targets so as to compensate executives and in particular, each person who served as the CEO or CFO during the most recently completed financial year and the three most highly compensated executive officers of the Corporation during the most recently completed financial year (the "Named Executive Officers" or "NEOs"), at a level generally equivalent to the median of practice among a broad reference group of approximately 200 Canadian commercial industrial companies. This reference group, (The Commercial Industrial Comparator Group) is compiled by Hay Group. For clarity, this reference group does not include organizations in the financial service and broader public sectors. It does include organizations from the energy, mining and manufacturing sectors. This reference group is formally reviewed as part of the Fortis triennial review of executive compensation policy.

Compensation Risk Considerations

Risk is considered throughout the Corporation's annual compensation review processes to ensure that effective control systems are in place to mitigate the perceived risks inherent in the compensation structure. The Governance Committee has identified the following external and internal risk controls within the Corporation's executive compensation program.

External Compensation Risk Mitigating Controls

With respect to the regulatory environment, there are extensive regulatory frameworks, as well as reporting and approval mechanisms. FEI's ongoing compliance with existing regulatory requirements and emerging best practices ensure that risks within its compensation program are being continually monitored and controlled.

Internal Compensation Risk Mitigating Controls

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

Annual Salary	• Annual salaries are targeted approximately at market median levels and as such do not encourage excessive risk-taking.
Short-Term Incentives	• ***Board Discretion***: The Governance Committee retains the discretion to make upwards or downwards adjustments to the prescribed incentive payout formulas and actual payouts based on its assessment of the risk assumed to generate financial results, circumstances that may have influenced individual performance, as well as external factors that may have impacted the Corporation's financial performance. • ***Award Cap:*** Short-term incentives awarded to executives are capped at 150 per cent of targeted annual incentive; however, the Governance Committee retains the discretion to award up to a maximum of 200 per cent of targeted annual incentive in recognition of individual response to exceptional challenges or opportunities and may make deviations in appropriate circumstances.
Mid-Term Compensation	• ***Performance Share Units ("PSUs"):*** PSUs are granted to participants ("Participant"), as defined in the 2013 FEI Performance Share Unit Plan. Participants, including NEOs are awarded PSUs to promote a greater alignment of interests between the senior management of the Corporation and the shareholders of Fortis, foster the growth and success of the business of the Corporation and Fortis in accordance with the vision of both the Corporation and Fortis, and ensure that management is focused on both the Corporation's and Fortis' business objectives.

	Awarding PSUs to NEOs also strengthens the proportion of total deferred compensation to salary and incentive compensation in the overall pay mix. The grant is determined using a formula composed of base salary, salary level and market price of the Fortis common shares.
Long-Term Compensation	• ***Stock Option Grants Linked Directly to Stock Ownership Requirements***: Share ownership for any eligible person as defined by the 2012 Fortis Inc. Stock Option Plan ("Eligible Person"), including NEOs, is encouraged through Fortis' Executive Compensation Policy, whereby the options granted each year to any Eligible Person are limited to the lesser of the number of options prescribed to that particular position and the minimum number of shares actually owned by the individual since the beginning of the previous calendar year. While minimum share holdings are not formally prescribed by policy, tying the number of stock options grants to the Eligible Person's share holdings has achieved high levels of executive ownership. • ***Anti-Hedging Policy***: The Corporation's executive officers are not permitted to hedge against declines in the market value of equity securities received as compensation.

Compensation Consultants

As noted above, Fortis engages Hay Group as its primary compensation consultant.

Hay Group has served as the primary external independent advisor on matters relating to executive compensation since 2007. In addition to matters related to executive compensation, Hay Group also provides the Corporation with general market compensation data from its national database.

The Corporation also engages Towers Watson to consult on certain pension and benefit components and to perform certain administrative and actuarial functions related to the Corporation's pension programs.

The following table sets forth information concerning fees paid by the Corporation to compensation consultants in 2013 and 2014.

Type of Fee by Consultant	2013 Consultant Fees ($)	2014 Consultant Fees ($)
Executive Compensation Consulting	-	-
All Other Fees (1)	15,425	27,757

Note:
1. Fees paid to Towers Watson related to pension, benefits and market data.

Elements of Total Compensation

Total annual compensation for the executive officers involves a significant proportion that is at risk due to the use of short-term, mid-term and long-term incentive components. The total annual compensation includes both the cash compensation paid to the executive officers in the year and an estimated compensation for the mid-term and long-term incentive components. The mid-term incentive components are valued as notional units, based on the average market price of Fortis stock during the last 5 trading days of the prior year. The estimated value of the long-term incentive components is determined using the Black-Scholes pricing model at the date of grant.

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

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

Compensation Element *(Eligibility)*	Description	Compensation Objectives
Annual Base Salary and Annual Incentive		
Annual Base Salary *(all NEOs)*	Salary is a market-competitive, fixed level of compensation.	Attract and retain highly qualified executives. Motivate strong business performance.
Annual Incentive *(all NEOs)*	Combined with salary, the target level of annual incentive is intended to provide executives with a market-competitive total cash opportunity. Annual incentive payout depends on individual and corporate performance.	Attract and retain highly qualified executives. Motivate strong business performance. Compensation dependent on individual and corporate performance. Simple to communicate and administer.
Mid-term Equity Based Incentive		
Performance Share Units *(all NEOs)*	Equity grant value based on performance and retention objectives. Grant value is converted to the number of units granted by dividing the planned value by the predetermined, formulaic planning price. At the end of the 3 year performance period, performance is assessed against the pre-defined objectives. Payment of the accumulated PSU balance (inclusive of notional dividends) at the price determined pursuant to the plan. Paid in cash upon completion of the 3 year performance period.	Align executive and shareholder interests. Attract and retain highly qualified executives. Encourage strong long-term business performance. Balance compensation for short and long-term strategic results. Compensation dependent on corporate performance. Encourages sustained, mid-term growth by linking a portion of compensation to mid-term performance. Simple to communicate and administer.
Long-term Equity Based Incentive		
Stock Options *(all NEOs)*	Annual equity grants are made in the form of stock options. The amount of annual grant will be dependent on the level of the executive and their current share ownership levels. Planned grant value is converted to the number of shares granted by dividing the planned value by the pre-determined, formulaic planning price derived using the Black-Scholes Option Pricing Model. Options vest over a 4 year period.	Align executive and shareholder interests. Attract and retain highly qualified executives. Encourage strong long-term business performance. Balance compensation for short and long-term strategic results. Simple to communicate and administer.

Compensation Element *(Eligibility)*	**Description**	**Compensation Objectives**
Pension Plans		
Defined Benefit Pension Plan (*certain NEOs)*	Payout upon retirement based on the number of years of credited service and actual pensionable earnings.	Attract and retain highly qualified executives. Simple to communicate and administer.
Registered Retirement Savings Plan ("RRSP") *(certain NEOs)*	Contribution to a RRSP equal to 6.5 per cent of a member's base salary which is matched by the member up to the maximum annual contribution limit allowed by the Canada Revenue Agency.	Attract and retain highly qualified executives. Simple to communicate and administer.
Defined Contribution: Supplemental Employee Retirement Plan ("SRP" or "SERP") *(all NEOs)*	Accrual of 13 per cent of base salary and annual incentive in excess of the Canada Revenue Agency annual limit. At time of retirement, paid in one lump sum or in equal payments up to 15 years.	Attract and retain highly qualified executives. Simple to communicate and administer.

Annual Base Salary

Annual base salaries paid to the Corporation's NEOs are determined by the Board upon recommendation by the Governance Committee and are established annually by reference to the range of salaries paid by comparable Canadian commercial industrial companies and are targeted to the median of the comparator group.

Annual Incentive

NEOs participate in an annual incentive plan that provides for annual cash bonuses which are determined by way of an annual assessment of corporate and individual performance in relation to targets approved by the Board upon recommendation by the Governance Committee. The Corporation's annual earnings must reach a minimum threshold level before any payments are made. The objectives of the annual incentive plan are to reward achievement of short-term financial and operating performance and focus on key activities and achievements critical to the ongoing success of the Corporation.

Corporate performance is determined with reference to the performance of the Corporation relative to weighted targets in respect to financial, safety, customer satisfaction and regulatory performance. There were six targets in 2014 which included (i) net earnings (30.0 per cent weighting); (ii) an all injury frequency rate which measures how safely the Corporation operates (10.0 per cent weighting); (iii) recordable vehicle incidents (10.0 per cent weighting); (iv) customer satisfaction of which measures a customer survey score (12.5 per cent weighting); (v) public contacts with pipelines (12.5 per cent weighting); and (vi) regulatory performance (25.0 per cent weighting). Net earnings are primarily based on regulated earnings which are representative of the achieved return on equity based on the allowed return on equity as approved by the BCUC.

Individual performance is determined with reference to individual contribution to corporate objectives, elements of which are subjective. For the former President & CEO, 80 per cent of the annual cash bonus was based on corporate targets and 20 per cent was based upon personal targets. For the current President & CEO, 70 per cent of the annual cash bonus is based on corporate targets and 30 per cent is based upon personal targets. For each of the other NEOs, 50 per cent of the annual cash bonus is based upon corporate targets and

50 per cent is based upon personal targets. At the discretion of the Board, executives may be awarded up to an additional 50 per cent of target incentive pay in recognition of exceptional performance contributions.

Performance Share Unit Plan

The 2013 FEI Performance Share Unit Plan ("PSU Plan") was established and adopted by FEI as of January 1, 2013. The PSU Plan is administered by FEI which grants PSUs, determined as a specified percentage of the Participant's annual base salary divided by the volume-weighted average trading price of Fortis common shares. Payment will be made 3 years after the grant date in an amount of 0-120 per cent of the number of PSUs accumulated, including reinvestment of notional dividends, as determined appropriate by FEI upon measurement of Fortis performance over such 3 year period in comparison to similar publicly traded industry participants. The payment is based on the number of PSUs outstanding, multiplied by the volume-weighted average trading price of the Fortis common shares determined by dividing the total value of the Fortis common shares traded on the TSX during the last 5 trading days immediately preceding the date of grant by the total volume of the Fortis common shares traded on the TSX during such 5 trading days.

In 2014, the former President & CEO of the Corporation was granted units having a market value at the time of grant equal to 75 per cent of his base salary. The current President & CEO and Executive Vice President, Operations & Engineering were granted units having a market value at the time of grant equal to 20 per cent of their base salary. Each of the other NEOs was granted units having a market value at the time of grant equal to 10 per cent of such NEO's base salary. Each Participant's unit account shall be credited with additional units equal to the "dividend equivalent" when a cash dividend is paid on common shares of Fortis.

Stock Option Plan

The 2012 Stock Option Plan was approved by the shareholders of Fortis on May 4, 2012 for the purposes of granting options in the common shares of Fortis to certain eligible persons, which includes the Corporation's NEOs (the "Eligible Persons") in order to encourage increased share ownership by key employees as an incentive to maximize shareholder value. The directors of Fortis or any of its subsidiaries are not eligible to participate in the 2012 Stock Option Plan. No options may be granted under the 2012 Stock Option Plan if, together with any other security based compensation arrangement established or maintained by Fortis, such granting of options could result, at any time, in (i) the number of Fortis common shares issuable to insiders of Fortis, at any time, exceeding 10 per cent of the issued and outstanding Fortis common shares and, (ii) the number of common shares issued to insiders of Fortis, within any one year period, exceeding 10 per cent of the issued and outstanding Fortis common shares.

The 2012 Stock Option Plan is administered by Fortis. Pursuant to the 2012 Stock Option Plan, the determination of the exercise price of options is made by the Human Resources Committee of Fortis at a price not less than the volume weighted average trading price of the common shares of Fortis determined by dividing the total value of the Fortis common shares traded on the TSX during the last 5 trading days immediately preceding the date by the total volume of the Fortis common shares traded on the TSX during such 5 trading days. The Human Resources Committee of Fortis determines: (i) which Eligible Persons are granted options; (ii) the number of Fortis common shares covered by each option grant based on the salary level of an Eligible Person; (iii) the price per share at which Fortis common shares may be purchased; (iv) the time when the options will be granted; (v) the time when the options will vest; and (vi) the time at which the options will be exercisable (up to 10 years from the date of grant). Options granted under the 2012 Stock Option Plan are personal to the Eligible Person and not assignable, other than by testate succession or the laws of decent and distribution. In the event that a person ceases to be an Eligible Person, the 2012 Stock Option Plan will no longer be available to such person. The grant of options does not confer any right upon an Eligible Person to continue employment or to continue to provide services to FEI.

Options granted pursuant to the 2012 Stock Option Plan have a maximum term of 10 years from the date of grant and the options will vest over a period of not less than 4 years from the date of grant, provided that no option will vest immediately upon being granted. Options granted pursuant to the 2012 Stock Option Plan will expire no later than 3 years after the termination, death or retirement of an Eligible Person.

Eligible Persons are granted stock options based on salary levels. In 2014, the former President & CEO of the Corporation was granted an option entitling him to purchase that number of common shares of Fortis having a market value at the time of grant equal to 400 per cent of his base salary. The current President & CEO and each of the other NEOs were granted an option entitling each NEO to purchase that number of Fortis common shares having a market value at the time of grant equal to 150 per cent of such NEO's base salary, however, where a NEO has been granted options for 5 or more prior years, the maximum number of shares for which options will be granted in any calendar year will not exceed the minimum number of shares held by the NEO since the beginning of the previous year.

The 2012 Stock Option Plan provides that notwithstanding provisions in the plan to the contrary, no option may be amended to reduce the option price below the option price as of the date the option is granted.

Pension Plans – see "Executive Compensation – Pension Plan Benefits"

B. SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the annual, mid-term and long-term compensation earned for services rendered in respect of each of the individuals who served as the CEO or CFO during the most recently completed financial year and the three most highly compensated executive officers of the Corporation during the most recently completed financial year.

Name and principal position	Year	Salary ($)	Share based awards ($)(3)	Option based awards ($)(4)	Annual incentive plans ($)(5)	Pension value ($)(6)	All other compensation ($)(7)	Total compensation ($)(8)(9)(10)
Michael A. Mulcahy President & CEO(1)	2014 2013 2012	349,167 298,500 290,000	61,996 59,702 -	53,416 52,144 53,450	247,000 190,000 175,000	57,987 49,645 50,915	31,847 28,008 21,374	801,413 677,999 590,739
Michele I. Leeners Vice President, Finance & CFO	2014 2013 2012	270,000 260,000 243,600	27,013 26,013 -	46,525 45,419 44,895	178,000 170,000 165,700	45,065 43,431 39,683	12,833 15,351 15,236	579,436 560,214 509,114
Doyle Sam Executive Vice President, Operations & Engineering	2014 2013 2012	310,000 287,900 264,000	61,996 57,596 -	53,416 50,283 48,651	197,000 190,000 159,700	52,865 46,278 44,285	14,426 24,846 24,472	689,703 656,903 541,108
Douglas L. Stout Vice President, Market Development & External Relations	2014 2013 2012	290,000 283,700 275,546	28,990 28,357 -	49,971 49,563 50,806	203,000 190,000 162,500	50,265 46,096 46,485	2,998 7,546 6,575	625,224 605,262 541,912
Roger A. Dall'Antonia Executive Vice President, Customer Service & Regulatory Affairs	2014 2013 2012	276,250 260,000 243,345	27,013 26,013 -	40,101 42,947 44,895	190,000 170,000 165,700	45,788 43,431 39,485	20,648 25,313 14,583	599,800 567,704 508,098
John C. Walker Former President & CEO(2)	2014 2013 2012	320,833 535,600 520,000	412,495 401,713 -	252,720 249,458 255,530	217,443 400,000 400,000	142,426 138,773 135,539	13,443 64,661 44,615	1,359,360 1,790,205 1,355,684

Notes:

1. President & CEO effective August 1, 2014.
2. President & CEO to July 31, 2014. All amounts are calculated as at July 31, 2014 with the exception of Pension. Pension value is at December 31, 2014 in recognition of Mr. Walker’s continued service with Fortis Inc.
3. Represents the cash value of the 2014 PSUs granted in the year based on the volume-weighted average trading price of the Fortis common shares traded on the TSX during the last 5 trading days immediately preceding the date of grant. The volume-weighted average trading price used was determined to be $30.42.
4. Represents the fair value of options granted by Fortis to acquire common shares of Fortis. The fair value of $4.21 for 2012, $3.91 for 2013 and $3.53 for 2014 options were determined at the date of grant using the Black-Scholes Option Pricing Model.

5. Represents amounts awarded under the Corporation's short-term non-equity incentive program in recognition of FEI and FBC's respective corporate performances and the individual's performance for the reported year and paid in the following year.
6. Represents compensation paid or accrued related to defined benefit, defined contribution, RRSP and the SERP.
7. Includes, where applicable the aggregate of amounts paid by FEI, FBC or FHI for payment in lieu of vacation, employees' savings plan, insurance premiums, employee share purchase dividend, interest benefit from employee share purchase plan loans and flexible benefit plan taxable cash. Only includes perquisites, including property or other personal benefits provided to an NEO that are not generally available to all employees, and that are in the aggregate worth of $50,000 or more, or are worth 10 per cent or more of an NEO's salary.
8. Amounts reported represent amounts payable by FBC for Mr. Mulcahy, Ms. Leeners, Mr. Sam and Mr. Walker's services to FEI and other FortisBC companies. FEI proportionately reimburses FBC for their services.
9. Amounts reported represent amounts paid by FEI for Mr. Stout's service to FEI and other FortisBC companies. FBC proportionately reimburses FEI for his service.
10. Amounts reported represent amounts paid by FHI for Mr. Dall'Antonia's service to FEI and other FortisBC companies. FEI proportionately reimburses FHI for his service.

There is a written employment contract between the Corporation and Mr. Stout which contains the basic provisions of employment including, among other things, base salary, short-term incentive bonus, vacation and benefits, Mr. Dall'Antonia has a written employment agreement with FHI which includes similar basic provisions. Mr. Mulcahy, Ms. Leeners, Mr. Sam and Mr. Walker do not have a written employment contract with the Corporation, FBC or FHI.

C. INCENTIVE PLAN AWARDS

The following table sets details of unexercised in-the-money options and PSUs held by each NEO. The aggregate value of the options is based on the difference between the Fortis share price at December 31, 2014 of $38.96 and the exercise price of the options. The aggregate value of the PSUs is based on the Fortis share price at December 31, 2014 of $38.96.

		Option Based Awards				Share Based Awards		
Name	**Year option granted**	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**	**Number of shares or units that have not vested (#)**	**Market or payout value of share based awards that have not vested ($)**	**Market or payout value of vested share based awards not paid out or distributed ($)**
Michael A. Mulcahy	2006	12,751	22.94	28-Feb-16	204,271	–	–	–
	2009	12,004	22.29	11-Mar-16	200,107	–	–	–
	2010	12,516	27.36	1-Mar-17	145,186	–	–	–
	2011	12,792	32.95	2-Mar-18	76,880	–	–	–
	2012	12,696	34.27	4-May-22	59,544	–	–	–
	2013	13,336	33.58	19-Mar-23	71,748	1,758.000	68,492	–
	2014	15,132	30.73	24-Feb-24	124,536	2,038.073	79,403	–
		91,227			**882,272**	**3,796.073**	**147,895**	

		Option Based Awards				Share Based Awards		
Name	**Year option granted**	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**	**Number of shares or units that have not vested (#)**	**Market or payout value of share based awards that have not vested ($)**	**Market or payout value of vested share based awards not paid out or distributed ($)**
Michele I. Leeners	2010	12,612	27.36	1-Mar-17	146,299	–	–	–
	2011	10,700	32.95	2-Mar-18	64,307	–	–	–
	2012	10,664	34.27	4-May-22	50,014	–	–	–
	2013	11,616	33.58	19-Mar-23	62,494	766.000	29,843	–
	2014	13,180	30.73	24-Feb-24	108,471	887.000	34,558	
		58,772			**431,585**	**1,653.000**	**64,401**	
Doyle Sam	2008	54	28.27	26-Feb-15	577	–	–	–
	2010	12,612	27.36	1-Mar-17	146,299	–	–	–
	2011	11,428	32.95	2-Mar-18	68,682	–	–	–
	2012	11,556	34.27	4-May-22	54,198	–	–	–
	2013	12,860	33.58	19-Mar-23	69,187	1,696.000	66,076	–
	2014	15,132	30.73	24-Feb-24	124,536	2,038.073	79,403	
		63,642			**463,479**	**3,734.073**	**145,479**	
Douglas L. Stout	2009	3,232	22.29	11-Mar-16	53,877	–	–	–
	2010	14,364	27.36	1-Mar-17	166,622	–	–	–
	2011	12,188	32.95	2-Mar-18	73,250	–	–	–
	2012	12,068	34.27	4-May-22	56,599	–	–	–
	2013	12,676	33.58	19-Mar-23	68,197	835.000	32,532	–
	2014	14,156	30.73	24-Feb-24	116,504	953.292	37,140	
		68,684			**535,049**	**1,788.292**	**69,672**	
Roger A. Dall'Antonia	2010	11,788	27.36	1-Mar-17	136,741	–	–	–
	2011	10,700	32.95	2-Mar-18	64,307	–	–	–
	2012	10,664	34.27	4-May-22	50,014	–	–	–
	2013	10,984	33.58	19-Mar-23	59,094	766.000	29,843	–
	2014	11,360	30.73	24-Feb-24	93,493	887.548	34,579	
		55,496			**403,649**	**1,653.548**	**64,422**	
John C. Walker(1)	2011	60,700	32.95	2-Mar-18	364,807	–	–	–
	2012	60,696	34.27	4-May-22	284,664	–	–	–
	2013	63,800	33.58	19-Mar-23	343,244	11,829.000	460,858	–
	2014	71,592	30.73	24-Feb-24	589,202	13,559.757	528,288	
		256,788			**1,581,917**	**25,388.757**	**989,146**	**-**

Note:

1. Amounts reflect value of options vested prior to July 31, 2014.

The following table sets forth the value of option based awards, share based awards and non-equity incentive plan compensation vested or earned by the NEO during the most recently completed financial year. The aggregate value of the option based awards vested during the year is based on the difference between the Fortis share price on the vesting date of any options that vested during 2014 and the exercise price of the options.

Name	Option based awards value vested during 2014 ($)(2)	Share based awards value during 2014 ($)(3)	Non-equity incentive plan compensation value earned during 2014 ($)
Michael A. Mulcahy	7,510	-	247,000
Michele I. Leeners	7,567	-	178,000
Doyle Sam	7,567	-	197,000
Douglas L. Stout	8,618	-	203,000
Roger A. Dall'Antonia	7,073	-	190,000
John C. Walker(1)	25,330	-	217,443

Notes:

1. Amounts reflect value of options vested prior to July 31, 2014.
2. No value was attributed to options that were out-of-the-money on the vesting date.
3. No share based award payments were realized or paid in 2014.

D. PENSION PLAN BENEFITS

The following table sets forth the details of the defined benefit pension (“DB”) plans for following NEOs.

Name	Number of years credited service (#)	Annual benefits payable ($)		Opening present value of DB obligation ($)	Compensatory change ($)	Non-compensatory change ($)	Closing present value of DB obligation ($)
		At year end	At age 65				
John C. Walker(1)	31.66	104,436	115,445	1,173,672	38,281	271,691	1,483,644
Douglas L. Stout(2)	0.42	2,000	2,000	25,000	-	4,000	29,000

Notes:

1. Amounts reflect value as at December 31, 2014 in recognition of Mr. Walker’s continued service with Fortis Inc.
2. Mr. Stout ceased to accrue further service under the FHI Plan and the FHI SRP effective May 31, 2007.

The information shown in the defined benefit pension plan table above has been calculated using the valuation method and actuarial assumptions described in the pension note in the respective pension plan sponsor’s annual financial statements for 2014.

Mr. Walker participates in the Fortis Inc. Retirement Income Plan (the “DB RPP”). The DB RPP provides for an annual accrual of 1.33 per cent up to final average years maximum pensionable earnings (“YMPE”) as defined under the Canada Pension Plan and 2 per cent in excess of the final average YMPE (limited to $182,000 per year) up to the NEO’s best average earnings. The best average earnings are based on the 36 consecutive months of service during which earnings were highest. The final average YMPE is based on the final 36 months of service. The DB RPP provides a payout upon retirement based on the number of years of credited service and actual pensionable earnings and has a maximum accrual period of 35 years.

Mr. Walker also participates in the Fortis Inc. Pension Uniformity Plan (the “DB PUP”). The DB PUP provides the portion of the calculated pension that cannot be provided under the DB RPP due to limits prescribed by the *Income Tax Act*. For the purposes of the DB PUP, the recognized earnings are limited to the base earnings rate that was in effect at December 31, 1999.

Mr. Stout participates in the FEI Retirement Plan for Management and Exempt Employees (the "M&E Plan"), a non-contributory pension plan. The M&E Plan has both a defined contribution (DC) provision and a defined benefit (DB) provision. The DB and the DC component of the M&E Plan was frozen effective December 31, 2006.

Effective January 1, 2007, Mr. Stout became a member of the Pension Plan for Employees of FHI (the “FHI Plan”) – a contributory defined benefit plan. The FHI Plan provides a pension benefit equal to 2 per cent of final average earnings (limited to $250,000 per year), integrated with the Canada Pension Plan. Members can retire with an unreduced pension at age 60 or when age plus continuous service equal 90 years. Pension benefits are otherwise reduced by 3 per cent per year. Members are required to contribute 50 per cent of the total required contributions to the FHI Plan.

The following table sets forth the details of the defined contribution amounts and supplemental employee retirement plan for the respective NEOs.

Name	Accumulated value at start of year ($)	Compensatory ($)	Accumulated value at year end ($)(2)
Michael A. Mulcahy	420,528	45,852	485,752
Michele I. Leeners	213,639	32,930	254,407
Doyle Sam	232,147	40,730	281,485
Douglas L. Stout	487,000	38,000	571,000
Roger A. Dall'Antonia	151,353	33,653	190,830
John C. Walker(1)	1,294,514	104,145	1,470,564

Notes:
1. Amounts reflect value as at December 31, 2014 in recognition of Mr. Walker’s continued service with Fortis Inc.
2. Includes non-compensatory amount, including regular investment earnings on contributions, which are not included as a separate column in the table above.

Each of Mr. Mulcahy, Ms. Leeners, Mr. Sam, Mr. Stout and Mr. Dall’Antonia participate in an RRSP which requires the NEO to contribute to a self-directed RRSP equal to 6.5% of the individual’s annual base salary which is matched by the corporation that employs them, up to the maximum contribution limit allowed by the Canada Revenue Agency. In 2014, the respective corporations that employ each of the NEOs contributed $12,135 for each of the NEO’s participating in the defined contribution retirement plan.

In addition, Mr. Mulcahy, Ms. Leeners, Mr. Sam, Mr. Stout, Mr. Dall’Antonia and Mr. Walker participate in a defined contribution supplemental employee retirement plan (the “DC SERP”). The DC SERP provides for the accrual by the respective corporations who employ each of the NEOs of an amount equal to 13 per cent of the annual base earnings of the NEO. This accrual is in excess of the allowed Canada Revenue Agency limit to a notional account which accrues interest equal to the rate of a 10-year Government of Canada Bond plus a premium of 0 per cent to 3 per cent dependent upon years of service. At the time of retirement, the notional amounts accumulated under the DC SERP may be paid to the NEO in one lump sum or in equal payments up to 15 years.

In addition, Mr. Stout also participates in the M&E Plan’s corresponding non-registered supplemental plan, the FEI Supplemental Retirement Plan (the “M&E SRP”). The M&E SRP provides the portion of the pension promise that cannot be paid from the M&E Plan because of limits imposed by the Income Tax Act. The M&E SRP was frozen effective December 31, 2006.

Lastly, Mr. Stout also participates in the FHI Plan's corresponding non-registered supplemental plan, the Supplemental Pension Plan for Employees of FHI (the "FHI SRP"). The FHI SRP is designed to provide the executives with the portion of the pension promise which cannot be paid from the FHI Plan because of limits imposed by the Income Tax Act. As the executives are members of the FHI Plan, they are automatically members of the FHI SRP.

E. TERMINATION AND CHANGE OF CONTROL BENEFITS

The discussion below sets out the terms of the employment contracts that trigger benefits arising from termination and/or change of control as of January 1, 2014 for all NEOs with the exception of Mr. Mulcahy, Ms. Leeners, Mr. Sam and Mr. Walker.

There are no contracts, agreements, plans or arrangements that provide for payments to Mr. Mulcahy, Ms. Leeners, Mr. Sam and Mr. Walker at, following or in connection with any termination. There are written employment contracts between the Corporation and Mr. Stout and between FHI and Mr. Dall'Antonia that contain similar basic provisions dealing with termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of FHI or the Corporation or a change in a NEO's responsibilities (excluding perquisites and other personal benefits if the aggregate of this compensation is less than $50,000). Hereinafter, FEI will be referred to as the "employing corporation" for Mr. Stout and FHI will be referred to as "employing corporation" for Mr. Dall'Antonia.

Executive Employment Contracts – NEOs

1. Termination Without Cause

In the event the employing corporation terminates the executive without cause the employing corporation will pay all amounts owed by the employing corporation under the specific employment agreement as of the date of termination and the following payments in lieu of notice of termination:

(a) an amount in lieu of any entitlement to short term incentive plan payment for the calendar year in which the executive is terminated equivalent to the average amount of short term incentive plan payment paid to the executive respecting the previous two calendar years prorated from the beginning of the calendar year in which the executive is terminated to the date of written notice of termination;

Executive	Amount
Douglas L. Stout	$176,250
Roger A. Dall'Antonia	$167,850

(b) an amount in lieu of any entitlement to Annual Base Salary and short term incentive plan payments equivalent to two times the executive's Annual Base Salary at the date of termination plus two times the average amount of short term incentive plan payment paid or payable to the executive under the employment agreement respecting the previous two full calendar years prior to the calendar year in which the executive is terminated;

Executive	Salary	Incentive
Douglas L. Stout	$580,000	$352,500
Roger A. Dall'Antonia	$570,000	$335,700

(c) an amount in lieu of all registered pension plan, supplemental pension plan contributions and all other benefit contributions ordinarily paid by the employing corporation for insured benefits equivalent to a per cent of the total amount paid to the executive by the employing corporation; and

Executive	Pension & Benefits	Per cent
Douglas L. Stout	$279,750	30%
Roger A. Dall'Antonia	$271,710	30%

(d) an amount in respect of outplacement counseling up to 10 per cent of the executive's Annual Base Salary to be paid directly to an outplacement counseling agency as chosen by the employing corporation.

Executive	**Amount**
Douglas L. Stout	$29,000
Roger A. Dall'Antonia	$28,500

The executive's entitlement to any long-term incentive compensation at the date of termination shall be solely determined in accordance with the terms of any long-term incentive plan and any long-term incentive agreement in force as at the date of termination of the employment agreement.

2. Termination by Executive for Good Reason

In the event the executive terminates the employment agreement and resigns as an executive for "good reason", the executive shall be entitled to payments equal to the payments for termination without cause, set out above, provided that the executive must invoke his/her right to resign for good reason within 90 days of the occurrence of any events which cause there to be good reason.

Good reason is defined as one or more of the following events, occurring without the executive's written consent:

(a) a material diminution or adverse change to the executive's position, nature of responsibilities, or authority within the FHI companies that is not contemplated by the employment agreement;

(b) a decrease in the executive's Annual Base Salary as provided in the employment agreement (or as such amounts may be increased from time to time) excluding any amounts accrued by or paid to the executive relating to incentive compensation amounts and any decrease that may occur in the value of the executive's benefits under the employing corporation's benefit plans resulting from a restructuring of any or all benefit plans at the discretion of the employing corporation;

(c) any other failure by the employing corporation to perform any material obligation under, or breach by the employing corporation of any material provision of the employment agreement;

(d) a relocation of the executive's current primary work location to a location greater than 83 kilometers from its current location; or

(e) any failure to secure the agreement of any successor entity to the employing corporation to fully assume the employing corporation's obligations under the employment agreement,

but does not include any financial transaction that may occur between Fortis, FHI or FEI respectively, the employing corporation or, as applicable, any corporation related to Fortis, FHI or FEI respectively or the employing corporation.

F. DIRECTOR COMPENSATION

Directors of FEI also serve on the respective boards of FBC and FHI, and the companies share the total board compensation costs proportionately. Directors (other than directors who are officers or employees of FEI, FHI or FBC) are paid an annual director retainer of $35,000. Meeting fees of $1,250 are paid for each Board meeting and for each committee meeting attended. In lieu of a director's retainer, the Chair of the Board receives an annual retainer of $67,500. The Chair of the Audit & Risk Committee and the Chair of the Governance Committee receive an additional annual retainer of $8,000 and $4,000 respectively. The directors were reimbursed for miscellaneous out-of-pocket expenses incurred in carrying out their duties as directors and each director that attended a group of meetings outside of their regional area of residence was paid an additional $1,000 for travel time.

The following table sets forth the aggregate amounts of individual director compensation which were proportionately paid by FEI, FHI and FBC in 2014.

Name	**Fees earned ($)**	**All other compensation[7] ($)**	**Total ($)**
Barry V. Perry	50,000	4,000	54,000
Brenda Eaton	48,750	3,000	51,750
Christopher F. Scott	46,250	4,000	50,250
David R. Podmore	48,750	2,000	50,750
H. Stanley Marshall[1]	85,000	4,000	89,000
Harold G. Calla[2]	56,750	2,000	58,750
Ida J. Goodreau[3]	52,750	4,000	56,750
Janet P. Woodruff	48,750	2,000	50,750
John C. Walker	19,451	1,000	20,451
Karl W. Smith[4]	8,201	1,000	9,201
Linda S. Petch[5]	12,500	1,000	13,500
Steven V. Lant [6]	40,549	3,000	43,549

Notes:

1. Chair of the Board to December 31, 2014.
2. Chair of the Audit & Risk Committee
3. Chair of the Governance Committee
4. Appointed to the Board of Directors November 1, 2014.
5. Director to March 31, 2014
6. Director to October 31, 2014
7. All other compensation includes $1,000 for travel time for each group of meetings attended in person outside the director's regional area of residence.