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Fortis Inc. zeroing in on small hydro sector

BY PAT DOYLE
The Telegram

Fortis Inc., a St. John's-based utility holding company, is planning to expand its focus on the small hydro sector, shareholders were told at their annual meeting Wednesday.

"In recent months we established an engineering group, at the parent company level, to further expand in this area," Stan Marshall, president and chief executive officer, told more than 200 people at the meeting.

"We anticipate doing a number of new hydro developments in the next couple of years."

Fortis is the parent company of several utility companies, including Newfoundland Power and Maritime Electric, which serves Prince Edward Island.

"Fortis has special expertise in the development and operation of small hydroelectric facilities," Marshall added.

In his report to shareholders, Marshall said since its incorporation in 1987, Fortis has grown into a diversified, international corporation with assets of \$1.6 billion.

"Our team of 2,500 employees serves more than 360,000 customers in Canada, the United States and the Caribbean."

Two significant moves

As a consequence of its continuing expansion, Fortis was very active in the financial markets in 2000, completing two significant financing arrangements, Marshall said.

"We raised \$51.8 million in additional equity through the issuance of common shares and completed our first public-debt offering of \$100 million." There are just under 15 million

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*Stan Marshall,
president and CEO, Fortis Inc.*

shares of Fortis outstanding, with a market cap in excess of \$572 million, he said.

Marshall noted earnings applicable to common shares grew to a record \$36.8 million last year, an increase of 26 per cent over 1999. On a per-share basis, earnings were \$2.72 per common share in 2000 compared to \$2.24 in 1999.

All of the Fortis companies, with the exception of Maritime Electric, had a good year, he said.

"Fortis has a strong record of earnings growth, having realized earnings increases in 11 of the past 13 years, and having doubled earnings since its inception in 1987," Marshall said.

Between 1990 and 1998, Fortis and the Gas and Electric Utilities Index outperformed the TSE 300, but in 1999 the TSE rose dramatically, driven by the high-tech sector, he said.

However, Marshall added that in recent months investors have returned to value stocks, including utilities such as Fortis.

"Our shares, which were \$30 this time last year, are now trading in the \$39 range."

Marshall said other companies in the Gas and Electric Utilities Index

have done better due to increased prices for electricity and gas in Western Canada.

"A \$100 investment made in Fortis common shares on Jan. 1, 1990 would have provided a total return of \$330 on May 1, 2001."

With regard to Maritime Electric's difficulties, Marshall said rates in P.E.I. have not been sufficient to cover costs and earn a reasonable return.

As events in other jurisdictions such as California have demonstrated, this situation is not sustainable."

More P.E.I. investment

Marshall said over the next couple of years, Maritime Electric will have to invest in new electricity generation in P.E.I.

He also said under regulations provided for in legislation passed in P.E.I. Tuesday, adjustments in electricity rates for certain financial and operating costs beyond the control of Maritime Electric will be permitted.

"We are optimistic about growth prospects for Maritime Electric."

Fortis' other utilities are also well positioned for growth, Marshall said.

He also told shareholders that in the non-electric area, the company's focus for growth has been on Fortis Properties.

"The acquisitions of real estate made late in 2000, combined with the construction of a new hotel in Halifax this year, will result in dramatic year-over-year expansion."

Marshall said, "As we move through 2001 and beyond, we will continue to pursue growth opportunities that add long-term value to shareholders."

He said Fortis will maintain its discipline and focus on the bottom line.

"We will not grow just for the sake of growing."