

energy portfolio was tied to the price of oil. The new energy mix will reduce that exposure to approximately 13 per cent.

Maritime Electric's wholly owned subsidiary, FortisUS Energy, remains positioned for further expansion in the United States with emphasis in the northeastern United States. Management believes that the declining wholesale energy prices will reduce the market prices of hydroelectric assets which should lead to further acquisition opportunities for FortisUS Energy.

## BECOL

**Earnings:** Fortis purchased a 95 per cent interest in BECOL in January 2001. BECOL's contribution to earnings was \$6.7 million in 2001.

**Energy Sales:** Energy production was 91 GWh in 2001 compared to 93 GWh in 2000. BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement.

**Revenue:** Revenue for the year was \$16.1 million.

**Expenses:** Operating expenses for 2001 were \$2.0 million. Financing costs were \$5.4 million for the year. The use of short-term debt to finance the initial acquisition has resulted in lower financing costs for the majority of 2001. In November 2001, management replaced US\$45 million of the short-term facility with 9.45 per cent long-term debt, with no recourse to Fortis Inc. The interest rate on the short-term facility prior to the issue of the long-term debt averaged 4.86 per cent.

**Outlook:** In November 2001, BECOL received preliminary environmental clearance for the Chalillo Project, an upstream storage and generation facility which is expected to increase annual energy production from an average of 80 GWh to 160 GWh. This Project is expected to commence in the second half of 2002 and will be completed by 2004. A major benefit of the Project is that it will improve the reliability of the energy supply in Belize

and will reduce the country's dependence on energy imports from Mexico and diesel-fired generation.

## Belize Electricity

Fortis holds a 67 per cent interest in Belize Electricity. The results reported below represent the Company's total operations.

**Earnings:** Earnings for 2001 increased to \$9.3 million from \$8.2 million in 2000. Earnings increased due to significant growth in energy sales offset somewhat by increases in finance and amortization costs related to the Company's ongoing capital expenditures program.

**Energy Sales:** Energy sales grew 12.2 per cent to 257 GWh in 2001 from 229 GWh in 2000. The Power III Project, a multi-year project that is being implemented in partnership with the Government of Belize, continued to provide first-time power to many rural areas in Belize. During the year, 138 miles of distribution lines were installed to connect more than 1,200 customers. Commercial and industrial energy sales increased 7.0 per cent, or 7.6 GWh, reflecting increased economic activity in Belize and a strategic effort to connect self-generating businesses such as citrus companies. Residential energy sales increased 16.0 per cent, or 16.3 GWh, over sales in 2000.

**Revenue:** Revenue for 2001 was \$72.4 million, an increase of 13.8 per cent over 2000, and was primarily the result of higher energy sales.

**Expenses:** Belize Electricity purchases the majority of its energy requirements from Comision Federal de Electricidad, the Mexican state-owned power company, and from BECOL. Purchased power expense in 2001 was \$34.8 million, a 13.7 per cent increase over purchases in 2000. The increase in purchased power expense was primarily the result of higher energy sales.

Other operating expenses were \$14.2 million, a 4.4 per cent increase over expenses in 2000. The main reason for the increase was the implementation of a Loss Reduction