



Corporate Report 2016



We're working to meet the evolving energy needs of our customers and B.C.—safely, reliably and at the lowest reasonable cost.



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Performance

Looking back at 2016

We deliver approximately 21 per cent of the total energy consumed in British Columbia, which is the most energy delivered by any utility in the province. Whether delivering electricity, natural gas or propane, our more than 2,200 employees serve approximately 1.1 million customers in 135 communities.

FortisBC owns and operates approximately 48,700 kilometres of natural gas transmission and distribution pipelines and approximately 7,200 kilometres of electric transmission and distribution power lines. Our energy infrastructure assets also include B.C.'s largest underground natural gas storage facility, two liquefied natural gas (LNG) storage facilities, and four hydroelectric generating plants.

FortisBC Inc. and FortisBC Energy Inc. do business as FortisBC. We are indirectly wholly owned by our parent company, Fortis Inc., a leader in the North American electric and gas utility business. Through its subsidiaries, Fortis Inc. serves more than 3 million natural gas and electricity customers.

Performance

FortisBC Energy Inc. Natural gas & piped propane	2015	2016
Peak day demand (TJ)	1,074	1,334
Gas volumes (PJ)	186	197
Customer satisfaction index	8.6	8.8

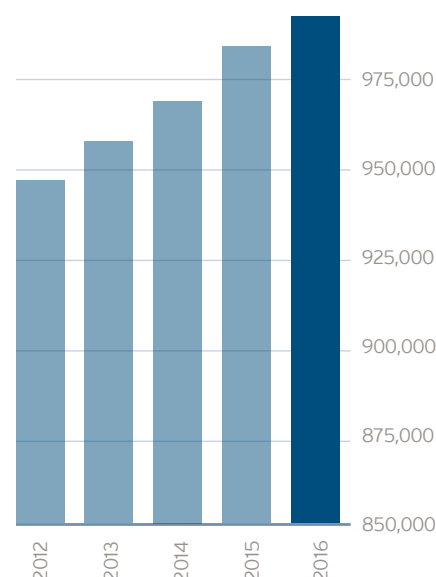
FortisBC Inc. Electricity	2015	2016
Generating capacity (MW)	225	225
Peak demand each year (MW)	624	712
Energy		
Walden (GWh)	37	2
Regulated (GWh)	3,116	3,119
Customer satisfaction index	8.1	8.2

Financial highlights (in millions of dollars)

FortisBC Energy Inc. Natural gas & piped propane	2015	2016
Net earnings	\$151	\$171
Revenues	\$1,353	\$1,151
Operating expenses	\$292	\$295
Capital expenditures ¹	\$460	\$333

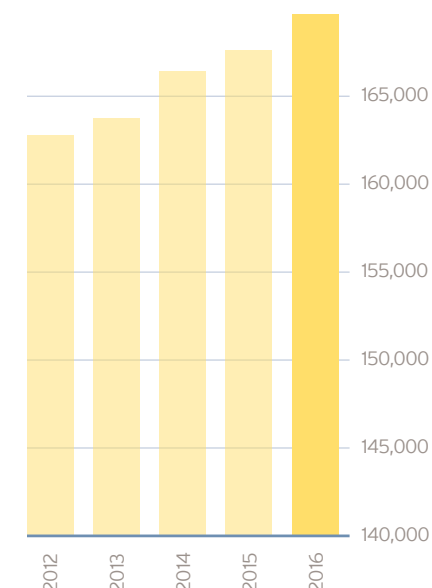
¹Capital expenditures before contributions in aid of construction and including cost of removal.

FortisBC gas customers^{2,3} (Approximately 994,000 in 2016)



FortisBC Inc. Electricity	2015	2016
Net earnings	\$46	\$49
Revenues	\$346	\$360
Operating expenses	\$80	\$79
Capital expenditures ¹	\$104	\$74

FortisBC electricity customers⁴ (Approximately 169,600 in 2016)



²Includes piped propane customers. ³With the implementation of the Customer Care Enhancement Project on January 1, 2012, the definition of customer changed, thereby reducing gas customers by approximately 18,000 customers effective January 1, 2012. All comparative periods have been restated to reflect this change. ⁴Includes direct and indirect customers.

Area of operations

Yukon

Northwest
Territories

- Natural gas service area
- Electric service area
- Combined natural gas & electric service area
- Propane service area
- FortisBC pipeline
- Spectra Energy pipeline
- FortisBC electric transmission lines

British
Columbia

Alberta

PACIFIC OCEAN

United States

A message from the President and CEO



Michael Mulcahy

With the hard work, dedication and commitment of our employees, 2016 was another successful and safe year for FortisBC. Our business continued to show strong financial results over those of 2015. FortisBC's electric division reported a net income of \$49 million and the natural gas division reported a net income of \$171 million. Capital spending totalled \$333 million for gas operations and \$74 million for electric operations.

In 2016, we maintained a strong emphasis on public safety while continuing efforts to improve our internal safety culture. We conducted our second annual employee safety survey, where results showed that the launch of our employee safety initiative increased the overall level of

employee safety awareness and moved us further toward an interdependent working environment and zero preventable incidents.

We constantly strive to maintain a high level of service for our customers. Last year, FortisBC was proud to accept a Surrey Innovation Award from the Surrey Board of Trade for our Renewable Natural Gas program. The award recognizes companies for new and improved technologies and services for Surrey residents. FortisBC was also recognized with a second-place E Source Utility Ad Award in the Best Social Media Ad category for our 2015 social media contest *What keeps you warm?* that encouraged customers to save energy. We also accepted the 2016 Rix Award for Engaged Corporate Citizenship from the Greater Vancouver Board of Trade, reflecting the dedication of our employees to the communities in which they live and work.

In 2016, the provincial government approved amendments to the Greenhouse Gas Reduction Regulation (GGRR) that increases our allowed investment by \$67 million in incentives to support the use of natural gas in markets such as mine haul trucks, asphalt paving, marine and rail. This increase is in addition to the previous total of \$104.5 million allocated for incentives and stations in the GGRR. The amendments confirmed the B.C. government's support for expanding the use of natural gas in the transportation and regional LNG sectors.

For years, FortisBC has been active in assisting customers with optimizing their energy use and reducing their environmental footprint. Both natural gas and electricity customers benefit from energy-saving rebates that result in smaller bills while ensuring the continual improvement of efficient energy technology in their homes and businesses.

We also provide locally produced, Renewable Natural Gas to more than 7,000 customers, and natural gas for transportation incentives have resulted in almost 1,300 natural gas vehicles operating in B.C. However, the Zero Emissions Building Plan introduced by the City of Vancouver in 2016 would effectively remove energy choice for 107,000 Vancouver natural gas customers, including 100 schools and three major hospitals. We believe customers should be able to choose the energy solutions that work for them. The right way forward is through continual innovation to reduce emissions, cost-effective energy delivery, and incentives that result in improved efficiency standards.

In 2016, FortisBC received approval of our 2015 application to the BC Utilities Commission (BCUC) for changes to the system extension policies for our natural gas division. This means that it will now be more affordable for new customers to connect to the system. This allows for more efficient use of the system for all gas customers.

This past August the BCUC reaffirmed that our natural gas division, Fortis Energy Inc.'s, return on equity (ROE) and common equity component in capital structure will remain unchanged. The BCUC also determined that the natural gas utility will remain the benchmark utility for cost of capital determination. Accordingly, the

allowed ROE and common equity ratio approved in this decision will serve as the benchmark cost of capital for similar utilities in British Columbia to set rates. This positive decision ensured there was no impact to FortisBC's rates and earnings and provides long-term stability to the company.

We made significant headway with many of our major projects in 2016. The company broke ground on a 30,000-square-foot Kootenay Operations Centre outside of Castlegar. Developed to replace aging facilities, the new building and warehouse space will bring our employees closer to our customers. It is set to open its doors in 2017.

The \$170 million Coastal Transmission System project, which involves the installation of approximately 11 kilometres of new 36- and 42-inch natural gas pipeline from Surrey to Coquitlam, is progressing on schedule. Construction began this past February. Our project team continues to consult with impacted property owners, Aboriginal communities, businesses and stakeholders. The pre-construction fieldwork and awareness program has kicked off with project signage and awareness messages promoted through the media.

The \$255 million Lower Mainland System Upgrades, which includes the installation of approximately 20 kilometres of new 30-inch natural gas pipeline from Coquitlam to Vancouver, is currently on track with detailed engineering plans. There are multiple and ongoing external stakeholder consultations with regard to construction impacts as a result of the project. A limited scope of construction began in February, with the remaining construction to begin in early 2018.

The first of BC Ferries' new dual-fuel LNG Salish-class vessels, the *Salish Orca*, will enter service on the Comox-Powell River route in 2017. FortisBC will provide this vessel and two others with up to 300,000 gigajoules of liquefied natural gas per year for the next 10 years.



Image courtesy of BC Ferries

In addition to FortisBC securing environmental approval from the provincial government for the Eagle Mountain-Woodfibre Gas Pipeline Project, Woodfibre LNG Limited also announced that they have secured approval to move forward with their LNG export facility. We will continue to work on the design and permitting of the pipeline to serve Woodfibre LNG's facility.

To ensure growing demand for LNG as a transportation fuel is met, construction continued on the expansion of our Tilbury LNG facility in Delta. Customers like BC Ferries and Seaspan became the province's first adopters of LNG as a marine fuel, with both companies taking delivery of their first LNG ferries.

Reflecting our confidence in B.C.'s natural gas industry, Fortis Inc., through its subsidiary FortisBC Midstream Inc., completed the acquisition of the Aitken Creek gas storage facility, located 120 kilometres northeast of Fort St. John, from Chevron Canada Properties Limited. The acquisition of this critical piece of infrastructure also allowed FortisBC to successfully integrate Aitken Creek's broader commercial business into the company as a whole.

In October, our parent company took a major step in the marketplace when common shares of Fortis Inc. began trading on the New York Stock Exchange under the symbol FTS. Fortis Inc. retains its listing on the Toronto Stock Exchange.

Our employees are dedicated to providing value to our customers and the communities in which they live and work through community giving initiatives. In 2016, a year after the Rock Creek fires, a team of employees participated in rebuilding a home with Habitat for Humanity.

Other community events included planting trees with Evergreen in Vancouver and preparing the Hudson's Bay Wetlands nature park in Prince George for hiking season.

On behalf of FortisBC, I would like to congratulate David Podmore, the Chair of the FortisBC Board of Directors, for receiving the 2016 Rix Award for Engaged Community Citizenship from the Greater Vancouver Board of Trade. I would also like to welcome Diane Roy, vice president of regulatory affairs, to FortisBC's executive leadership team.

The teams across every part of our company have been focused on our business priorities and contributing to organizational values, and I thank them for their dedication. Their contributions have been well received and are greatly appreciated.



Michael Mulcahy
President and CEO
FortisBC

Customer service



Dennis Swanson, FortisBC Vice President, Energy Supply, attends a groundbreaking ceremony of our new Kootenay Operations Centre with many community leaders. Among them: Chief Keith Crow, Lower Similkameen Indian Band; Jared Basil, Councillor, Lower Kootenay Band; Daniel Joe, Councillor, Splitsin First Nation; Mayor Lawrence Chernoff, City of Castlegar; Rick Smith, Area J Director, Regional District of Central Kootenay; and MLA Katrine Conroy, Kootenay-West.

Moving is easier online

Customers are happier when they have choices for interacting with us, which is why we expanded our self-service options. We introduced an online form on fortisbc.com for moving service. By year's end, 28,197 account moves were completed using this form, which in turn, helped reduce costs and provided our customers with a new way to move or create an account.

We also made it simpler for customers to request a natural gas service line using a new online tool. Customers can check if natural gas is available at their address and get an installation cost estimate. Then they can request and schedule the installation online. Customers can also create an online profile to track the status of their service request.

Today, more British Columbians can take advantage of the low cost of natural gas following a decision by the BC Utilities Commission (BCUC) that made it easier and more affordable for customers to connect to our natural gas system.

Electricity outage map

When power goes out, our electricity customers want to know when power will be restored. Now that more than 129,000 advanced meters have been installed in our electricity service area, we have implemented a new outage communication system that answers that question. Customers can access up-to-date, accurate outage information in a map format and find timely information about restoration times. In fact, we are in the final stages of testing the new system and expect it to launch in 2017—giving customers greater peace of mind.



FortisBC Crew Leader John Guzzo and Distribution Mechanic Daniel Golding connect a customer's home to our natural gas delivery system in Metro Vancouver.

Paperless billing on the rise

We have offered a paperless billing option to our customers since 2012. This year, we saw a 21 per cent jump in customers subscribing to this service, bringing the total number to 338,287 or approximately 30 per cent of customers. This reduces costs for all customers and is environmentally friendly.

Connecting by blog

Understanding our customers want choices in the way they connect with us, we launched our first blog, *We've Got Energy!* It allows us to communicate with the public by providing timely, relevant content in an engaging storytelling fashion. And in 2016, we saw a steady increase in our followers on Twitter (26 per cent), Instagram (300 per cent) and LinkedIn (31 per cent) as social media continues to grow.

Notable numbers

Natural gas and electricity customers who signed up for Account Online:

354,689

Customers who have chosen paperless billing:

338,287

Safety



Chris Wilcock, a FortisBC Laboratory Technologist, tests the addition of mercaptan to natural gas in our lab. The pungent additive helps in the detection of potential leaks.



For personal safety and wellness, FortisBC employees stretch before a full day of work begins, including Operations Manager Ryan Teesdale (left foreground) and Customer Service Technician Clinton Carey (centre).

Safety in everything we do

Safety—for employees and the public—is at the forefront of everything we do at FortisBC. In 2016, we aligned internal safety metrics to ensure employees are safe whether working in an office or outside on field infrastructure. In addition, 22 joint health and safety committees, made up of 260 employees from across our company, worked together to ensure workplace safety.

Compared to 2015, we have seen significant improvement in our overall safety performance and culture across our operations. To further support and increase the level of safety awareness, we launched a new program that will help create an environment where all employees work to prevent incidents. Together, we continue to strive for a target of zero injuries and accidents.

Focus on public safety

As a leading energy provider, it's important for us to raise awareness among customers and the general public about staying safe around natural gas and electricity.

This year, our safety awareness campaign educated the public and customers about what to do if they smell natural gas and that we add trace amounts of a pungent chemical called mercaptan to a naturally odourless product. We do this because we want customers to smell if there's a leak so they can go outside and call us or 911 immediately.

To further promote safety education for all, we developed three videos with important safety messages, including flood safety, blocked sewer line safety and earthquake safety. The videos are available on our website and YouTube.

Planning, prep and practice

Conducting emergency preparedness exercises is integral to our ongoing commitment to customer, employee and public safety. From planning and preparation to repeated practice, we regularly train our employees across all our operations and locations.

In 2016, we conducted nine tabletop and five full-scale emergency exercises. Another six exercises were practised with various first responders such as fire, police and local governments. One of these included our participation in an exercise organized and facilitated by the B.C. government and the District of Elkford.

Employees also joined 800,000 others across B.C. in the annual Great British Columbia ShakeOut earthquake drill, practising how to drop, cover and hold on.

Working safely near us

In conjunction with BC One Call, our 2016 *Call Before You Dig* campaign reminded people about the importance of following safe digging practices. We outlined the steps to take to prevent unsafe contact with underground utilities. Although the number of contacts to our natural gas infrastructure increased slightly, overall, the awareness campaign helped increase BC One Call requests by more than 6 per cent over 2015.

"As a new member, I'm very impressed with the joint health and safety committee members' commitment to safety. I am proud to be a part of such a dynamic group of people working toward the common goal of keeping our colleagues safe."

Andrea MacKenzie, Contract Specialist and Joint Health and Safety committee member, FortisBC

Notable numbers

BC One Call requests in 2016:

129,645

Students who participated in the *Energy is Awesome* educational presentation:

2,995

Decrease in third-party damage to our pipelines between 2007 and 2016:

730

Employees



Congratulations! More than 250 employees celebrated FortisBC service milestones, including Della Bond, a Key Account Manager, with 20 years of service.

Living our values

Our employees are the backbone of FortisBC, adapting to our customers' energy needs and the changing landscape of B.C.'s energy sector.

Respecting our employees' insight, we updated our corporate values to meet such changes head on. Our values now take a renewed approach to reflect who we are as an organization, our business goals and the ever-evolving environment in which we work. Our employees live these values in their day-to-day work, supporting their ability to deliver on our business priorities.

FortisBC corporate values:

- **Safe**
We put safety first.
- **Customer centric**
We value the customers' business.
- **Collaborative**
We work as one company, one team with shared success.
- **Respectful**
We are respectful, honest and ethical.
- **Progressive**
We seek better ways.

Caring for our Communities

Our employees give back to the communities in which they live and work, and we are proud to support their efforts. Employees championed numerous fundraising and volunteer



Forty-six students visited our Kelowna and Surrey locations on Take Your Kids to Work Day. This program supports Grade 9 students in learning about careers and allows FortisBC to help shape the emerging leaders of tomorrow.

initiatives across our province. For instance, employees in Kelowna participated in the *Bats for a Cause* baseball tournament in support of BC Children's Hospital Foundation and raised \$10,800. Through our FortisBC community giving program, we happily contributed \$51,900 to 140 charities on behalf of our generous employees.

Additionally, our employee-run Warm Hearts Charitable Foundation raised and reinvested almost \$57,000—collected through grassroots fundraising efforts—into numerous local organizations. The foundation has given back since 1994, making many communities stronger along the way.

Empowering our people

We invest in our employees through skills training, career development and new job opportunities. Fifty-seven per cent of nearly 600 posted job positions were filled internally. Another 211 employees were promoted or moved laterally within the company and 38 jobs were filled through co-op hiring.

Empowering our people is how we remain strong as a company and continue to provide the service our customers deserve.

Energizing our safety culture

When it comes to our safety culture, we rely on employees for an important pulse check. Engagement in our annual employee safety perception survey was at an all-time high, with an 81 per cent participation rate. These results showed noticeable improvements on key issues and provided us further opportunity to learn and improve upon our culture.

Our first employee-based *First Move Forward* committee kicked off its awareness campaign to educate employees on the four-part action plan to reduce and eliminate backup incidents. More than 43 educational road shows took place across our gas and electric operations. The overall employee feedback and engagement has been encouraging.

Notable numbers

Employees who collaborated on our corporate values action plan:

200

Money raised by employees and reinvested into the community on their behalf:

\$108,000

Employee participation rate in safety perception survey:

81%

Reliability and innovation



Mark Warren, FortisBC Director, Customer Service Technology and Systems, and Alf Soros, Fleet Services Manager, City of Kelowna, celebrate the opening of two electric vehicle charging stations. This collaboration had the City provide the location and FortisBC purchase, install and maintain the units.

Committed to reliable service

We constantly look for opportunities to collaborate with other service agencies to manage costs while making system improvements.

In Kelowna, we worked with the Ministry of Transportation and Infrastructure's highway widening project to move a large stretch of overhead electrical assets underground. This upgrade will support growth and urbanization and improve safety and system reliability.

In 2016, we installed 29,637 pairs of Jomar valves across our natural gas service area, allowing us to perform meter work without disconnecting and interrupting service to customers.

This installation has improved both safety and the customer experience by eliminating the need to make appointments or have appliances relit following meter maintenance. The valves are now standard on all new services and installed as part of our regular meter exchange program.

Driving electrical innovation

In partnership with the City of Kelowna, we installed two electric vehicle charging stations in downtown Kelowna. This pilot project enhanced charging options for electric vehicles and will help us learn more about how customers are using electric vehicles in B.C.



Jon Janower, Chief Operating Officer, stands in an aisle of Choices Markets. The Vancouver-based supermarket chain joined our growing list of RNG commercial customers as a way to help meet its customers' expectations for a lower environmental impact.

Natural gas for transportation

We continued to work with customers, policy-makers and industry to offer natural gas to B.C.'s transportation fleets. In 2016, we provided incentive funding for BC Transit to switch its bus fleets in Nanaimo, Kamloops and Whistler to compressed natural gas (CNG). In Nanaimo, we also opened a CNG fuelling facility at Mid-Island Co-op to support the growing number of CNG vehicles on Vancouver Island.

FortisBC continued to support the growth of B.C.'s liquefied natural gas (LNG) market. We provided incentives to BC Ferries and Seaspun to switch a total of five marine vessels to LNG. As part of this, we are also leading the way in LNG bunkering. We developed a unique system that fuels marine vessels with LNG through an on-ship, tanker truck-to-vessel process—the first of its kind in the world.

Renewable energy

As the first utility in North America to offer Renewable Natural Gas to our customers, we work with B.C. suppliers to turn organic waste from sources such as landfill sites into biogas that is then upgraded and injected into our existing system.

In 2016, nearly 500 new customers signed up for our Renewable Natural Gas program and together consumed approximately 163,000 gigajoules of the locally made fuel, which is equivalent to avoiding 8,117 tonnes of CO₂ or removing 1,715 cars from the road.

Customers who choose this sustainable, locally produced energy also saw the premium they pay over conventional natural gas decrease thanks to a BCUC-approved rate change. This is a positive step forward for both our customers and the environment.

Notable numbers

Residential and commercial customers subscribing to Renewable Natural Gas to date:

7,400

LNG and CNG vehicles and vessels funded by our incentives to date:

1,293

"We strive to become more sustainable in every facet of our business. It was a natural fit for us to align ourselves with FortisBC and use Renewable Natural Gas, especially since it's produced locally in B.C."

Jon Janower, Chief Operating Officer, Choices Markets

Major projects



The Eagle Mountain-Woodfibre Gas Pipeline project received approval by the Environmental Assessment Agency of British Columbia. The project runs 11 kilometres west of Squamish, seen here from the Stawamus Chief.

Better facilities, better service

To meet our commitment to customer service and support long-term space requirements, we broke ground on a new Kootenay Operations Centre in Castlegar. It will replace aging facilities and bring our generation and operations employees together under one roof. This centralization will not only help achieve a variety of operational benefits, but also lead to improved customer service. As part of the planning process, we consulted community members and incorporated their feedback into the site design.

A unique building feature, a green or living wall, will take inspiration from the Kootenays' natural beauty. The self-sufficient vertical garden will promote employee wellness and help improve indoor air quality.

Meeting B.C.'s energy needs

Over the next few years, we'll be upgrading sections of our natural gas lines in Surrey, Coquitlam, Burnaby and Vancouver. This work will help maintain safe and reliable gas service for the more than 700,000 customers who depend on it to heat their homes and businesses.

To raise awareness about this upcoming work, we are engaging with Aboriginal groups, government, property owners, businesses and community stakeholders. In addition, we committed more than \$31 million in local contracts to 99 businesses in 14 communities throughout the Lower Mainland for the project.

Creating jobs for local communities

Operating safely since 1971, the Tilbury storage facility in Delta supplies LNG to a number of transportation customers and ensures a reliable supply of natural gas to heat homes and businesses on the coldest days of the year.

In 2016, we continued the \$400-million expansion of this facility to meet ever-growing demand. The project is providing significant employment and economic benefits to workers and businesses in Delta, neighbouring communities and Aboriginal groups. Approximately \$60 million has been committed to local contractor spending and more than 140 local companies, spanning 10 communities have been contracted. On site, 60 apprentices are being mentored and learning valuable trade skills, while approximately 870 local tradespeople have registered for work on the project.

Eagle Mountain-Woodfibre Gas Pipeline

Squamish Nation Chiefs and Council reached an Environmental Assessment Agreement on the Eagle Mountain-Woodfibre Gas Pipeline project. The provincial government of B.C. also issued an Environmental Assessment Certificate to FortisBC. Meanwhile, Woodfibre LNG Limited secured approval to move forward with its LNG



Samantha Ethier is learning her trade as an apprentice scaffolder on FortisBC's Tilbury LNG Expansion Project. She looks forward to earning her scaffolding journeyman ticket in the future.

processing and export facility, which will be located at the former Woodfibre pulp mill site near Squamish.

As with all major projects, we diligently communicate with the public, Aboriginal peoples and community stakeholders. A new website and interactive forum, TalkingEnergy.ca, provides yet another way of reaching out, encouraging people to learn about our projects and post questions. We have received more than 200 questions to date.

"This has been one of the most supportive learning environments I've ever experienced. The mentorship I've had has been key to my learning."

*Samantha Ethier, Apprentice Scaffolder,
Tilbury LNG Expansion project*

Notable numbers

Major project investments to date:

\$400 million

Tilbury LNG Storage Expansion

\$42 million

Lower Mainland System Upgrades

Local vendors engaged in
Lower Mainland System Upgrades:

105

Community investment



FortisBC employees and their families teamed up with Habitat for Humanity Canada to help rebuild a family's home that was lost to the Rock Creek fires in 2015.

Where we live and work

At FortisBC, we believe in strengthening the communities where we live and work. Every year, we organize a number of community giving days so employees can donate personal time to give back to local causes.

Teaming up with charitable organizations and local communities, several employee groups volunteered to care for parks that everyone enjoys. They planted trees and shrubs in Vancouver's Renfrew Park and Fruitvale's Railway Park. Another group helped clean up at the Hudson's Bay Wetlands nature park in Prince George.

Sometimes, it is not the hands-on work but investment that's needed. The North Island Wildlife Recovery Association, located in Errington, looks after ill, injured and orphaned wildlife, working to rehabilitate and release. We invested in its in-class programs for the 2016–2017 school year.

Creating opportunities together

We supported Okanagan College by investing in the building of its new natural gas lab. As part of our donation, we contributed lab equipment including state-of-the-art gas meters. We also stepped in to assist local company Kal-West Mechanical with the installation, which provided Okanagan College students with opportunities for hands-on learning.

Created by FortisBC in partnership with BC Hydro in 2010, the Residential Energy Efficiency Works (REnEW) program is delivered by community groups to train participants in

construction and energy-efficiency retrofitting. Students built an accessibility ramp and deck and replaced windows, doors, faucets and showerheads for the Bridge Youth and Family Services Society in Kelowna. Students of REenEW gain self-confidence as well as job-ready skills, while employers gain access to a pool of skilled, entry-level workers.

Investing in communities

As part of the 2016 Union of B.C. Municipalities (UBCM) convention, elected officials from across our service area nominated local non-profit organizations to receive a \$15,000 FortisBC community investment. Three projects were selected from 35 nominations. One investment helped install water-saving drip irrigation in the educational food gardens of the North Shore Neighbourhood House child care centres and Sharing Gardens.

In Trail, our investment was shared between the Trail Historical Society and the District to purchase furniture, fixtures, equipment and exhibits for a new integrated library/museum space.

"FortisBC's donation is already having a direct impact on our students. The new lab provides us with a state-of-the-art space to deliver the latest training. It's also very positive for our students to see a major employer like FortisBC investing in their education. It validates their choice to learn here and to pursue a career in the trades."

*Steve Moores, Dean of Trades and Apprenticeship,
Okanagan College*



FortisBC Director of Operations Barry Smithson (left) and students on a tour of the new natural gas lab at Okanagan College, featuring state-of-the-art lab equipment and gas meters donated by FortisBC.

For Sooke's community association and community hall we contributed to a much needed replacement of the hall's existing natural gas furnace.

We also awarded \$1,500 to additional communities through our local government association conferences. They included: the Lumby Whitevalley Community Resource Centre, New Westminster's Monarch Place Transition House, Lantzville Historical Society and Seaside Community Association, Nelson Food Cupboard Society and its District Seniors Coordinating Society.

Notable numbers

Communities that received investments:

91

Community events in which we participated:

602

Aboriginal relations



(Left to Right) Bruce Falstead, FortisBC's Manager, Aboriginal Initiatives; Chief Clem Seymour; and Jay Hope, Corporate Affairs Director of the Seabird Island Band celebrate the completion of a project on reserve lands by Stqó:ya Construction.

Working together for stronger communities

Guided by a formal Statement of Aboriginal Principles, we conduct business in a manner that respects the social, economic and cultural interests of Aboriginal Peoples. Committed to building mutually beneficial relationships, we continue to build stronger communities.

Together with the Lower Similkameen Indian Band, Osoyoos Indian Band and Ktunaxa Nation, we identified and provided energy conservation help to in-need homes. Through the Energy Conservation Assistance Program, an energy coach provided energy-saving advice and installed household measures like energy-efficient lighting, water-efficient showerheads, heat pumps, energy-efficient refrigerators and upgraded insulation.

It's important that we live by our principles, and in this case, how we support fair and equal access to employment and business opportunities for Aboriginal peoples. We worked with Stqó:ya Construction from the Seabird Island Band to install a natural gas main extension from their reserve lands to a neighbouring farm.

We also engaged Inlailawatash Limited Partnership, a local business owned by the Tsleil-Waututh Nation, for the gas line right-of-way clearing in preparation for our Surrey to Coquitlam natural gas line upgrade project. The work entailed clearing archaeologically sensitive areas in preparation for study.

"For many years, the Crown and third-party interests were busy finding ways to deny and confuse our title and rights, but those days are behind us, and I am pleased that FortisBC has taken important bold steps to recognize our communities and the importance of our voices on land and in future decision-making."

*Grand Chief Stewart Phillip, Chairman,
Okanagan Nation Alliance, July 13, 2016*

Investing in the future

We want Aboriginal businesses and communities to benefit from the economic and employment opportunities our projects provide. In 2016, we introduced a new internal resource dedicated to the recruitment, support and retention of Aboriginal employees. We also attended a number of Aboriginal career fairs and presented two student bursaries at the Okanagan Nation's annual general meeting.

In June, Squamish Nation Chiefs and Council approved an environmental assessment for the proposed Eagle Mountain-Woodfibre Gas Pipeline Project and issued an Environmental Certificate to FortisBC.

Celebrating tradition and achievement

On National Aboriginal Day we celebrated the preservation, sharing and promotion of Aboriginal culture. We participated in a number of events such as handing out more than 100 trees at the Ki-Low-Na Friendship Society's celebration in downtown Kelowna, and sponsored events held near Cranbrook in the Paq'am and Tobacco Plains communities.

Notable numbers

Aboriginal communities to which we provide service:

56

Aboriginal businesses contracted in the Lower Mainland System Upgrades project:

9

At our Surrey office, more than 100 employees participated in a cultural performance by the Nahanee family known as the Chinook SongCatchers. At the 2016 UBCM, attendees were welcomed to our reception and the traditional territories of more than 20 representatives from the Lekwungen Traditional Dancers of the Songhees Nation and the Esquimalt Dancers of Esquimalt Nation.

Recognizing Indigenous professionals and youth who demonstrate outstanding achievement, and who serve as invaluable role models for all Aboriginal Peoples, is important to FortisBC. This is why we were honoured to be a sponsor of the 2016 Indspire Awards.



Inlailawatash Limited Partnership, a local business owned by the Tsleil-Waututh Nation, was selected for the gas line right-of-way clearing in preparation for our Surrey to Coquitlam natural gas line upgrade project.

Climate action



Jerry Keulen of Seabreeze Farm in Delta is one of FortisBC's Renewable Natural Gas suppliers. His farm has an anaerobic digestion and biogas upgrading plant that produces local, sustainable, Renewable Natural Gas from manure and other organic waste. It is then injected into our natural gas system.

Natural gas key to climate leadership

In August 2016, the provincial government released its Climate Leadership Plan, a blueprint for reducing greenhouse gas emissions by up to 25 million tonnes by 2050. We were an early participant in the conversation, bringing innovative ideas to the table with an eye on advancing our key business priorities.

We want to continue to grow our business by looking for cleaner, affordable energy solutions while maintaining stable rates for our customers. In its plan, the B.C. government described the importance of natural gas in combatting climate change.

The plan presents several opportunities for FortisBC to help meet B.C.'s climate change targets, including new incentives that encourage Renewable Natural Gas for use in commercial fleets, increased support for electric vehicle charging stations, incentives to expand our energy-efficiency solutions by at least 100 per cent, and a strategy to turn waste produced from sources such as landfills into Renewable Natural Gas.

Exploring new markets

Natural gas provides a low-carbon solution in the transportation sector, which represents more than one-third of B.C.'s total greenhouse gas (GHG) emissions. The Province approved amendments to the Greenhouse Gas Reductions Regulation (GGRR) that increased FortisBC's allowed investment by \$67 million in incentives to support the use of natural gas in markets such as mine haul trucks,



More and more, heavy-duty fleets like Vedder Transport are LNG-fuelled, which means fuel cost savings for the operators and reduced greenhouse gas emissions for the province.

asphalt paving, marine, remote power generation and rail. This increase is in addition to the previous \$104.5 million allocated for incentives and stations in the GGRR. The amendments confirmed the B.C. government's support for expanding the use of natural gas in the transportation and regional LNG sectors.

Reducing emissions

LNG is having a positive impact on the environment—allowing consumers to shift away from diesel and fuel oil, which in turn reduces greenhouse gas emissions and other environmental impacts.

For example, BC Ferries estimates that the reduced carbon emissions from its three new dual-fuel ferries will be the approximate equivalent of taking 1,900 passenger vehicles off our roads annually.

Looking ahead, with new, internationally regulated emissions targets for the marine sector, we have an opportunity to play a significant role in supplying LNG to ship operators who choose to convert from higher emitting fuels. For those in the marine industry, and many other fleet operators on the ground, LNG provides a cost-effective, environmentally minded choice.

"Natural gas is a growing industry in B.C. that can secure our economy for generations to come while creating good jobs for our citizens. Natural gas is also the cleanest-burning fossil fuel, representing an opportunity to shift global economies off GHG-intensive fuels like coal and oil to reduce worldwide emissions."

British Columbia Climate Leadership Plan, August 2016

Optimizing energy use



Andrew Luke, FortisBC's Industrial Key Account Manager, and Graham Ballachey, Energy Manager, Tree Island Steel, talk boilers. The nail manufacturing facility in Richmond upgraded its boilers and reduced its natural gas use by 11,500 gigajoules.

Savings at home

Together with BC Hydro and the Province of B.C., we made it easier for homeowners to make energy improvements where it matters most—a home's building envelope. The Home Renovation Rebate Program increased incentives for building envelope upgrades and made funds available for energy coaching by a Natural Resources Canada qualified energy advisor.

Working with local home builders, the University of British Columbia and Okanagan College, we helped new engineers and tradespeople learn about sustainable building design through the Wilden Living Lab, *Home of Tomorrow*. With its advanced energy-saving features, the total energy use is expected to be approximately 53 per cent less than an average new home.

Rental units also received energy-efficiency support this year with the launch of our new Rental Apartment Efficiency Program. We spread the word about the program through LandlordBC and municipalities across the province, resulting in 286 participating buildings after just one year in market.

Helping business and industry save

In 2016, we supported businesses of all sizes in their efforts to save energy. One of our co-funded energy specialists helped Fraser Health make natural gas efficiency upgrades at two hospitals, saving an estimated 6,900 gigajoules annually.

Companies like Tree Island Steel also saved energy. Boiler upgrades at its Richmond nail manufacturing facility reduced its natural gas use by more than 11,500 gigajoules per year.

For smaller businesses, we launched the Business Direct Install Program. More than 50 Okanagan and Kootenay businesses implemented upgrades with help from local contractors.

Promoting energy conservation

Visiting more than 30 food banks across the province, one of our efforts saw close to 600 households receive our energy-saving kits. In total, we provided approximately 12,000 kits to customers in 2016, a 10 per cent increase from 2015.

A unique fundraiser also promoted energy literacy—we donated 20,000 high-efficiency LED light bulbs to scouting groups and parent advisory councils at local schools. They then sold the bulbs to raise funds for their programs. People who purchased light bulbs received useful information about more ways to save energy at home.

To show the collective impact people can make when they reduce energy use, we invited customers to sign up for the Conserver Club, an interactive newsletter. In total, close to 6,000 people—a 55 per cent increase over last year—pledged to turn down the heat.



At the annual Efficiency in Action Awards, we recognized 10 organizations that collectively saved an estimated 11,000 gigajoules of natural gas and 3,700 megawatt hours of electricity.

"We estimate the typical life of a boiler is 20 to 30 years, so although we are conscious of the initial capital spend, this is a long-term play."

Doug Gallagher, Director of Operations, Western Canada, Andrew Peller Limited (2016 Efficiency in Action Award winner)

Notable numbers

Estimated megawatt hours of electricity saved by customers through efficiency programs:

22,800

Estimated gigajoules of natural gas saved by customers through efficiency programs in 2016:

438,800

Looking ahead



Viviana Zanocco, a FortisBC Community Relations Manager, stands in front of our Tilbury LNG Storage Facility in Delta. Operating safely since 1971, the facility is undergoing an expansion with a second storage tank being constructed to meet the growing LNG needs for transportation, remote communities and B.C.'s marketplace.



Upgrading dams

We received approval from the BCUC to replace 14 spillway gates and reinforce the structures and equipment at the Corra Linn Dam in the Kootenays. In addition to power generation, the Corra Linn Dam plays a critical role in controlling the reservoir levels in Kootenay Lake, which helps protect people, habitats and communities downstream from potential floods.

These upgrades will ensure the spillway gates meet new seismic criteria and are able to remain operational, even following the occurrence of a maximum credible earthquake—the largest hypothetical earthquake for the area.

We are also awaiting a decision on our application to the BCUC to refurbish the four original generating units at the Upper Bonnington Dam. This refurbishment will bring the units to modern safety and environmental standards, keeping them operable for 20 more years.

Meeting growing LNG demands

The Tilbury LNG facility expansion in Delta will go into production in mid-2017. The equipment added as part of the expansion—a storage tank and additional liquefaction equipment—will help meet the growing LNG demands of the transportation sector, remote communities and industry in B.C.

The first of BC Ferries' new dual-fuel LNG Salish-class vessels, the *Salish Orca*, will enter service on the Comox-Powell River route in 2017. The *Salish Eagle* and the *Salish Raven* are also scheduled to arrive in 2017 and expected to serve the Southern Gulf Islands routes. FortisBC will provide these vessels with up to 300,000 gigajoules of LNG per year—the energy equivalent of 7.8 million litres of diesel fuel—for the next 10 years.

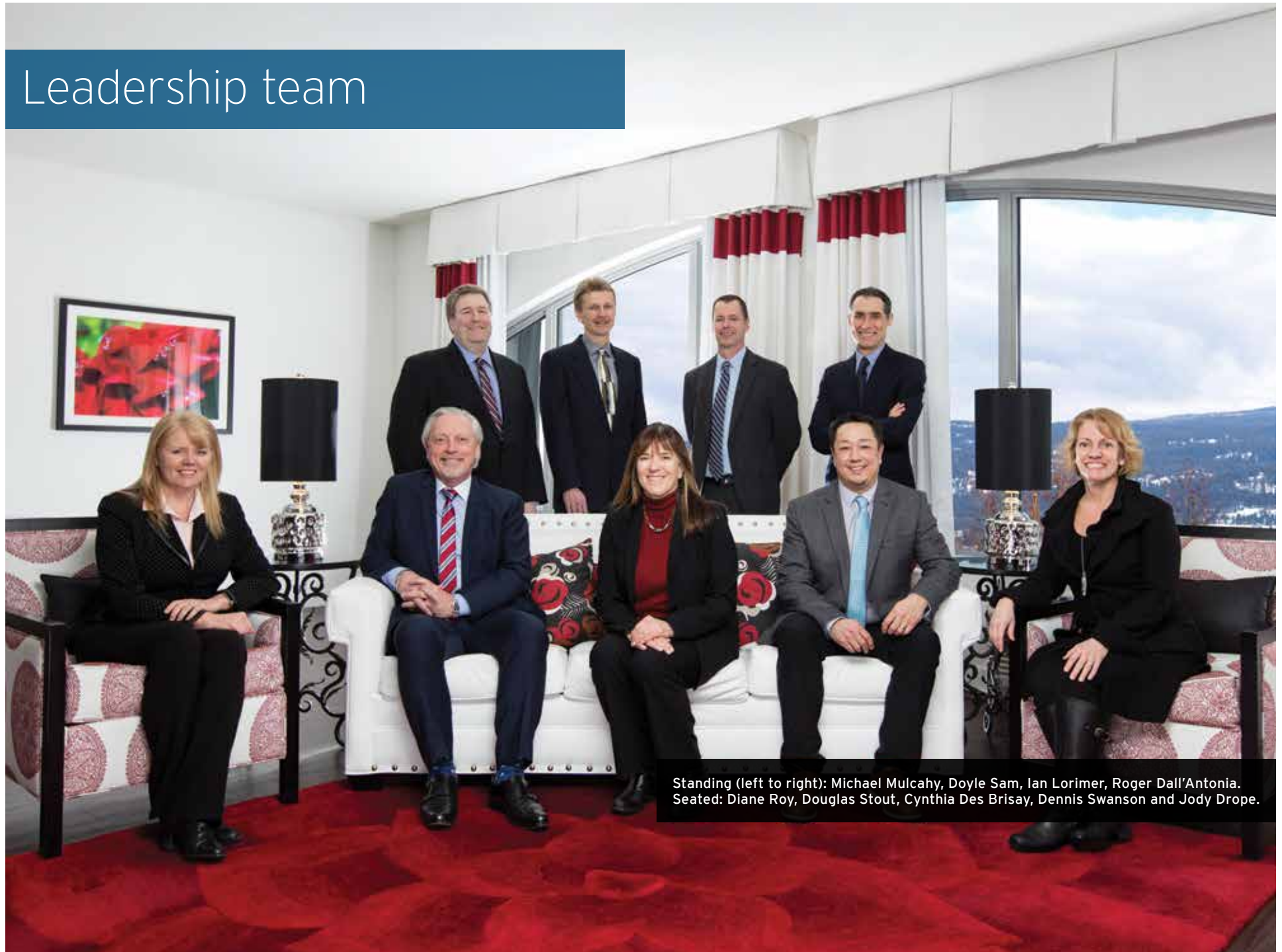
Increasing reliability

We're upgrading sections of our natural gas system to increase reliability for customers during times of peak demand—like cold winter days—or when maintenance work is required. That means if a line is impacted in one place, their gas will keep flowing to keep the heat on.

Construction work for the Surrey to Coquitlam upgrades will begin in February 2017 and will continue to the end of the year. Upgrade construction on the Vancouver, Burnaby and Coquitlam gas lines will begin in 2018, with completion expected by 2019.

Building upon the progress we made in 2016 in the areas of infrastructure, safety, climate action and more, we have a strong foundation to meet the evolving demands of our customers.

Leadership team



Standing (left to right): Michael Mulcahy, Doyle Sam, Ian Lorimer, Roger Dall'Antonia.
Seated: Diane Roy, Douglas Stout, Cynthia Des Brisay, Dennis Swanson and Jody Drope.

Roger Dall'Antonia

Executive Vice President, Customer Service & Technology

Mr. Dall'Antonia holds over 20 years of experience in the energy industry, specializing in corporate finance and development, treasury and regulatory affairs. Past senior financial roles include positions with Westcoast Energy and Versacold Income Fund.

Cynthia Des Brisay

Vice President, Midstream Services & Resource Development

Ms. Des Brisay has spent her entire career in the energy industry. Prior to joining FortisBC in 1999, she held engineering and commercial roles in the oil and gas industry and in independent power generation development in Canada and New Zealand. She currently serves on the Executive Committee and Board of Directors of the Northwest Gas Association.

Jody Drope

Vice President, Human Resources and Environment, Health and Safety

Ms. Drope has spent her career working in Human Resources and occupational health and safety. Her career has included work in provincial and municipal government, health care and post-secondary education. Ms. Drope joined FortisBC in 2008. In her current role, Ms. Drope is responsible for fleet services, human resources, labour relations and talent development. In addition, Ms. Drope champions environment and safety for FortisBC.

Ian Lorimer

Vice President, Finance and Chief Financial Officer

Mr. Lorimer brings 17 years of experience in regulated utility finance roles, including Vice President, Finance and Chief Financial Officer for FortisAlberta and a Director role with FortisBC. Previously, he held finance roles including Senior Manager at Smythe Ratcliffe Chartered Accountants in Vancouver. Mr. Lorimer holds a Bachelor of Commerce degree from the University of British Columbia, is a Chartered Accountant and member of the Institutes of Chartered Accountants of Alberta and British Columbia.

Michael Mulcahy

President and CEO

Mr. Mulcahy is President and CEO of FortisBC Inc. and FortisBC Energy Inc. He began his career with the Fortis group of companies with Maritime Electric in 1993. Mr. Mulcahy sits on the board of the Canadian Electricity Association, the Executive Council of the Western Energy Institute and is Chair of the Canadian Gas Association. He also sits on the Board of Directors for UNS Energy.

Diane Roy

Vice President, Regulatory Affairs

Ms. Roy has 13 years of experience with FortisBC and its predecessor companies, holding leadership roles including Director, Regulatory Services, Manager, Regulatory Strategy and Business Analysis, Manager Financial and Regulatory Reporting. Previously, she held finance roles with the Overwaitea Food Group, Telus and Deloitte & Touche. Ms. Roy holds a Bachelor of Commerce degree from the University of British Columbia and is a Chartered Professional Accountant.

Doyle Sam

Executive Vice President, Operations and Engineering

Mr. Sam has worked in the energy industry since 1989 and for FortisBC and its predecessors since 2003. He has operated in a variety of engineering, planning, operations and senior management roles in both electric and gas utilities.

Douglas Stout

Vice President, Market Development and External Relations

Mr. Stout joined the company in 2001 as Vice President, Gas Supply and Transmission. He has also held senior executive roles with Belcorp Industries Inc. and Husky Energy Inc. He has served on the board of directors for Sultran Ltd., Pacific Coast Terminals, Hillsborough Resources, the Canadian Natural Gas Vehicle Alliance and the Northwest Gas Association. He is currently a Director of the BC LNG Alliance.

Dennis Swanson

Vice President, Energy Supply

Mr. Swanson has more than 19 years of experience with FortisBC and its predecessor companies, holding multiple leadership roles including Director, Regulatory Affairs, Manager, Corporate Reporting and Manager Budgeting and Planning. Prior to his current role, Mr. Swanson was responsible for Legal, Information Services, Internal Audit and Corporate Services as the Vice President, Corporate Services. Mr. Swanson also managed the acquisition of the City of Kelowna's electrical distribution assets in 2013.

Board of directors



Phonse Delaney

Mr. Delaney is the President and CEO of FortisAlberta. Prior to this, he held the position of Executive Vice President, Operations, Engineering and Information Technology of FortisAlberta since 2004. He has held continuously progressive positions within the Fortis Inc. group of companies since 1987. He serves on the Boards of the Canadian Electricity Association and the Western Energy Institute, and is a member of the Association of Professional Engineers and Geoscientists of Alberta. He previously served on the Board of Newfoundland Power, the Memorial University Advisory Council to the Faculty of Engineering and on the Board of Directors of the Newfoundland and Labrador Safety Council.



David G. Hutchens

Mr. Hutchens is President and CEO of Tucson Electric Power (TEP) and its parent company, UNS Energy Corporation. He has held continuously progressive positions within TEP, advancing to President in 2011, COO in 2013 and to his current role as TEP's top executive in 2014. Mr. Hutchens is a member of the Boards of FortisAlberta, Edison Electric Institute, Western Energy Institute, Southern Arizona Leadership Council, United Way of Tucson and Southern Arizona, the Tucson Conquistadores Foundation, Salpointe Catholic High School, Sun Corridor, Inc. and the University of Arizona Foundation.



Brenda Eaton

Ms. Eaton is a corporate director, serving on the Boards of Transelec, Westland Insurance, BC Safety Authority and the Core Area Wastewater Treatment Project Board. Previously she served as Deputy Minister to the Premier of BC. She has been Deputy Minister of Finance and Treasury Board; Energy; and Social Services and was CFO of a health authority.



Tracy Medve

Ms. Medve is President of KF Aerospace Group of Companies in Kelowna, BC, and has had an extensive executive career in the Canadian aviation industry. She serves on the boards of the Air Transport Association of Canada and the Canadian Association of Defense and Securities Industries, and is a member of the UBCO External Community Advisory Council, the Global Affairs Canada Aerospace Advisory Group, and the Willis Towers Watson Global Client Advisory Council. She is a current Member of the Transportation Appeal Tribunal of Canada. She has a law degree from the University of Saskatchewan and an Aviation MBA from Concordia University.



Ida J. Goodreau

Ms. Goodreau is a Corporate Director serving on the Boards of Fortis Inc., Pharmasave Drugs International, Genome BC, the Streethome Foundation and the Canada West Foundation. Previously, she held positions including Adjunct Professor, Sauder School of Business, University of British Columbia, President and CEO of LifeLabs Medical Laboratory Services, and President and CEO of the Vancouver Coastal Health Authority.



Michael A. Mulcahy

Mr. Mulcahy is President and CEO of FortisBC Inc. and FortisBC Energy Inc. He began his career with the Fortis group of companies with Maritime Electric in 1993. Mr. Mulcahy sits on the board of the Canadian Electricity Association, the Executive Council of the Western Energy Institute and is Chair of the Canadian Gas Association. He also sits on the Board of Directors for UNS Energy.



Christopher F. Scott

Mr. Scott is a Corporate Director, Consultant and the past Chief Operating Officer of Osoyoos Indian Band Development Corporation. He currently is the business advisor for the Penticton Indian Band Development Corporation. He has extensive business and community interests in the Okanagan Valley and is a past recipient of both the Exporter of the Year award in BC and the Entrepreneur of the Year award for Penticton. He currently serves as an advisor to several First Nations in BC and serves as a Director of the Lower Nicola Indian Band Development Corporation, Shxw Kwimel Cha Management Ltd. and Lower Nicola Site Services Ltd.



Barry V. Perry

Mr. Perry is the President and CEO of Fortis Inc. Prior to this, he held the position of Vice President, Finance and Chief Financial Officer of Fortis Inc. since 2004. Mr. Perry joined the Fortis organization in 2000 as Vice President, Finance and Chief Financial Officer of Newfoundland Power Inc. He serves on the Boards of Fortis utilities in British Columbia, Alberta, Arizona and New York. Mr. Perry is a member of the Institute of Chartered Accountants of Newfoundland and Labrador.



Karl W. Smith

Mr. Smith is Executive Vice President, Chief Financial Officer of Fortis Inc. He has held continuously progressive positions within the Fortis Inc. group of companies since 1999, including President and CEO of FortisAlberta and President and CEO of Newfoundland Power. Mr. Smith serves on the Board of UNS Energy. He is the Chair of the Atlantic Provinces Economic Council, past Chair of the Canadian Electricity Association and past Treasurer of the Western Energy Institute. He is a member of the Institute of Chartered Accountants of Newfoundland and Labrador.



David R. Podmore, O.B.C.

Mr. Podmore is the Chairman and CEO of Concert Properties Ltd., a national real estate enterprise he co-founded in 1989. He is Chair of the FortisBC Energy Inc. and FortisBC Inc. Boards and Past Chair of the BC Children's Hospital Foundation, the B.C. Pavilion Corporation and the British Columbia Institute of Technology Foundation. He also serves on the Board of Directors of LifeLabs Inc. and as a Fund Advisory Committee member for Balfour Pacific Capital Inc. He is a recipient of the Order of British Columbia.



Janet P. Woodruff

Ms. Woodruff (FCPA, FCA) is a Corporate Director and former executive with over 30 years of experience in the North American energy, transportation and health sectors. Ms. Woodruff serves as a Director of Keyera Corporation, Altus Group and Capstone Infrastructure Corporation. She was previously the acting CEO of the Transportation Investment Corporation.

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Energy at work



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