



**FortisBC Inc.**  
**An indirect subsidiary of Fortis Inc.**

**Annual Information Form**  
**For the Year Ended December 31, 2015**  
**dated March 10, 2016**

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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, 2015.*

## 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 2015 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; expectations regarding power output in the event that the CPA is terminated; expectations under take-or-pay contracts; 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 benefit 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 electricity demand; the ability to arrange sufficient and cost effective financing; no material adverse ratings actions by credit rating agencies; that counterparties do not default on power supply contracts; and no weather related demand loss or significant and sustained loss of precipitation over the headwaters of the Kootenay River system.

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; competitiveness and commodity price risk; power purchase and capacity sale contracts risk; weather related 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, 2015 and the other continuous disclosure materials filed from time to time on SEDAR at [www.sedar.com](http://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 meanings set forth below.

“**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;

“**BC Hydro PPA**” means the 200 MW power purchase agreement between the Corporation and BC Hydro dated May 21, 2013;

“**BCUC**” or “**Commission**” means the British Columbia Utilities Commission;

“**Board**” means the Board of Directors of FBC;

“**Brilliant Plant**” means the 149 MW hydroelectric generating plant jointly owned by CPC and CBT through the Brilliant Power Corporation;

“**Brilliant PPA**” means the 149 MW power purchase agreement between the Corporation and Brilliant Power Corporation terminating in 2056;

“**Canal Plant**” means the Kootenay Canal Plant, a hydroelectric generating plant on the Kootenay River system owned by BC Hydro;

“**CBT**” means Columbia Basin Trust;

“**COPE**” means Canadian Office and Professional Employees Union Local 378;

“**Corporation**” or “**FBC**” means FortisBC Inc.;

“**CPA**” means the second amended and restated Canal Plant Agreement dated for reference November 15, 2011 among BC Hydro, the Corporation, Teck Cominco Metals Ltd. (now known as Teck Metals Ltd.), Brilliant Power Corporation, Brilliant Expansion Corporation and Waneta Expansion Limited Partnership;

“**CPC**” means Columbia Power Corporation, a British Columbia Crown corporation;

“**DBRS**” means DBRS Limited;

“**EMS**” means environmental management system;

“**Entitlement**” means a generating facility’s fixed annual entitlement of capacity and energy under the CPA;

“**Entitlement Parties**” means, collectively, Brilliant Power Corporation, Brilliant Expansion Power Corporation, Teck Cominco Metals Ltd. (now known as Teck Metals Ltd.) and FBC;

“**FEI**” means FortisBC Energy Inc.;

“**FHI**” means FortisBC Holdings Inc.;

“**Fortis**” means Fortis Inc.;

“**FortisBC Pacific**” means FortisBC Pacific Holdings Inc.;

“**GWh**” means a gigawatt hour, which is a measure of energy that is equal to 1,000,000,000 watts used over a one-hour period;

“**IBEW**” means International Brotherhood of Electrical Workers Union, Local 213;

“**Moody’s**” means Moody’s Investors Service;

“**MW**” means a megawatt, which is a measure for power that is equal to 1,000,000 watts;

“**MWh**” means a megawatt hour, which is a measure of energy that is equal to 1,000,000 watts used over a one-hour period;

“**PBR**” means the performance based rate setting methodology for regulation of public utilities;

“**PCBs**” means polychlorinated biphenyls;

“**Powerex**” means Powerex Corp.;

“**Rate Base Assets**” means all generation, 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;

“**TSX**” means Toronto Stock Exchange;

“**UCA**” or the “**Act**” means the *Utilities Commission Act* (British Columbia), as amended;

“**Walden Power Plant**” means the 16 MW hydroelectric generating plant previously owned by FBC and its subsidiaries;

“**WECA**” means the capacity purchase agreement between Waneta Expansion Limited Partnership and FBC made as of October 1, 2010.

## **1.0 CORPORATE STRUCTURE**

### **1.1 NAME AND INCORPORATION**

FBC was incorporated as West Kootenay Power and Light Corporation, Limited pursuant to the *West Kootenay Power and Light Corporation, Limited, Act 1897* (British Columbia), as amended. The Corporation's name was changed to "West Kootenay Power Ltd." on September 1, 1988, to "UtiliCorp Networks Canada (British Columbia) Ltd." on October 22, 2001, to "Aquila Networks Canada (British Columbia) Ltd." on May 31, 2002 and to "FortisBC Inc." on June 1, 2004.

FBC's head office is located at Suite 100, 1975 Springfield Road, Kelowna, British Columbia ("BC"), V1Y 7V7 and registered office is located at 2500 – 700 West Georgia Street, Vancouver, BC, V7Y 1B3.

### **1.2 INTER-CORPORATE RELATIONSHIPS**

The Corporation is an indirect, wholly-owned subsidiary of Fortis. Fortis is a leader in the North American electric and gas utility business, serving customers across Canada, the United States and the Caribbean.

## **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 12 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 electricity to the Corporation's customer base.

### **2.2 OUTLOOK**

Anticipated capital expenditures by the Corporation for 2016, before contributions in aid of construction and including cost of removal are expected to be approximately \$80 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 INC.**

### **3.1 GENERAL**

FBC is an integrated, regulated electric utility that owns hydroelectric generating plants, high voltage transmission lines, and a large network of distribution assets, all of which are located in the southern interior of BC. The Corporation has been in continuous operation since 1897.

As at December 31, 2015 FBC served, directly and indirectly, a diverse base of approximately 167,600 customers. Customers are comprised of residential, commercial, wholesale and industrial consumers of electricity located in the cities and rural regions of the southern interior of BC. The majority of FBC's customers are located in urban centres. In 2015, the Corporation sold 3,116 GWh of electricity to its customers, 581 GWh of which was purchased by FBC's six wholesale customers. The Corporation had a peak demand of 624 MW in 2015, 122 MW lower than the historical peak demand of 746 MW.

The Corporation's regulated generation assets consist of four hydroelectric generating plants on the Kootenay River with an aggregate capacity of 225 MW and an annual gross energy entitlement of approximately 1,609 GWh. FBC meets the remainder of its customers' energy and capacity requirements through a portfolio of long-term and short-term power purchase contracts the majority of which have been accepted by the BCUC and the costs of which are flowed through to customers. The Corporation's regulated transmission and distribution assets consist of approximately 7,200 kilometres of transmission and distribution power lines and 65 substations. With the exception of BC Hydro, FBC is the only integrated, regulated electric utility

operating in BC. FBC also conducts a small amount of other activities relating primarily to the operation and management of third-party owned hydroelectric generation, transmission and distribution systems located within the FBC service area. On February 25, 2016, FBC and its subsidiaries completed the sale of the unregulated Walden Power Plant and surrounding lands to the Cayoose Creek Power Limited Partnership and the Cayoose Creek Development Corporation respectively.

FBC operates in the southern interior of BC serving approximately 131,900 direct customers in communities including Kelowna, Oliver, Osoyoos, Trail, Castlegar, Creston and Rossland. In addition, FBC indirectly serves approximately 35,700 customers through the wholesale supply of power to municipal distributors in the communities of Summerland, Penticton, Grand Forks and Nelson, as well as to BC Hydro at two points. The service territory is primarily residential but also contains key industries served by FBC including lumber, pulp and paper, mining, agriculture and manufacturing.

The following table compares 2015 and 2014 regulated electricity revenue, electricity sales, and number of customers by customer class:

	Electricity Revenue <sup>(1)</sup>				Electricity Sales <sup>(1)</sup>				Customers <sup>(3)</sup>			
	2015		2014		2015		2014		2015		2014	
	\$ millions	%	\$ millions	%	GWh	%	GWh	%	#	%	#	%
Residential Service	163.3	50.5	161.5	50.9	1,252	40.2	1,309	41.2	114,166	86.6	113,431	86.9
Commercial <sup>(2)</sup>	86.3	26.7	82.4	26.0	908	29.1	920	28.9	17,661	13.4	17,086	13.2
Wholesale	44.0	13.6	43.3	13.6	581	18.6	574	18.1	6	0.0	6	0.0
Industrial	29.8	9.2	30.1	9.5	375	12.0	377	11.9	50	0.0	49	0.0
<b>Total</b>	<b>323.4</b>	<b>100</b>	<b>317.3</b>	<b>100</b>	<b>3,116</b>	<b>100</b>	<b>3,180</b>	<b>100.0</b>	<b>131,883</b>	<b>100</b>	<b>130,572</b>	<b>100</b>

Notes:

1. Electricity revenue and electricity sales reflect regulated amounts only. Including electricity sales from the Corporation's unregulated business, total electricity sales were 3,153 GWh and 3,213 GWh for the years ended December 31, 2015 and 2014 respectively. Including electricity revenue from the Corporation's unregulated business, total electricity revenue was \$325.7 million and \$319.5 million for the years ended December 31, 2015 and 2014 respectively.
2. Commercial includes Street Light & Irrigation customers.
3. Direct customers.

### 3.2 GENERATION AND POWER SUPPLY

FBC meets the electricity supply requirements of its customers through a mix of owned-generation and short-term and long-term power purchase contracts. The Corporation owns four regulated hydroelectric generating plants with an aggregate capacity of 225 MW, which provide approximately 45 per cent of the energy and 30 per cent of the peak capacity needs of FBC. The four hydroelectric generation plants are located on the Kootenay River and contain fifteen separate generating units. Generation assets represent approximately 15 per cent of the Corporation's Rate Base Assets. Under the CPA, as described below, these generating facilities are dispatched by BC Hydro in exchange for Entitlement. However, the generating units are required to be maintained and available for dispatch. Since 1998, eleven of fifteen FBC hydroelectric generation units have been subject to a life extension and upgrade program which substantially concluded in 2011. Subsequently, one of the remaining four units underwent a major repair and mechanical life extension and was completed in March 2015.

#### (a) Canal Plant Agreement

FBC's four hydroelectric generating plants are governed by the CPA. The CPA is a multi-party agreement that enables the six separate owners of nine major hydroelectric generating plants (having a combined capacity of approximately 1,900 MW and all located in relatively close proximity to each other) to coordinate the operation and dispatch of their generating plants. The plants and their respective capacity and owners are:

<b>Plant</b>	<b>Capacity (MW)</b>	<b>Owners</b>
Canal Plant	580	BC Hydro
Waneta Dam	256	BC Hydro
Waneta Dam	237	Teck Metals Ltd.
Waneta Expansion	335	Waneta Expansion Limited Partnership (WELP)
Kootenay River System (4 plants)	225	FBC
Brilliant Dam	149	Brilliant Power Corporation
Brilliant Expansion	120	Brilliant Expansion Power Corporation

The CPA enables BC Hydro and the Entitlement Parties, through coordinated use of water flows, subject to the 1961 Columbia River Treaty between Canada and the United States, and coordinated operation of storage reservoirs and generating plants, to generate more power from their respective generating plants than they could if they operated independently. Under the CPA, BC Hydro takes into its system all power actually generated by the nine plants owned by the Entitlement Parties. In exchange for permitting BC Hydro to determine the output of these plants, the Entitlement Parties are each contractually entitled to their Entitlements, which are based on 50-year historical water flows. The Entitlement Parties receive their Entitlements irrespective of actual water flows to the Entitlement Parties' generating plants.

BC Hydro enjoys the benefits of the additional power generated through coordinated operation and optimal use of water flows. The Entitlement Parties benefit by knowing years in advance the amount of power that they will receive from their generating plants and therefore do not face hydrology variability in generation supply planning.

The Corporation, however, retains rights to its original water licenses and flows in perpetuity. Should the CPA be terminated, the output of the Corporation's Kootenay river system plants would, with the water and storage authorized under its existing licenses and on a long-term average, be approximately the same power output as the Corporation receives under the CPA. The CPA does not affect the Corporation's ownership of its physical generation assets. The Corporation continues to own and operate its four Kootenay river system generating plants, which are included in the Corporation's Rate Base Assets. The CPA continues in force until terminated by any of the parties by giving no less than five years' notice at any time on or after December 31, 2030.

#### **(b) Power Purchase Agreements**

The Corporation's electricity supply not supplied by its own generating plants is acquired through power purchase contracts consisting of the following:

- (i) the Brilliant PPA;
- (ii) the BC Hydro PPA;
- (iii) Brilliant Expansion Capacity and Energy Purchase Agreement;
- (iv) a number of small power purchase contracts with certain independent power producers;
- (v) spot market and contracted capacity purchases; and
- (vi) the WECA.

These power purchase contracts have been accepted by the BCUC and prudently incurred costs thereunder flow through to customers through electricity rates.

#### **(i) Brilliant Power Purchase Agreement**

The Brilliant Plant is a hydroelectric generating plant jointly owned by CPC and CBT through the Brilliant Power Corporation. The Brilliant Plant is allocated Entitlement energy of 985,000 MWh and capacity of 149

MW pursuant to the CPA. Under the Brilliant PPA, FBC has agreed to purchase from Brilliant Power Corporation, on a long-term basis (a) the Entitlement allocated to the Brilliant Plant and (b) after the expiration of the CPA, the actual electrical output generated by the Brilliant Plant. While the total Entitlement is 985,000 MWh, FBC does not purchase the approximately 60,000 MWh of regulated flow upgrade Entitlement under this agreement. However, FBC has entered into another agreement with CPC for this energy over a five year period as discussed below. The Brilliant PPA uses a take-or-pay contract structure which requires that FBC pay for the Brilliant Plant's Entitlement, irrespective of whether FBC actually takes it. FBC does not foresee any circumstances under which the Corporation would be required to pay for power that it does not require. During the first 30 years of the Brilliant PPA term, FBC pays to Brilliant Power Corporation an amount that covers the operation and maintenance costs of the Brilliant Plant and provides a return on capital, including original purchase costs, sustaining capital costs and any life extension investments. During the second 30 years of the Brilliant PPA term (commencing in 2026), an adjustment using a market price mechanism based on the depreciated value of the Brilliant Plant and then-prevailing operating costs will be made to the amounts payable by FBC. The Brilliant PPA provided FBC with approximately 27 per cent of its energy requirements in 2015.

***(ii) Power Purchases from BC Hydro***

FBC is a party to the BC Hydro PPA, which provides the Corporation with additional electricity for purposes of supplying its load requirements, up to a maximum demand of 200 MW. Energy bought pursuant to the BC Hydro PPA provided approximately 15 per cent of FBC's energy requirements in 2015. The current BC Hydro PPA, was approved by the BCUC in May 2014 and expires on September 30, 2033. The current agreement replaced a previous power purchase agreement with BC Hydro that had been in place since 1993.

***(iii) Brilliant Expansion Capacity and Energy Purchase Agreement***

In November 2012, FBC entered into an agreement to purchase CPC's unused Entitlements from 2013 to 2017. The Entitlements are from the Brilliant Plant and the Brilliant Expansion Plant, including the 60,000 MWh from the Brilliant Plant that is not included in the Brilliant Power Purchase Agreement. The agreement is for a total of 78,500 MWh and provided approximately 2 per cent of FBC's energy requirements in 2015.

***(iv) Small Power Purchase Contracts***

FBC has a number of small power purchase contracts with independent power producers, which collectively provided less than 1 per cent of the Corporation's energy supply requirements in 2015. The majority of these contracts have been accepted by the BCUC.

***(v) Spot Market and Contracted Capacity Purchases***

During 2015, the Corporation purchased capacity and energy from the market to meet its peak energy requirements and optimize its overall power supply portfolio. To facilitate market transactions going forward, FBC entered into the Capacity and Energy Purchase and Sale Agreement with Powerex (CEPSA), which was approved by the BCUC in April 2015. The CEPSA is a master agreement that sets the terms and conditions for future market transactions entered into by FBC with Powerex. The CEPSA became effective May 1, 2015 and expires on September 30, 2018, unless extended by a mutual agreement. Spot market and contracted purchases provided approximately 8 per cent of the Corporation's energy supply requirements in 2015.

***(vi) WECA***

The Corporation entered into the WECA to purchase capacity from the Waneta Expansion, a 335 MW hydroelectric generating facility adjacent to the existing Waneta Plant on the Pend d'Oreille River in BC. The Waneta Expansion is owned and operated by a limited partnership, the limited partners of which are FBC's ultimate parent corporation, Fortis, which owns a 51 per cent interest, and a wholly-owned subsidiary of each of CPC and CBT. The WECA allows FBC to purchase capacity over a 40 year period which commenced in April 2015. The WECA was accepted for filing as an energy supply contract by the BCUC in May 2012.

### **3.3 OPERATIONS**

#### **(a) Transmission**

FBC's transmission system is a high voltage system that operates at the 230 kV, 161 kV, 138 kV and 63 kV levels while transmitting electricity to customers directly connected to the transmission grid. The transmission system is highly integrated and operates synchronously with the BC Hydro system. It consists of approximately 1,290 kilometres of transmission lines and includes major substations throughout the service territory. FBC has 9 terminal transmission substations, the components of which include high voltage power transformers, power circuit breakers, high voltage switches, capacitor and reactor banks, protection and control systems, metering and monitoring systems, together with site infrastructures such as buildings and security systems. There are also 4 additional substations with generator step-up transformers associated with the four generating plants. Currently, transmission assets represent approximately 32 per cent of the Corporation's Rate Base Assets. The FBC transmission system is being replaced or upgraded in a number of locations.

#### **(b) Distribution**

Electricity produced at generating plants is moved across transmission lines to terminal stations and transformers and then distributed at lower voltages to customers. FBC's distribution system is comprised of 52 distribution substations and approximately 5,900 kilometres of overhead and underground distribution lines. Currently, distribution assets represent approximately 45 per cent of the Corporation's Rate Base Assets. The FBC distribution system is being upgraded in a number of locations over several years in order to renew obsolete components at or near the end of their useful life, and to accommodate load growth that has caused load on the existing system to approach design capacity.

#### **(c) Major Capital Projects**

The Corporation plans and implements programs for sustaining and enhancing its regulated generation, transmission and distribution assets. Capital projects are typically identified as being one of two types: (a) "sustaining", which are directed at adequately maintaining asset condition and modernizing equipment; and (b) "growth" or "expansive", which are primarily required to accommodate customer and load growth within the FBC service area. Developing the priorities for the transmission and distribution system involves an assessment of both asset condition and maintenance needs and system contingency analysis. The latter involves a modeling and simulation of system impacts following several possible and different system event scenarios.

### **3.4 OTHER OPERATIONS, ASSETS AND ACTIVITIES**

#### **(a) Other Operations**

FBC carries out monitoring, control and real-time management of its generation, transmission and distribution facilities through its control centre in Warfield, BC. The control centre coordinates with BC Hydro to ensure that appropriate monitoring and control of transmission equipment is maintained twenty-four hours a day.

#### **(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. Other assets represent approximately 8 per cent of the Corporation's Rate Base Assets.

#### **(c) Other Activities**

FBC's other activities are relatively small in comparison to its regulated electricity operations but provide an opportunity to leverage the utilization of FBC's utility operation, maintenance and management resources under service contracts to third parties. FBC provides certain operations, maintenance and management services relating to the 493 MW Waneta hydroelectric generation plant owned by Teck Cominco Metals Ltd. (now known as Teck Metals Ltd.), BC Hydro, and the Brilliant Plant.

FortisBC Pacific, the direct parent of the Corporation, provides services of a similar nature to third parties such as CPC and CBT. FBC provides staff and material resources to FortisBC Pacific in order for it to carry out the services required under the contracts and charges FortisBC Pacific its cost plus a mark-up as compensation.

### **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 self-insures against the risk of damage to transmission and distribution poles, wires and related equipment. FBC 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 510 employees as at December 31, 2015. The organized employees of FBC are represented by the IBEW and COPE unions. IBEW represents employees in specified occupations in the areas of generation and transmission and distribution. The term of the current collective agreement with the IBEW is February 1, 2013 to January 31, 2018.

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 January 1, 2014 to December 31, 2018. 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 electrical generation, 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. FBC owns the trademark "PowerSense", which has been used in the promotion by the Corporation of energy efficiency and energy awareness programs.

#### **(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, licences of occupation and low voltage permits. Where transmission or distribution lines extend over 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**

FBC's peak demand for electricity occurs in the winter months due to increased customer load as a result of cooler weather in the winter months, and therefore FBC normally generates higher earnings in the first quarter of the fiscal year. During 2015, the Corporation began purchasing capacity under the WECA and selling residual capacity which could result in future quarterly interim earnings that differ from historical quarterly earnings. However, future interim quarterly earnings affected by the WECA and residual capacity sales are not indicative of earnings on an annual basis as both power purchase and capacity sale contracts are recovered in customer rates.

**(g) Competition**

BC's traditional regulatory model does not support retail competition for customers, which would give customers the right to purchase electricity from suppliers other than the utility to which they are directly connected. FBC has a form of retail access for its wholesale and industrial customers supplied at transmission voltage. This retail access has not led to a loss of any of FBC's wholesale or industrial customers.

**4.0 REGULATION**

**4.1 OVERVIEW**

Public utilities in BC, such as FBC, 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 and of its investments. 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) 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 amount of electricity that will be delivered during normal weather, together with all of the other costs of providing service (including the return on rate base) that FBC forecasts to incur in the test year(s). Variances between the forecast costs and the actual costs incurred, and variances in the actual amount of electricity delivered from what has been forecast, normally result in variances in FBC's return, except for variances that are captured by deferral accounts for future recovery or refund.

From 2012 through 2013, FBC'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 1.03 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 FBC maintains service levels. It also sets out the requirements for an annual review process which will provide a forum for discussion between FBC and interested parties regarding its current performance and future activities.

When approved by the BCUC, FBC employs deferral accounts to address certain uncontrollable or non-routine items and to match costs incurred to the periods that the costs benefit. During the term of the PBR Plan, FBC has a deferral account to flow through variances in the majority of its costs and revenues, including revenue and power supply costs but 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 KEY REGULATORY INFORMATION

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

	2016 <sup>1</sup>	2015	2014	2013	2012
Rate Base Assets (\$ millions)	1,286	1,249	1,204	1,204	1,112
Deemed common equity component of total capital structure (%)	40.0	40.0	40.0	40.0	40.0
Allowed rate of return on common equity (%)	9.15	9.15	9.15	9.15	9.90

Note:

1. FBC's ROE is based on the ROE approved by the BCUC for FEI as the benchmark utility. The benchmark ROE may be subject to change as approved the BCUC.

## 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, natural resource protection, and the proper storage, transportation, waste discharges, disposal 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 natural resource and 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. FBC has an EMS in place to manage the impact 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 FBC operations and ensure compliance with applicable environmental legislation. FBC 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. Pursuant to the *Water Act* (British Columbia), water rental rates apply to the use of water for power generation. Water rental rates in BC are levied on the basis of both total station capacity and on total station generation. The Corporation is able to recover water rental costs through rates.

### **5.4 ENVIRONMENTAL EXPENDITURES**

The Corporation incurs environmental compliance and environmental management system related operating and 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 2015 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. FBC believes that the potential for spills, and resulting enforcement actions under existing environmental legislation, is reduced through the implementation of spill prevention, 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 PCBs and herbicides. The Corporation has environmental management programs in place to deal with the hazardous substances including programs to deal with PCBs and herbicides:

- (a) *PCBs* - Current management plans for PCBs focus on the identification, safe handling, transportation, storage and ultimate disposal of PCB containing equipment. As equipment becomes obsolete and is taken out of service, FBC disposes of it in an environmentally sound manner and in compliance with applicable laws. Federal PCB regulations specify deadlines for the elimination of PCB containing equipment. With the exception of pole-top transformers and their auxiliary equipment, PCB containing equipment having levels of PCBs greater than 500 ppm or those with PCB levels between 50 ppm and 500 ppm located in sensitive areas were removed from service by the end of 2009. FBC believes it is compliant with the PCB regulation. For certain substation auxiliary equipment FBC had been granted an extension to the Federal PCB regulation deadline to 2014 and had mitigated the PCB concern for the majority of this substation equipment at year end. However, the regulation was subsequently amended to extend the deadline for removal from service of such substation auxiliary equipment to December 31, 2025. All other electrical equipment with PCB levels greater than 50 ppm must be removed from service by December 31, 2025.

FBC is taking the necessary steps to meet these compliance deadlines and will recover the associated costs through rates as approved by BCUC.

- (b) *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.
- (c) *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. In addition, the Corporation has programs in place to manage the disposal of materials and products containing hazardous substances in accordance with regulatory requirements.

## **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 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 the Corporation. To mitigate this uncertainty, BC is a participant in the Western Climate Initiative ("WCI"). Some members of WCI have implemented a cap and trade program to reduce greenhouse gas emissions. However, the government of British Columbia has delayed the implementation of this regulatory initiative. If British Columbia decides to participate in the WCI cap and trade program the specific details will be defined in regulation. 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 2012, the Corporation began reporting its greenhouse gas emissions for electricity imports pursuant to the provincial greenhouse gas reporting regulation.

## **5.9 ASSET RETIREMENT OBLIGATIONS**

During 2010 the Corporation obtained sufficient information to determine an estimate of the fair value and timing of the estimated future expenditures associated with the removal of PCB contaminated oil, as previously described in Section 5.6(a), from certain of its electrical equipment. As such, the Corporation has recorded an ARO of approximately \$2.2 million as at December 31, 2015. The determination of the ARO depends upon management's best estimates relating to factors such as timing, amount and nature of future cash flows necessary to discharge the legal obligation and comply with existing legislation or regulations, as well as the use of a credit-adjusted risk-free rate for measurement purposes. There are uncertainties in estimating future asset retirement costs due to potential external events such as changing legislation or regulations and advances in remediation technologies. It is possible that volumes of contaminated assets, inflation assumptions, cost estimates to perform the work and the assumed pattern of annual cash flows may differ significantly from the Corporation's current assumptions. In addition, in order to remove certain PCB-contaminated oil, the ability to conduct maintenance outages in critical facilities may impact the timing of

expenditures. The ARO may change from period to period because of the changes in the estimation of these uncertainties.

Excluding the ARO pertaining to PCBs, the nature, amount and timing of costs associated with land and other environmental remediation and/or removal of assets, cannot be reasonably estimated due to the nature of their operation; and 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**

FBC 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. FBC incorporates safety performance measures into its employee compensation system, sets challenge levels and objectives for performance, and conducts safety and environmental audits regularly.

## **5.11 ELECTRO-MAGNETIC FIELDS**

Electric and magnetic fields exist wherever electricity is used or transmitted, including electric power facilities such as transmission and distribution lines and within every building that has electrical service. Scientists and public health experts in North America and abroad are studying the possibility that exposure to electro-magnetic fields may cause health problems. FBC understands there is no conclusive evidence of any harm caused by exposure at levels normally found in Canadian living and working environments. Electro-magnetic fields are not currently regulated by the federal or provincial governments and the Corporation is unaware of any plans to regulate electro-magnetic fields.

## **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, 2015, which is filed on SEDAR at [www.sedar.com](http://www.sedar.com), and is incorporated herein by reference.

## **7.0 CAPITAL STRUCTURE**

FBC’s business requires the Corporation to have ongoing access to capital to allow it to build and maintain the electrical systems in its service territory. In order to ensure that this access to capital is maintained and in accordance with BCUC requirements, the Corporation currently targets a long-term capital structure that includes 40 per cent equity and 60 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 for the Corporation.

### **7.1 SHARE CAPITAL**

The Corporation is authorized to issue 500,000,000 common shares with a par value of \$100 each and 500,000,000 preferred shares with a par value of \$25 each, of which 20,000 shares have been designated as Preferred Shares - Series 1, and 480,000 shares have been designated as Cumulative Redeemable Retractable Preferred Shares - Series 2. The issued and outstanding share capital of FBC as at December 31, 2015 consists of 2,191,510 common shares and no preferred shares. Fortis owns all of the issued common shares through its indirect wholly-owned subsidiary, FortisBC Pacific.

Holders of common shares of the Corporation are entitled to receive dividends as and when declared by the Board, subject to the rights of holders of the preferred shares, 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 share rateably in the remaining assets available for distribution, after payment of liabilities and subject to the rights of the holders of the preferred shares. The common shares do not have exchange, conversion, redemption or retraction rights.

Preferred shares may be issued from time to time in one or more series, each series comprising the number of shares, designation, rights and restrictions determined by the Board. Preferred 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 preferred shares or of a particular series of the preferred shares, or except as may otherwise be provided in the rights attached to any series of preferred shares, holders of the preferred 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 2015, FBC paid \$21.5 million in dividends, compared with \$28.0 million in 2014 and \$46.0 million in 2013.

Certain of the Corporation's debt covenants contain restrictions on the payment of dividends if consolidated debt exceeds 75 per cent of consolidated capitalization, if the dividends are not in the ordinary course of business or if the cumulative dividends paid since the date that certain debt instruments were issued exceeds thresholds based on the cumulative net earnings of the Corporation.

## 8.0 CREDIT RATINGS

The following table discloses the Corporation's debenture credit ratings as at December 31, 2015.

<b>Credit Ratings</b>	<b>DBRS</b>	<b>Moody's</b>
Unsecured Debentures	A (low), Stable Trend	Baa1, Stable Outlook
Secured Debentures	A (low), Stable Trend	-

In July 2015, Moody's affirmed the long term credit rating for FBC of Baa1 for Unsecured Debentures. In March 2015, DBRS affirmed the long-term credit rating for FBC of A(low) for Unsecured and Secured Debentures.

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 FBC are rated by DBRS and Moody's. FBC paid each of these agencies a maintenance fee to provide ratings during 2015 and 2014, but did not pay for or receive any other services from the agencies during those years. The ratings assigned to securities issued by FBC 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 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.

According to the Moody’s rating system, debt securities rated Baa are considered to be subject to moderate credit risk, are medium grade obligations and as such may possess certain speculative characteristics. 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.

## 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:

<b>NAME AND RESIDENCE</b>	<b>TERM AS A DIRECTOR<sup>(4)</sup></b>	<b>PRINCIPAL OCCUPATION FOR THE FIVE PRECEDING YEARS</b>
Harold G. Calla <sup>(1)</sup> British Columbia, Canada	Commencing 2010. Term expires at the next annual general meeting.	Chair of the First Nations Financial Management Board.
Brenda Eaton <sup>(1)</sup> British Columbia, Canada	Commencing 2010. Term expires at the next annual general meeting.	Corporate Director; additionally Chair, Core Area Wastewater Treatment Program Commission; prior thereto Chair, BC Housing to April 2012.
Ida J. Goodreau <sup>(2)</sup> British Columbia, Canada	Commencing 2010. Term expires at the next annual general meeting.	Corporate Director.
David G. Hutchens <sup>(1)</sup> Arizona, USA	Commencing 2015. Term expires at the next annual general meeting.	President & Chief Executive Officer of UNS Energy Corporation since May 2014; prior thereto President and Chief Operating Officer of same since August 2013; prior thereto President of same since December 2011; prior thereto Vice President of same.

NAME AND RESIDENCE	TERM AS A DIRECTOR <sup>(4)</sup>	PRINCIPAL OCCUPATION FOR THE FIVE PRECEDING YEARS
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 Energy Inc. since August 2014; prior thereto Executive Vice President, Human Resources, Customer & Corporate Services of the Corporation and additionally of FortisBC Energy Inc. since November 2011; prior thereto Executive Vice President, Customer & Corporate Services of the Corporation and additionally of FortisBC Energy Inc.
Barry V. Perry <sup>(2)</sup> Newfoundland and Labrador, Canada	Commencing 2010. Term expires at the next annual general meeting.	President & CEO of Fortis Inc. since January 2015; prior thereto President of Fortis Inc. since June 2014; prior thereto Vice President, Finance & Chief Financial Officer of Fortis Inc.
David R. Podmore <sup>(2)(3)</sup> British Columbia, Canada	Commencing 2010. Term expires at the next annual general meeting.	Chairman & CEO of Concert Properties Ltd.
Christopher F. Scott <sup>(2)</sup> 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 <sup>(1)</sup> Newfoundland and Labrador, Canada	Commencing 2014. Term expires at the next annual general meeting.	Executive Vice President & Chief Financial Officer of Fortis Inc. since June 2014; prior thereto President & CEO of FortisAlberta Inc.
Janet P. Woodruff <sup>(1)</sup> British Columbia, Canada	Commencing 2013. Term expires at the next annual general meeting.	Corporate Director and additionally Consultant since July 2011; prior thereto Vice President & Special Advisor of BC Hydro.

## Notes:

1. Member of the Audit and Risk Committee.
2. Member of the Governance Committee.
3. Chair of the Board.
4. The Articles of the Corporation provide that if the 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:

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

<b>NAME AND RESIDENCE</b>	<b>OFFICE HELD</b>	<b>PRINCIPAL OCCUPATION FOR THE FIVE PRECEDING YEARS</b>
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 Energy Inc. since November 2014; prior thereto Chief Human Resources Officer of the Corporation and additionally of FortisBC Energy Inc.
Ian G. Lorimer British Columbia, Canada	Vice President, Finance & CFO	Vice President, Finance & CFO of the Corporation and additionally of FortisBC Energy Inc. since June 2015; prior thereto Vice President, Finance & CFO of FortisAlberta 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 Energy Inc. since August 2014; prior thereto Vice President, Energy Solutions & External Relations of the Corporation and additionally of FortisBC Energy Inc.
Dennis A. Swanson British Columbia, Canada	Vice President, Corporate Services	Vice President, Corporate Services of the Corporation and additionally of FortisBC Energy Inc., since November 2014; prior thereto Director, Regulatory Affairs of the Corporation and additionally of FortisBC Energy Inc.
Monic D. Pratch British Columbia, Canada	Corporate Secretary	Chief Privacy Officer, Corporate Secretary & Counsel of the Corporation and additionally of FortisBC Energy Inc. since November 2014; prior thereto Chief Privacy Officer & Counsel of the Corporation and additionally of FortisBC Energy Inc.
Debra G. Nelson British Columbia, Canada	Assistant Corporate Secretary	Assistant Corporate Secretary of the Corporation; and additionally Assistant Corporate Secretary and Manager, Corporate Compliance and Secretariat of FortisBC Energy 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 – Share Based Awards" 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 at 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, 2015, which is filed on SEDAR at [www.sedar.com](http://www.sedar.com), and is incorporated herein by reference.

### 15.0 MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business and not required by applicable securities laws to be filed with a Canadian securities regulatory authority or those that were entered into before January 1, 2002, which have been entered into by the Corporation within the Corporation's most recently completed financial year, or before the most recently completed financial year but is still in effect:

- the trust indenture dated as of November 30, 2004 between the Corporation and Computershare Trust Corporation of Canada, as Trustee, as supplemented and amended from time to time;
- the CPA (see "The Business of FortisBC Inc. – Generation and Power Supply"); and
- the trust indenture dated as of May 27, 2009 between the Corporation and Computershare Trust Corporation of Canada, as Trustee, as supplemented and amended from time to time.

Copies of the above noted agreements are contained on SEDAR at [www.sedar.com](http://www.sedar.com).

### 16.0 LEGAL PROCEEDINGS

The Province of BC filed a claim in the BC Supreme Court on June 8, 2012 claiming on its behalf, and on behalf of approximately 17 homeowners, damages suffered as a result of a landslide caused by a dam failure in Oliver, BC in 2010. The Province alleges in its claim that the dam failure was caused by the defendants, including FBC, through the use of a road on top of the dam. The Province estimates its damages and the damages of the homeowners on whose behalf it is claiming, to be approximately \$15 million. FBC has not been served, however has retained counsel and has notified its insurers. The outcome cannot be reasonably determined or estimated at this time and, accordingly, no amount has been accrued in the financial statements.

### 17.0 TRANSFER AGENTS AND REGISTRARS

Computershare Trust Corporation of Canada is the registrar and transfer agent and trustee for the

Corporation's debentures. Transfers of these securities may be effected at Computershare Trust Corporation of Canada's offices in the city of Vancouver, BC.

#### **18.0 INTEREST OF EXPERTS**

Ernst & Young LLP, Chartered Accountants is the auditor of the Corporation and was appointed effective as at March 31, 2005 and each year thereafter. Ernst & Young LLP, has prepared the audit report attached to the audited consolidated financial statements for the Corporation's financial year ended December 31, 2015. 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, 2015, 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](http://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, short term incentives and grants under the 2015 Performance Share Unit (“PSU”) Plan and the 2015 Restricted Share Unit (“RSU”) Plan 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 and contribution to increasing shareholder value. 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 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;
- an annual incentive plan that provides the opportunity to each to earn a cash bonus;
- share-based awards that provide the opportunity to earn cash at the end of a three-year period (RSU Plan);
- share-based awards that provide the opportunity to earn cash based on performance metrics at the end of a three-year period (PSU Plan);
- option-based awards to purchase Common Shares of Fortis; 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.

Total annual compensation for the executive officers involves a significant proportion that is at risk due to the use of short-term and long-term incentive components. For 2015, approximately 60% of the President & Chief Executive Officer's total annual compensation was designed to be at risk. Approximately 50% of other executive officers' total annual compensation was designed to be at risk. Total annual compensation includes both the cash compensation paid to the executive officers in the year and the estimated compensation for the medium-term and long-term incentive components. The estimated value of the option-based long-term incentive component is determined using the Black-Scholes pricing model at the date of grant of options.

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 FBC.

The members of the Governance Committee are Ida J. Goodreau, Barry V. Perry, David R. Podmore, and Christopher F. Scott. These directors are independent directors with the exception of Barry V. Perry, President & CEO 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**

FBC 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 is undertaken. 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

FBC does not measure performance against a particular reference group. However, as a general policy, FBC 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.

### 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 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 long-term incentive components.

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:

<b>Compensation Element (<i>Eligibility</i>)</b>	<b>Description</b>	<b>Compensation Objectives</b>
<b>Annual Base Salary and Annual Incentive</b>		
Annual Base Salary ( <i>all NEOs</i> )	Salary is a market-competitive, fixed level of compensation.	Attract and retain highly qualified executives.  Motivate strong business performance.
Annual Incentive ( <i>all NEOs</i> )	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.

<b>Mid-term Equity Based Incentive</b>		
Share-Based Awards (PSUs) <i>(all NEOs)</i>	<p>Incentive is based on Fortis' performance over a three-year period against predetermined measures.</p> <p>The amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average price of Fortis' common shares for the five trading days immediately preceding the date of grant. The grant date is January 1st of each year.</p> <p>Cash payout upon completion of the three-year performance period, depending on Fortis' performance.</p>	<p>Align executive and shareholder interests.</p> <p>Attract and retain highly qualified executives.</p> <p>Encourage strong long-term business performance.</p> <p>Balance compensation for short and long-term strategic results.</p> <p>Compensation dependent on corporate performance.</p> <p>Encourages sustained long-term growth by linking a portion of compensation to long-term performance.</p> <p>Simple to communicate and administer.</p>
Share Based Awards (RSUs) <i>(all NEOs)</i>	<p>The amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average price of Fortis' common shares for the five trading days immediately preceding the date of grant. The grant date is January 1st of each year.</p> <p>Cash payout upon completion of the three-year period.</p>	<p>Align executive and shareholder interests.</p> <p>Attract and retain highly qualified executives.</p> <p>Balance compensation for short and long-term strategic results.</p> <p>Simple to communicate and administer.</p>
<b>Long-term Equity Based Incentive</b>		
Stock Options <i>(all NEOs)</i>	<p>Annual equity grants are made in the form of stock options to purchase common shares of Fortis.</p> <p>Beginning in 2015, the amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the binomial valuation of Fortis' share price.</p> <p>Options vest over a 4 year period and expire after 7 years (2006 Stock Option Plan) or 10 years (2012 Stock Option Plan)</p>	<p>Align executive and shareholder interests.</p> <p>Attract and retain highly qualified executives.</p> <p>Encourage strong long-term business performance.</p> <p>Balance compensation for short and long-term strategic results.</p> <p>Simple to communicate and administer.</p>
<b>Pension Plans</b>		
Registered Retirement Savings Plan ("RRSP") <i>(certain NEOs)</i>	<p>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.</p>	<p>Attract and retain highly qualified executives.</p> <p>Simple to communicate and administer.</p>

<p>Defined Contribution: Supplemental Employee Retirement Plan (“SRP” or “SERP”) (all NEOs)</p>	<p>Accrual of 13 per cent of base salary and annual incentive in excess of the Canada Revenue Agency annual limit.</p> <p>At time of retirement, paid in one lump sum or in equal payments up to 15 years.</p>	<p>Attract and retain highly qualified executives.</p> <p>Simple to communicate and administer.</p>
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### 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 seven targets in 2015 which included (i) net earnings (25.0 per cent weighting); (ii) capital execution (15.0 per cent weighting); (iii) an all injury frequency rate which measures how safely the Corporation operates (10.0 per cent weighting); (iv) preventable vehicle incidents (10.0 per cent weighting); (v) customer satisfaction which measures a customer survey score (12.5 per cent weighting); (vi) system average interruption duration index which measures reliability of the power distribution system in terms of duration of outages (12.5 per cent weighting); and (vii) regulatory performance (15.0 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 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.

### Medium and Long-Term Incentive Plan

Effective 2015, the Corporation has changed its medium and long-term incentive granting practices to provide a target long-term incentive (“LTI”) value, expressed as a percentage of base salary, which is then granted in pre-determined proportions of PSUs, RSUs and stock options. The LTI value for the President & CEO is 110 per cent of his base salary. The Executive Vice President, Customer Service & Regulatory Affairs was granted LTI having a market value at the time of grant equal to 60 per cent of his base salary. The LTI value is granted to all the executive officers through a combination of 50% in PSUs, 25% in RSUs and 25% in stock options.

### Share Based Awards

PSUs: Effective January 1, 2013, the Corporation adopted a PSU plan (“2013 PSU Plan”). Each PSU represents a unit with an underlying value equivalent to the value of a Fortis common share. Grants of PSUs

are determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average trading price of Fortis common shares for the five trading days immediately preceding the date of the grant. Notional dividends are assumed to accrue to the holder of the PSU and to be reinvested on the quarterly dividend payment dates of the common shares. Payment will be made three years after the grant in an amount of 0-120% of the number of PSUs accumulated, including reinvestment of notional dividends, times the volume-weighted average trading price of Fortis common shares, as determined appropriate by the Governance Committee upon measurement of Fortis' performance, as compared to a comparable group of utility holding companies, over such three-year period against predetermined measures. Previous grants of PSUs are not taken into consideration when new PSUs are awarded. Effective January 1, 2015, the Corporation adopted a 2015 PSU Plan. The terms of the plan are largely consistent with the 2013 PSU Plan, with modifications related to the criteria by which Fortis' performance is measured and the maximum payment amount extended to 150%.

**RSUs:** Effective January 1, 2015, the Corporation adopted a RSU plan. Each RSU represents a unit with an underlying value equivalent to the value of a Fortis common share. Grants of RSUs and the accumulation of notional dividends are consistent with the PSU plan. Payment will be made three years after the grant in an amount of the number of RSUs accumulated, including reinvestment of notional dividends, times the volume-weighted average trading price of Fortis common shares.

**Option-Based Awards:** Long-term incentives take the form of grants of options under a Fortis Stock Option Plan, pursuant to which options to acquire Fortis common shares may be granted to executive officers, in order to encourage increased share ownership to participants as an incentive to maximize shareholder value. Grants of options are dependent upon the optionee's salary

In March 2015, the President & Chief Executive Officer of the Corporation was granted options entitling him to purchase that number of common shares of Fortis having a market value at the time of grant equal to 27.5% of his base salary. The • was granted options entitling him to purchase that number of common shares having a market value at the time of grant equal to 15% of his base salary. Previous grants of stock options are not taken into consideration when new options are awarded.

The stock option plan in place for 2015 was the 2012 Stock Option Plan. The 2012 Stock Option Plan became effective May 4, 2012. The provisions of the 2012 Stock Option Plan dealing with the eligibility, grant and terms of options are similar to the 2006 Stock Option Plan; however, the exercise period of options granted under the 2012 Stock Option Plan has been increased from seven (7) to ten (10) years from the date the option is granted, subject to any accelerated termination. In addition, options granted under the 2012 Stock Option Plan will vest and become exercisable at such time or times as may be determined by Fortis. Under the terms of this plan, all options granted, vesting rights, and financing provisions under previous plans continue to exist and remain in force as long as any options granted under former plans are outstanding. No consolidation of options granted previous to May 4, 2012 will be made into the 2012 Stock Option Plan and Fortis has ceased to grant options under previous stock option plans.

The stock option plan in place for 2011 and prior years was the 2006 Stock Option Plan which became effective May 2nd, 2006. Under this plan, options are exercisable for seven years from the date of the option grant subject to a vesting requirement whereby options vest at a rate of 25% per year over the four year period commencing on the first anniversary of the date of grant. The Corporation does not provide financial assistance to the optionee on the exercise of options granted after May 2nd, 2006.

**Pension Plans** – see “Executive Compensation – Pension Plan Benefits”

There is a written employment contract between FHI and Mr. Dall'Antonia which contains the basic provisions of employment including, among other things, base salary, short-term incentive bonus, vacation and benefits. Mr. Mulcahy and Mr. Lorimer do not have a written employment contract with the Corporation, FEI or FHI.

## Director Compensation

The Governance Committee reviews director compensation on a periodic basis by reviewing director fees paid by organization of similar size and complexity to FBC.

Director compensation is comprised solely of retainer and meeting fees. There are no compensation securities issued to Directors. In 2015, each director of the Corporation was paid an annual fee of \$42,500 and a meeting fee of \$1,250 for attending each meeting of the Board or any Committee thereof, in person or by telephone. An additional annual fee of \$8,000 was paid to the Chair of the Audit & Risk Committee and an additional annual fee of \$4,000 was paid to the Chair of Governance Committee. The Chair of the Board was paid an annual fee of \$76,250, inclusive of the basic annual director's fee. The Corporation also paid an additional \$1,000 in respect of a travel time for directors that attended a group of meetings outside of their regional area of residence.

Directors of FBC also serve on the respective board of FEI, and the companies share the total board compensation costs proportionately.

The President & Chief Executive Officer receives no fees for his services as a director.

## B. TABLE OF COMPENSATION

The following table sets forth information concerning the compensation earned for services rendered in respect of each of the individuals who served as the President & CEO, the Vice President, Finance & CFO and the Corporation's other most highly compensated executive officer during the most recently completed financial year. The table also details individual director compensation.

Name and position	Year	Salary or Retainer <sup>(1)</sup> (\$)	Bonus <sup>(2)</sup> (\$)	Committee or meeting fees <sup>(3)</sup> (\$)	Value of all other compensation <sup>(4)(5)(6)</sup> (\$)	Total compensation <sup>(7)(8)(9)</sup> (\$)
Michael A. Mulcahy President & CEO Director <sup>(10)</sup> FortisBC Inc.	2015	430,000	390,000	-	115,620	935,620
	2014	349,167	247,000	-	89,834	686,001
Ian Lorimer Vice President, Finance & CFO FortisBC Inc. <sup>(11)</sup>	2015	169,167	160,000	-	67,564	396,731
	2014	-	-	-	-	-
Roger A. Dall'Antonia Executive Vice President, Customer Service & Regulatory Affairs FortisBC Holdings Inc.	2015	296,000	297,000	-	83,462	676,462
	2014	276,250	190,000	-	66,436	532,686
Harold G. Calla Director <sup>(12)</sup>	2015	50,500	-	13,750	2,000	66,250
	2014	43,000	-	13,750	2,000	58,750

Name and position	Year	Salary or Retainer <sup>(1)</sup> (\$)	Bonus <sup>(2)</sup> (\$)	Committee or meeting fees <sup>(3)</sup> (\$)	Value of all other compensation <sup>(4)(5)(6)</sup> (\$)	Total compensation <sup>(7)(8)(9)</sup> (\$)
Brenda Eaton Director	2015	42,500	-	10,000	3,000	55,500
	2014	35,000	-	13,750	3,000	51,750
Ida J. Goodreau Director <sup>(13)</sup>	2015	46,500	-	15,000	4,000	65,500
	2014	39,000	-	13,750	4,000	56,750
David G. Hutchens Director <sup>(14)</sup>	2015	42,500	-	13,750	4,000	60,250
	2014	-	-	-	-	-
Barry V. Perry Director <sup>(15)</sup>	2015	42,500	-	15,000	4,000	61,500
	2014	35,000	-	15,000	4,000	54,000
David R. Podmore Director <sup>(16)</sup>	2015	76,250	-	15,000	2,000	93,250
	2014	35,000	-	13,750	2,000	50,750
Christopher F. Scott Director	2015	42,500	-	15,000	4,000	61,500
	2014	35,000	-	11,250	4,000	50,250
Karl W. Smith Director	2015	42,500	-	13,750	3,000	59,250
	2014	5,701	-	2,500	1,000	9,201
John Walker Director <sup>(17)</sup>	2015	21,250	-	10,000	2,000	33,250
	2014	335,284	217,443	5,000	156,869	714,596
Janet P. Woodruff Director	2015	42,500	-	13,750	2,000	58,250
	2014	35,000	-	13,750	2,000	50,750
Michele I. Leeners Vice President, Finance & CFO FortisBC Inc. <sup>(18)</sup>	2015	112,850	-	-	1,354,297	1,467,147
	2014	270,000	178,000	-	57,898	505,898

## Notes:

1. Represents the annual salary for the NEO's and the retainer paid to each of the Director's. See **Director Compensation** for a description of fees paid to Directors.
2. Represents performance bonus and 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.
3. See **Director Compensation** for a description of meeting and other fees paid to Directors.
4. Includes, where applicable the aggregate of amounts paid by FEI, FBC or FHI for (i) payment in lieu of vacation, (ii) the dollar value of insurance premiums paid by the Corporation with respect to term life insurance, (iii) 10% match by the Corporation on contributions made to purchase Fortis Common Shares through the Employee Share Purchase Plan (ESPP), (iv) interest benefit from ESPP loans, (v) moving allowance, (vi) severance amount, (vii) Director travel reimbursement and (viii) all compensation paid or accrued to Named Executive Officers relating to defined contribution pension plans, including contributions to the Named Executive Officer's self-directed RRSP and SERP. See **Pension Plan Benefits**. Perquisites are not disclosed as they did not exceed the minimum disclosure threshold of the lesser of 10% of the total annual salary of the Named Executive Officer.
5. Mr. Lorimer's amount includes a moving allowance in accordance with his employment terms.
6. Ms. Leeners' amount includes a lump sum severance amount in accordance with her negotiated agreement.
7. Amounts reported represent amounts payable by FBC for Mr. Mulcahy's services to FEI and other FortisBC companies. FEI proportionately reimburses FBC for their services.
8. Amounts reported represent amounts paid by FEI for Mr. Lorimer's service to FEI and other FortisBC companies. FBC proportionately reimburses FEI for his service.
9. 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.
10. In addition to President and CEO, Mr. Mulcahy also held the position of Director for which no additional compensation was earned or received.

11. Vice President, Finance & CFO effective June 1, 2015. All amounts are calculated as of June 1, 2015 with the exception of Bonus. The Bonus amount is for service to FortisAlberta Inc. and FEI, for which FEI was proportionately reimbursed.
12. Chair of the Audit & Risk Committee.
13. Chair of the Governance Committee.
14. Appointed to the Board of Directors January 2015.
15. Mr. Perry also held the position of President & CEO of Fortis Inc. for which Fortis Inc. provided executive compensation.
16. Chair of the Board of Directors.
17. President & CEO to July 31, 2014 and Director to June 30, 2015.
18. Vice President, Finance & CFO to May 25, 2015 .

### C. COMPENSATION SECURITIES

The following table sets forth details of the securities granted to each NEO in the most recently completed financial year. There are no compensation securities issued to Directors.

Name & Position	Type of compensation security	Number of compensation securities <sup>(1)</sup>	Date of grant	Issue or exercise price (\$) <sup>(2)</sup>	Closing price of underlying security on date of grant (\$) <sup>(3)</sup>	Closing price of underlying security at year end (\$) <sup>(3)</sup>	Expiry Date <sup>(4)</sup>
Michael A. Mulcahy President & CEO Director <sup>(5)</sup>	Stock Options	30,128	2-Mar-15	39.25	39.06	37.41	2-Mar-25
	PSU	6,080	1-Jan-15	38.90	39.22	37.41	31-Dec-17
	RSU	3,040	1-Jan-15	38.90	39.22	37.41	31-Dec-17
		<b>39,248</b>					
Ian Lorimer Vice President, Finance & CFO <sup>(6)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		<b>0</b>					
Roger A. Dall'Antonia Executive Vice President, Customer Service & Regulatory Affairs <sup>(7)</sup>	Stock Options	11,312	2-Mar-15	39.25	39.06	37.41	2-Mar-25
	PSU	2,283	1-Jan-15	38.90	39.22	37.41	31-Dec-17
	RSU	1,141	1-Jan-15	38.90	39.22	37.41	31-Dec-17
	RSU	1,928	1-Jan-15	38.90	39.22	37.41	31-Dec-17
	<b>16,664</b>						
Michele I. Leeners Vice President, Finance & CFO <sup>(8)</sup>	Stock Options	7,060	2-Mar-15	39.25	39.06	0	22-Aug-15
	PSU	1,424	1-Jan-15	38.90	39.22	0	25-May-15
	RSU	712	1-Jan-15	38.90	39.22	0	25-May-15
		<b>9,196</b>					

Notes:

1. Each unit of stock option, PSU and RSU are equivalent to one common share of Fortis. The compensation securities granted in 2015 represent less than 1% of the total number of common shares issued and outstanding of Fortis.
2. The exercise price for stock options and issue price for PSUs and RSUs is the volume weighted average price of the common shares of Fortis traded on the Toronto Stock Exchange (TSX) for the five (5) trading days immediately preceding the date of grant.
3. Represents the closing price of Fortis Common Shares on the TSX on the applicable dates.
4. PSUs and RSUs granted in 2015 will be fully vested on December 31, 2017.
5. At December 31, 2015, Mr. Mulcahy held 108,604 unexercised stock options, of which 57,285 were fully vested. Options vest at a rate of 25% per year over the four year period commencing on the first anniversary of the date of grant. Mr.

Mulcahy also held 13,629.74 PSUs and RSUs, of which 1,969.03 were fully vested. PSUs and RSUs vest upon the completion of the three-year period from the date of grant.

6. No grants were awarded to Mr. Lorimer in 2015 by the Corporation however Mr. Lorimer held securities issued by FortisAlberta Inc. prior to June 1, 2015. At December 31, 2015, Mr. Lorimer held 55,382 unexercised stock options, of which 31,964 were fully vested. Options vest at a rate of 25% per year over the four year period commencing on the first anniversary of the date of grant. Mr. Lorimer also held 3,786.35 PSUs and RSUs, of which 799.71 were fully vested. PSUs and RSUs vest upon the completion of the three-year period from the date of grant.
7. At December 31, 2015, Mr. Dall'Antonia held 66,808 unexercised stock options, of which 38,818 were fully vested. Options vest at a rate of 25% per year over the four year period commencing on the first anniversary of the date of grant. Mr. Dall'Antonia also held 7,368.95 PSUs and RSUs, of which 857.95 were fully vested. PSUs and RSUs vest upon the completion of the three-year period from the date of grant.
8. Ms. Leeners employment ended May 25, 2015. All securities expired August 22, 2015 in accordance with the 2012 Stock Option Plan. PSUs and RSUs granted on January 1, 2015 were forfeited.

The following table sets forth details of the securities exercised by each NEO in the most recently completed financial year. PSUs that fully vested on December 31, 2015 will be reviewed and approved for payment by the Governance Committee during the second quarter of 2016.

Name & Position <sup>(1)</sup>	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Michael A. Mulcahy President & CEO Director	Stock Options	12,751	22.94	10-Apr-15	39.48	16.54	210,902
Michele I. Leeners Vice President, Finance & CFO	Stock Options	12,612	27.36	15-Jul-15	37.50	10.14	127,886
		7,998	34.27	7-Jul-15	37.05	2.78	22,234
		5,808	33.58	7-Jul-15	37.05	3.47	20,154
		10,700	32.95	13-Jul-15	37.00	4.05	43,335
		3,295	30.73	13-Jul-15	37.00	6.27	20,660

Note:

1. No securities were exercised by Mr. Dall'Antonia in 2015.

#### D. PENSION PLAN BENEFITS

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 (\$) <sup>(2)</sup>
Michael A. Mulcahy	485,752	63,080	571,499
Ian Lorimer	134,544	28,082	169,176
Roger A. Dall'Antonia	190,830	38,250	236,305
Michele I. Leeners <sup>(1)</sup>	254,407	21,851	0

Notes:

1. Benefits paid to Ms. Leeners as at May 25, 2015.
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, Mr. Lorimer and Mr. Dall'Antonia participate in an RRSP which requires the NEO to contribute to a self-directed RRSP equal to 6.5 per cent 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 2015, the respective corporations that employ each of the NEOs contributed \$12,465 for each of the NEO's participating in the defined contribution retirement plan.

In addition, Mr. Mulcahy, Mr. Lorimer and Mr. Dall'Antonia 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.

Until her employment ending May 25, 2015, Ms. Leeners also participated in the RRSP and the DC SERP described above.

## **E. TERMINATION AND CHANGE OF CONTROL BENEFITS**

There are no contracts, agreements, plans or arrangements that provide for payments to Mr. Mulcahy and Mr. Lorimer at, following or in connection with any termination. There is a written employment contract 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 a change in a NEO's responsibilities (excluding perquisites and other personal benefits if the aggregate of this compensation is less than \$50,000) with an estimated incremental payment of \$1,447,200. Hereinafter, 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;
- (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;
- (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
- (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.

The executive's entitlement to any mid-term and long-term incentive compensation at the date of termination shall be solely determined in accordance with the terms of any mid-term and long-term incentive plan and any mid-term and 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 FBC respectively, the employing corporation or, as applicable, any corporation related to Fortis, FHI or FBC respectively or the employing corporation.