

FORTISBC ENERGY INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended March 31, 2026

May 5, 2026

The following FortisBC Energy Inc. ("FEI" or the "Corporation") Management Discussion & Analysis ("MD&A") has been prepared in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. Financial information for 2026 and comparative periods contained in the following MD&A has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and is presented in Canadian dollars. The MD&A should be read in conjunction with the Corporation's Unaudited Condensed Consolidated Interim Financial Statements and notes thereto ("Interim Financial Statements") for the quarter ended March 31, 2026, prepared in accordance with US GAAP and the Corporation's Annual Audited Consolidated Financial Statements and notes thereto together with the MD&A for the year ended December 31, 2025, with 2024 comparatives, prepared in accordance with US GAAP.

In this MD&A, FHI refers to the Corporation's parent, FortisBC Holdings Inc., FBC refers to FortisBC Inc., FAES refers to FortisBC Alternative Energy Services Inc, and Fortis refers to the Corporation's ultimate parent, Fortis Inc.

FORWARD-LOOKING STATEMENT

Certain statements in this MD&A 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. Any capitalized terms in this Forward-Looking Statement section that are not otherwise defined in this section are as defined in this MD&A.

The forward-looking information in this MD&A includes, but is not limited to, statements regarding the Corporation's expected level of capital expenditures, including forecasted project costs and the potential impact of new or revised tariffs on forecast and actual capital expenditures, and its expectations to finance those capital expenditures through credit facilities, equity injections from FHI, and debenture issuances; the Corporation's estimated contractual obligations; the expectation that the Environmental Assessment process for the Tilbury Phase 2 LNG Expansion Project will not have a material impact on the Corporation's 2026 projected capital expenditures; and the expectation that any applicable Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB") that are not included in the Corporation's Interim Financial Statements will not have a material impact.

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 (including absence of administrative monetary penalties); the competitiveness of natural gas pricing when compared with alternate sources of energy; continued demand for natural gas; absence of significant climate change impacts; absence of adverse weather conditions and natural disasters; absence of environmental, health and safety issues; the ability to maintain, replace or expand the Corporation's assets at a cost that is not impacted by the potential of new or revised tariffs; the availability of natural gas supply; the ability to obtain and maintain applicable permits; that the Indigenous engagement process will not delay or otherwise impact the Corporation's ability to obtain government or regulatory approvals; the adequacy of the Corporation's existing insurance arrangements; the ability to arrange sufficient and cost effective financing (including absence of

adverse rating actions by credit rating agencies); absence of significant interest costs; continued energy demand, population growth and new housing starts; the absence of significant counterparty credit issues resulting in non-performance by counterparties; the ability of the Corporation to attract and retain a skilled workforce; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefit costs; absence of significant information technology infrastructure failure; absence of cybersecurity failure; absence of pandemic and public health crises impacts; the ability to continue to report under US GAAP beyond the Canadian securities regulators exemption to 2027 or earlier; and the absence of damages, fines, or penalties arising from legal, administrative and other proceedings.

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); natural gas competitiveness risk; commodity price risk; climate change risk; weather and natural disasters risk; environment, health and safety matters risk; asset breakdown, operation, maintenance and expansion risk; natural gas supply risk; permits risk; risks related to Indigenous rights and engagement; underinsured and uninsured losses; capital resources and liquidity risk; interest costs risk; impact of changes in economic conditions risk; counterparty credit risk; human resources risk; labour relations risk; employee future benefits risk; information technology infrastructure risk; cybersecurity risk; pandemic and public health crises risk; continued reporting in accordance with US GAAP risk; legal, administrative and other proceedings risk; and other risks described in the Corporation's most recent Annual Information Form ("AIF"). For additional information with respect to these risk factors, reference should be made to the "Business Risk Management" section of the Corporation's MD&A and AIF for the year ended December 31, 2025.

All forward-looking information in this MD&A 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.

CORPORATE OVERVIEW

The Corporation is the largest distributor of natural gas in British Columbia ("BC"), serving approximately 1,108,000 residential, commercial, industrial, and transportation customers through approximately 51,870 kilometers of natural gas pipelines. The Corporation provides transmission and distribution services to its customers and obtains natural gas and Renewable Natural Gas ("RNG") supplies on behalf of most residential, commercial, and industrial customers. Natural gas supplies are sourced primarily from northeastern BC and, through the Corporation's Southern Crossing Pipeline, from Alberta.

The Corporation is regulated by the BCUC. Pursuant to the Utilities Commission Act (British Columbia), the BCUC regulates such matters as rates, construction plans, and financing.

The Corporation is an indirect, wholly owned subsidiary of Fortis, a leader in the North American regulated electric and natural gas utility industry. Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

REGULATION

Rate Framework for 2025 to 2027 (“Rate Framework”)

In March 2025, the BCUC issued its decision on FEI and FBC's application requesting approval of a Rate Framework for the years 2025 to 2027. The Rate Framework builds upon the 2020-2024 Multi-Year Rate Plan ("MRP") and for FEI includes, amongst other items, updates to depreciation and capitalized overhead rates, a revised level of operation and maintenance expense per customer indexed for inflation less a fixed productivity adjustment factor, a similar approach to growth capital, a forecast approach to sustainment and other capital, continued collection of an innovation fund recognizing the need to accelerate investment in clean energy innovation, an updated set of service quality indicators designed to ensure the Corporation maintains service levels, and a continued 50/50 sharing between customers and the Corporation of variances from the allowed return on equity ("ROE"). The Rate Framework also includes a continuation of the main deferral mechanisms that were in place under the MRP.

In December 2025, the BCUC approved a 2026 delivery rate increase of 10.13 percent over 2025 rates, and a 2026 forecast average rate base of \$6,838 million.

Customer Rates and Deferral Mechanisms

Customer rates include both the delivery charge and the cost of natural gas, consisting of the commodity cost, and the storage and transport cost. The Corporation's customer rates are based on estimates and forecasts. In order to manage the variances from forecast associated with some of these estimates and to manage volatility in rates, a number of regulatory deferral accounts are in place.

Variances from regulated forecasts used to set rates for natural gas revenue and cost of natural gas are flowed back to customers in future rates through approved regulatory deferral mechanisms and therefore these variances do not have an impact on net earnings for the periods ended March 31, 2026 and 2025.

FEI reviews the costs of natural gas with the BCUC either quarterly or annually to ensure the rates passed on to customers are fair and reflect actual costs. FEI has received approval to maintain the same commodity rate each quarter since January 1, 2024, and received approval to decrease the commodity rate effective April 1, 2026. FEI received approval to increase the storage and transport rate effective January 1, 2026.

Under the Rate Framework for 2025-2027, the BCUC has approved certain regulatory deferral mechanisms, including those that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation. These deferral mechanisms capture variances from regulated forecasts and flow them through customer rates in subsequent years. Variances from the allowed ROE, including most components of operating and maintenance costs, as well as variances in the utility's regulated rate base amounts, are shared.

CONSOLIDATED RESULTS OF OPERATIONS

Quarter ended March 31	Quarter ended		
	2026	2025	Variance
Gas sales (petajoules)	76	81	(5)
<i>(\$ millions)</i>			
Revenue	690	640	50
Cost of natural gas	234	220	14
Operation and maintenance	84	83	1
Property and other taxes	22	22	-
Depreciation and amortization	103	89	14
Total expenses	443	414	29
Operating income	247	226	21
Add: Other income	12	11	1
Less: Finance charges	38	40	(2)
Earnings before income taxes	221	197	24
Income tax expense	51	43	8
Net earnings	170	154	16

The following table outlines net earnings and the significant variances in the Consolidated Results of Operations for the quarter ended March 31, 2026 as compared to March 31, 2025:

Quarter		
Item	Increase (Decrease) (\$ millions)	Explanation
Net earnings	16	<p>Net earnings for the quarter ended March 31, 2026 was \$170 million compared to \$154 million for the same period in 2025. The increase was primarily due to a higher investment in regulated assets, as well as timing of operating costs.</p> <p>Both 2026 and 2025 net earnings are based on an allowed ROE of 9.65 percent and a deemed equity component of capital structure of 45 percent.</p>

Quarter		
Item	Increase (Decrease) (\$ millions)	Explanation
Revenue	50	<p>The increase in revenue was primarily due to:</p> <ul style="list-style-type: none"> an increase in delivery revenue approved for rate-setting purposes, partially resulting from a higher investment in regulated assets, and an increase in the recovery of the Midstream Cost Reconciliation Account (“MCRA”) gas storage and transport cost regulatory liability, as approved by the BCUC, compared to the prior year, partially offset by a decrease in revenue associated with regulatory deferrals. <p>Gas sales volumes were lower than the same quarter in the previous year primarily due to lower consumption by residential, transportation, and commercial customers, partially offset by higher consumption by LNG customers.</p> <p>Variiances between revenue associated with actual consumption and revenue forecasted for rate-setting purposes are captured either in the Revenue Stabilization Adjustment Mechanism (“RSAM”) deferral account or the flow-through deferral account, for which the income statement offsets are recognized in alternative revenue and other revenue, resulting in no net impact on total revenue compared to what is approved in rates in the current year.</p>
Cost of natural gas	14	<p>The increase was primarily due to:</p> <ul style="list-style-type: none"> an increase in the recovery of the MCRA gas storage and transport cost regulatory liability, as approved by the BCUC, compared to the prior year, and a higher storage and transport cost, approved by the BCUC, of \$1.347 per GJ for the first quarter of 2026, as compared to \$1.260 per GJ for the first quarter of 2025, partially offset by a decrease in total consumption by those customers receiving bundled natural gas services from FEI, which includes both delivery service and the supply of gas commodity. <p>Customers that purchase bundled services from FEI require the Corporation to not only provide delivery service, but also provide the gas commodity, which entails managing the commodity portfolio including the costs to procure, store and transport the gas. During the first quarter of 2026, volumes provided to customers under bundled services and customers that received only delivery service were both lower compared to the same quarter in 2025. Although total sales volumes were lower, only the lower volumes provided to customers under bundled services drove a lower cost of natural gas in the first quarter of 2026.</p>
Depreciation and amortization	14	The increase was primarily due to higher amortization of regulatory assets and a higher depreciable asset base compared to 2025.
Income tax expense	8	The increase was primarily due to higher earnings before income taxes and higher taxable temporary differences associated with regulatory assets and liabilities being recovered from customers in rates.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth quarterly information for each of the eight quarters ended June 30, 2024 through March 31, 2026. Past operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarter ended	Revenue	Net Earnings (Loss) ¹
<i>(\$ millions)</i>		
March 31, 2026	690	170
December 31, 2025	571	132
September 30, 2025	276	(1)
June 30, 2025	367	44
March 31, 2025	640	154
December 31, 2024	517	118
September 30, 2024	241	(6)
June 30, 2024	332	29

¹ Net earnings (loss) attributable to controlling interest.

A summary of the past eight quarters reflects the seasonality associated with the Corporation's business. Due to the seasonal nature of natural gas consumption patterns based on weather and its impact on revenues, the natural gas transmission and distribution operations of FEI normally generate higher net earnings in the first and fourth quarters of the fiscal year and lower net earnings in the second quarter, which are partially offset by net losses in the third quarter. Certain expenses such as depreciation, interest and operating expenses remain more evenly distributed throughout the fiscal year. As a result of the seasonality, interim net earnings are not indicative of net earnings on an annual basis. From time to time the Corporation has implemented tax loss utilization plans ("TLUP"), which would have an impact on earnings recognized during interim periods depending on the timing of implementing such structures.

March 2026/2025 – Net earnings were higher primarily due to a higher investment in regulated assets, as well as timing of operating costs.

December 2025/2024 – Net earnings were higher due to a higher investment in regulated assets, partially offset by lower favourable regulated variances, primarily attributable to operation and maintenance expenses, as compared to those allowed in rates, net of amounts shared with customers, as compared to the same period in 2024.

September 2025/2024 – Net loss was lower due to a higher investment in regulated assets, higher favourable regulated variances, primarily attributable to timing of operation and maintenance expenses as compared to those allowed in rates, net of amounts shared with customers, as compared to the same period in 2024, and lower operating costs, the variances of which are retained by the utility.

June 2025/2024 – Net earnings were higher due to a higher investment in regulated assets, and lower operating costs compared to the same period in 2024, the variances of which are retained by the utility.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheets between March 31, 2026 and December 31, 2025:

Balance Sheet Account	Increase (Decrease) (\$ millions)	Explanation
Cash	55	The increase was primarily due to proceeds received from a \$100 million equity issuance during the first quarter of 2026, as well as the receipt of a cash deposit relating to construction costs to be incurred for the Eagle Mountain Gas Pipeline ("EGP") Project, partially offset by repayments on credit facilities. Cash on hand at March 31, 2026 was used, in part, for repayment of the \$150 million Series 27 Debenture that matured on April 8, 2026.
Accounts receivable and other current assets	50	The increase was primarily due to higher trade receivables, as a result of seasonality of revenues, as well as a delivery rate increase and a higher cost of natural gas recovered from customers, as approved by the BCUC, partially offset by lower gas cost mitigation receivables.
Inventories	(21)	The decrease was primarily due to the seasonal drawdown of natural gas in storage during the winter months, partially offset by a higher weighted average cost of gas in storage.
Property, plant and equipment, net	87	The increase was primarily due to capital expenditures of \$346 million incurred, \$8 million in equity AFUDC capitalized, and changes in accrued capital expenditures of \$49 million, less: <ul style="list-style-type: none"> • depreciation expense, excluding net salvage provision, of \$55 million, • contributions in aid of construction ("CIAC") recognized, including certain amounts provided by Woodfibre LNG, of \$190 million, • changes in deposits received from Woodfibre LNG, and allocated to property, plant and equipment, of \$67 million, and • costs of removal of \$4 million incurred, which are recognized against the net salvage provision in regulatory liabilities.
Credit facilities	(224)	The decrease was primarily a result of repayments on credit facilities using proceeds from a \$100 million equity injection from the Corporation's parent company, FHI, as well as from proceeds from the receipt of a cash deposit relating to construction costs to be incurred for the EGP Project, partially offset by borrowings on credit facilities to fund the debt component of the Corporation's capital expenditure program.
Accounts payable and other current liabilities	149	The increase was primarily due to: <ul style="list-style-type: none"> • higher net cash deposits held relating to construction costs to be incurred for the EGP Project, • higher income taxes payable, and • an increase in accrued capital expenditures, partially offset by • a seasonal decrease in credit balances related to customer payment plan arrangements.

Balance Sheet Account	Increase (Decrease) (\$ millions)	Explanation
Regulatory liabilities (current and long-term)	28	The increase was primarily due to: <ul style="list-style-type: none"> • an increase in the net salvage provision, • an increase in the flow-through deferral account related to variances from regulated forecast items, partially offset by • a decrease in the Commodity Cost Reconciliation Account ("CCRA") regulatory liability due to commodity costs incurred exceeding those recovered in customer rates.
Common shares	100	The increase was due to a \$100 million equity issuance during the first quarter of 2026, the proceeds of which were used to repay credit facilities in support of the equity component of FEI's capital expenditure program.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Requirements and Liquidity

In the normal course of operations, the Corporation's cash flow requirements fluctuate seasonally based primarily on natural gas consumption. The Corporation maintains a committed credit facility that adequately meets any working capital deficiencies not funded through cash flow from operations, and for financing the debt component of the Corporation's capital expenditure program.

It is expected that operating expenses, interest costs, and other working capital will generally be paid out of operating cash flows, with varying levels of residual cash available for capital expenditures and dividend payments. Cash flow is also required to fund capital expenditure programs; pre-development capital costs; regulated deferral accounts, and those regulatory mechanisms that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation; and investments in DSM. Funding requirements are expected to be financed from a combination of cash flow from operations, borrowings under the credit facility, equity injections from FHI and long-term debenture issuances in accordance with the deemed regulatory capital structure approved by the BCUC of 45 percent equity and 55 percent debt, and in certain circumstances, funding provided by CIAC for certain capital expenditures.

The Corporation's ability to service its debt obligations and pay dividends on its common shares is dependent on the financial results of the Corporation. Depending on the timing of cash payments, borrowings under the Corporation's credit facility may be required from time to time to support the servicing of working capital deficiencies and payment of dividends. The Corporation may have to rely upon the proceeds of new debenture issuances to meet its principal debt obligations when they become due.

Summary of Consolidated Cash Flows

Three months ended March 31	2026	2025	Variance
<i>(\$ millions)</i>			
Cash flows from (used in)			
Operating activities	438	488	(50)
Investing activities	(179)	(236)	57
Financing activities	(204)	(220)	16
Net change in cash	55	32	23

Operating Activities

Cash from operating activities was \$50 million lower compared to the same period in 2025, primarily due to:

- changes in working capital, driven primarily by changes in accounts payable due to timing of payments, and changes in the receipt of cash deposits between periods relating to construction costs to be incurred for the EGP Project, and
- changes in regulatory assets and liabilities, which were driven by changes in the MCRA and RSAM deferral accounts, partially offset by
- higher net earnings after non-cash adjustments.

Investing Activities

Cash used in investing activities was \$57 million lower compared to the same period in 2025 primarily due to lower net capital expenditures after CIAC, which was primarily a result of timing of sustaining capital expenditures, lower DSM expenditures, and changes in accrued capital expenditures during 2026 compared to the same period in 2025. Construction costs on the EGP Project included in capital expenditures were funded through contributions received from Woodfibre LNG recognized as CIAC for no impact on investing activities in both 2026 and 2025.

Financing Activities

Cash used in financing activities was \$16 million lower compared to the same period in 2025 primarily due to lower net repayments on the credit facility partially offset by a smaller equity issuance between periods from a \$100 million issuance of common shares during 2026 compared to a \$225 million issuance of common shares during 2025.

During the three months ended March 31, 2026, FEI paid common share dividends of \$80 million (2025 - \$67 million) to its parent company, FHI.

Contractual Obligations

The Corporation's contractual obligations have not materially changed from those disclosed in the MD&A for the year ended December 31, 2025.

Credit Ratings

There have been no changes to the Corporation's credit ratings from those disclosed in the MD&A for the year ended December 31, 2025, which are summarized in the table below:

Rating Agency	Credit Rating	Type of Rating	Outlook
Morningstar DBRS	A	Unsecured Debentures	Stable
Moody's	A3	Unsecured Debentures	Stable

Credit Facilities and Debentures

Credit Facilities

As at March 31, 2026, the Corporation had a \$900 million syndicated operating credit facility in place which matures in July 2030, and incorporates a Sustainability Linked Loan component, with performance targets considering avoided emissions from renewable and low carbon gas and capital project opportunities with Indigenous participation. In March 2026, the Corporation amended its uncommitted letter of credit facility to \$40 million, and extended the maturity date to March 2027.

The following summary outlines the Corporation's credit facilities:

<i>(\$ millions)</i>	March 31, 2026	December 31, 2025
Operating credit facility	900	900
Letter of credit facility	40	55
Draws on operating credit facility	(171)	(395)
Letters of credit outstanding	(39)	(39)
Credit facilities available	730	521

Debentures

In April 2026, the Corporation repaid the \$150 million Series 27 Debenture that matured on April 8, 2026 using cash on hand and through proceeds from its operating credit facility.

PROJECTED CAPITAL EXPENDITURES

The Corporation continually updates its capital expenditure programs and assesses current and future operating, maintenance, replacement, expansion and removal expenditures that will be incurred in the ongoing operation of its business.

The initial approval from the BCUC to proceed with capital projects can occur through a number of processes, including revenue requirement applications and Certificate of Public Convenience and Necessity ("CPCN") applications. Once the projects are approved, the regulatory process allows for capital project costs to be reviewed by the BCUC subsequent to the capital project being completed and in service to confirm that all costs are recoverable in customer rates.

The 2026 projected capital expenditures are approximately \$1,151 million, inclusive of AFUDC and excluding customer CIAC. During 2026, approximately \$466 million in deposit funding from Woodfibre LNG is expected to be recognized as CIAC related to the EGP Project. The Corporation's projected capital expenditures are necessary to provide service, public and employee safety, and reliability of supply of natural gas to the Corporation's customer base. In addition to the rate base amounts approved in annual regulatory decisions, multi-year projects under construction earn a regulated return. The 2026 projected capital expenditures are dependent on several factors, including the potential impact of new or revised tariffs and the timing of spending on multi-year capital projects, based in part on the timing of any remaining regulatory and permitting approvals required for certain projects. The annual 2025 capital expenditures were \$1,261 million, inclusive of AFUDC and excluding CIAC.

Also included in these 2026 projected capital expenditures are more significant projects, including the AMI Project, the Transmission Integrity Management Capabilities ("TIMC") Project, the Tilbury LNG Storage Expansion ("TLSE") Project, the ERP Modernization and CIS Replacement Project, the Tilbury Phase 1B Expansion Project, the EGP Project, and Other Capital Projects, which were described in the MD&A for the year ended December 31, 2025.

FEI's disclosure around its significant capital projects has not changed materially from those disclosed in the MD&A for the year ended December 31, 2025, with the exception of the following updates:

TLSE and Other Capital Projects

In March 2026, in conjunction with FEI's parent company FHI, a revised Environmental Assessment Application for the Tilbury Phase 2 LNG Expansion Project was accepted by the BC Environmental Assessment Office. This

revised application incorporates updates from various stakeholders during the application review phase and covers the increase to storage capacity and strengthening of the resiliency of FEI's gas system, as included in the TLSE Project approved by the BCUC under a separate CPCN process, as well as enabling additional liquefaction capacity and further expansion of the Tilbury site. The Environmental Assessment process will continue throughout 2026, and is not expected to have a material impact on FEI's total 2026 projected capital expenditures.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with its parent, FHI, ultimate parent, Fortis, and other related companies under common control, including FBC, in financing transactions and to provide or receive services and materials. The following transactions were measured at the exchange amounts unless otherwise indicated.

Related Party Recoveries

The amounts charged to related parties were as follows:

(\$ millions)	Quarter ended March 31	
	2026	2025
Operation and maintenance expense charged to FBC (a)	3	3
Total related party recoveries	3	3

(a) The Corporation charged FBC for natural gas sales, office rent, management services, and other labour.

Related Party Costs

The amounts charged by related parties were as follows:

(\$ millions)	Quarter ended March 31	
	2026	2025
Operation and maintenance expense charged by FHI (a)	4	4
Operation and maintenance expense charged by FBC (b)	2	2
Total related party costs	6	6

(a) FHI charged the Corporation for corporate management services and governance costs.

(b) FBC charged the Corporation for electricity purchases, management services, and other labour.

Balance Sheet Amounts

The amounts due from related parties, included in accounts receivable and other current assets, and the amounts due to related parties, included in accounts payable and other current liabilities, were as follows:

(\$ millions)	March 31, 2026		December 31, 2025	
	Amount Due From	Amount Due To	Amount Due From	Amount Due To
FHI	-	(2)	-	(1)
FBC	2	-	-	(1)
Total due from (due to) related parties	2	(2)	-	(2)

FINANCIAL INSTRUMENTS

Derivative Instruments

There were no material changes with respect to the nature and purpose, methodologies for fair value determination, and carrying values of the Corporation's natural gas contract derivatives from that disclosed in the MD&A for the year ended December 31, 2025. Additional details are provided in the notes to the Interim Financial Statements.

As at March 31, 2026, natural gas contract derivatives were not designated as hedges and any unrealized gains or losses associated with changes in the fair value of the derivatives were deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the BCUC, and as shown in the following table:

(\$ millions)	March 31, 2026	December 31, 2025
Unrealized net loss recorded to current regulatory assets	80	58

Cash inflows and outflows associated with the settlement of all derivative instruments are included in operating cash flows on the Corporation's Consolidated Statements of Cash Flows.

Financial Instruments Not Measured at Fair Value

The following table includes the carrying value, excluding unamortized debt issuance costs, and estimated fair value of the Corporation's current and long-term portion of debt:

(\$ millions)	Fair Value Hierarchy	As at		December 31, 2025	
		March 31, 2026		Carrying Value	Estimated Fair Value
		Carrying Value	Estimated Fair Value		
Long-term debt	Level 2	3,495	3,357	3,495	3,398

ACCOUNTING MATTERS

New Accounting Policies

FEI considers the applicability and impact of all ASUs issued by FASB. During the three months ended March 31, 2026, there were no ASUs issued by FASB that have a material impact on these Interim Financial Statements.

Future Accounting Pronouncements

The following updates have been issued by FASB but have not yet been adopted by the Corporation. Any ASUs issued by FASB that are not included in the Interim Financial Statements were assessed and determined to be either not applicable to the Corporation or not expected to have a material impact on the Interim Financial Statements.

Disaggregation of Income Statement Expenses

ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for the Corporation's December 31, 2027 annual financial statements, and for interim periods beginning in 2028 on a prospective basis, with retrospective application and early adoption permitted. The ASU requires entities to disclose disaggregated information about five expense categories underlying its income statement line items. The Corporation is assessing the impact of adoption of this ASU on the disclosures to its consolidated financial statements.

Targeted Improvements to the Accounting for Internal-Use Software

ASU No. 2025-06, *Targeted Improvements to the Accounting for Internal-Use Software*, issued in September 2025, is effective for the Corporation's December 31, 2028 annual financial statements, and may be adopted prospectively, retrospectively, or using a modified transition approach, with early adoption permitted. The ASU removes references to development stages and requires capitalization of software costs once funding is authorized and project completion is probable, including assessment of whether significant development uncertainty exists. The guidance also clarifies that all capitalized internal-use software costs must follow the disclosure requirements in ASC Topic 360, *Property, Plant and Equipment*. The Corporation is assessing the impact of adoption of this ASU on its consolidated financial statements.

OTHER DEVELOPMENTS

Collective Agreements

There are two collective agreements between the Corporation and Local 378 of the Canadian Office and Professional Employees Union now referred to as MoveUP. The first collective agreement, representing employees in specified occupations in the areas of administration and operations support, was ratified in October 2024 and expires on June 30, 2028. The second collective agreement, representing customer service employees was ratified during June 2023 and expires on March 31, 2027.

The collective agreement between the Corporation and Local 213 of the International Brotherhood of Electrical Workers (“IBEW”) was ratified in October 2025 and expires on March 31, 2029. The IBEW represents employees in specified occupations in the areas of transmission and distribution.

BUSINESS RISK MANAGEMENT

The business risks of the Corporation remain substantially unchanged from those outlined in the Corporation’s MD&A for the year ended December 31, 2025.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A, the Corporation had issued and outstanding 424,446,072 common shares, all of which are owned by FHI, a directly wholly-owned subsidiary of Fortis.

ADDITIONAL INFORMATION

Additional information about FEI, including its AIF, can be accessed at www.fortisbc.com or www.sedarplus.ca. The information contained on, or accessible through, either of these websites is not incorporated by reference into this document.

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