



FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the quarter and six months ended June 30, 2023 and 2022
(Unaudited)

FortisBC Inc.
Condensed Consolidated Balance Sheets (Unaudited)
As at
(in millions of Canadian dollars)

ASSETS	June 30, 2023	December 31, 2022
Current assets		
Cash	\$ 1	\$ -
Accounts receivable and other current assets, net	54	68
Inventories	1	1
Prepaid expenses	11	3
Regulatory assets	8	8
Total current assets	75	80
Property, plant and equipment, net	1,805	1,784
Intangible assets, net	68	68
Regulatory assets	427	412
Other assets	17	16
Goodwill	235	235
TOTAL ASSETS	\$ 2,627	\$ 2,595
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities	\$ 67	\$ 65
Accounts payable and other current liabilities	65	97
Current portion of long-term debt (note 9)	25	25
Current portion of finance lease obligations	2	1
Regulatory liabilities	13	11
Total current liabilities	172	199
Long-term debt (note 9)	853	853
Finance lease obligations	334	335
Regulatory liabilities	57	55
Deferred income tax	250	240
Other liabilities	20	22
Total liabilities	1,686	1,704
Equity		
Common shares ¹	339	299
Additional paid-in capital	322	322
Retained earnings	280	270
Total equity	941	891
TOTAL LIABILITIES AND EQUITY	\$ 2,627	\$ 2,595

¹ 500 million authorized common shares with a par value of \$100 each; 3.4 million issued and outstanding at June 30, 2023 (December 31, 2022 - 3.0 million).

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Inc.
Condensed Consolidated Statements of Earnings (Unaudited)
For the quarter and six months ended June 30
(in millions of Canadian dollars)

	Quarter ended		Six months ended	
	2023	2022	2023	2022
Revenue (note 5)	\$ 110	\$ 104	\$ 247	\$ 230
Expenses				
Power purchase costs	21	17	68	60
Operating costs	22	26	45	52
Property and other taxes	4	5	9	9
Depreciation and amortization	24	17	48	34
Total expenses	71	65	170	155
Operating income	39	39	77	75
Other income	1	2	2	3
Finance charges (note 6)	19	19	39	37
Earnings before income taxes	21	22	40	41
Income tax expense	3	3	4	5
Net earnings	\$ 18	\$ 19	\$ 36	\$ 36

FortisBC Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the six months ended June 30
(in millions of Canadian dollars, except share numbers)

	Common Shares (# millions)	Common Shares	Additional Paid-in Capital	Retained Earnings	Total
As at December 31, 2021	3.0	\$ 299	\$ 322	\$ 258	\$ 879
Net earnings	-	-	-	36	36
Dividends on common shares	-	-	-	(25)	(25)
As at June 30, 2022	3.0	\$ 299	\$ 322	\$ 269	\$ 890
As at December 31, 2022	3.0	299	322	270	891
Net earnings	-	-	-	36	36
Issuance of common shares	0.4	40	-	-	40
Dividends on common shares	-	-	-	(26)	(26)
As at June 30, 2023	3.4	\$ 339	\$ 322	\$ 280	\$ 941

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the quarter and six months ended June 30
(in millions of Canadian dollars)

	Quarter ended		Six months ended	
	2023	2022	2023	2022
Operating activities				
Net earnings	\$ 18	\$ 19	\$ 36	\$ 36
Adjustments to reconcile net earnings to cash from operating activities:				
Depreciation and amortization	24	17	48	34
Equity component of allowance for funds used during construction	-	(1)	-	(1)
Accrued employee future benefits	(1)	(1)	(2)	(2)
Change in regulatory assets and liabilities	(9)	-	(15)	4
Change in working capital (note 8)	(29)	(21)	(19)	(11)
Cash from operating activities	3	13	48	60
Investing activities				
Property, plant and equipment additions (note 8)	(32)	(28)	(59)	(57)
Intangible asset additions	(2)	(2)	(3)	(3)
Contributions in aid of construction	2	2	4	5
Change in other assets and other liabilities	(2)	(3)	(4)	(4)
Cash used in investing activities	(34)	(31)	(62)	(59)
Financing activities				
Net proceeds from (repayment of) credit facility	43	28	2	(73)
Proceeds from issuance of long-term debt	-	-	-	100
Debt issuance costs	-	-	-	(1)
Repayment of finance lease obligations	(1)	-	(1)	-
Issuance of common shares	-	-	40	-
Dividends on common shares	(13)	(13)	(26)	(25)
Cash from financing activities	29	15	15	1
Net change in cash	(2)	(3)	1	2
Cash at beginning of period	3	5	-	-
Cash at end of period	\$ 1	\$ 2	\$ 1	\$ 2

Supplementary Information to Condensed Consolidated Statements of Cash Flows (note 8).

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Inc.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and six months ended June 30, 2023 and 2022**

1. DESCRIPTION OF THE BUSINESS

FortisBC Inc. ("FBC" or the "Corporation") is a wholly-owned subsidiary of FortisBC Pacific Holdings Inc. ("FortisBC Pacific"), which is an indirect wholly-owned subsidiary of Fortis Inc. ("Fortis"). Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

FBC is an integrated, regulated electric utility operating in the southern interior of British Columbia ("BC"), serving approximately 189,000 customers directly and indirectly. The Corporation's business includes four hydroelectric generating plants, and approximately 7,300 kilometers of transmission and distribution power lines, and a historical peak demand of 835 megawatts, which occurred during the fourth quarter of 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

These Condensed Consolidated Interim Financial Statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for Condensed Consolidated Interim Financial Statements and are presented in Canadian dollars unless otherwise specified. As a result, these Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the Annual Consolidated Financial Statements and should be read in conjunction with the Corporation's 2022 Annual Audited Consolidated Financial Statements. In management's opinion, the Condensed Consolidated Interim Financial Statements include all adjustments that are necessary to present fairly the consolidated financial position of the Corporation.

The accounting policies and methods of application used in the preparation of these Condensed Consolidated Interim Financial Statements are consistent with the accounting policies used in FBC's Annual Audited Consolidated Financial Statements as at December 31, 2022.

The Condensed Consolidated Interim Financial Statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

An evaluation of subsequent events through August 1, 2023, the date these Condensed Consolidated Interim Financial Statements were issued, was completed to determine whether any circumstances warranted recognition or disclosure of events or transactions in the Condensed Consolidated Interim Financial Statements as at June 30, 2023. No subsequent events have been identified for disclosure in these Condensed Consolidated Interim Financial Statements.

New Accounting Policies

FBC considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). During the six months ended June 30, 2023, there were no ASUs issued by FASB that have a material impact on these Condensed Consolidated Interim Financial Statements.

Future Accounting Pronouncements

Any ASUs issued by FASB that are not included in these Condensed Consolidated Interim Financial Statements were assessed and determined to be either not applicable to the Corporation or not expected to have a material impact on these Condensed Consolidated Interim Financial Statements.

3. REGULATORY MATTERS**Decision on Multi-Year Rate Plan ("MRP") for 2020 to 2024**

In June 2020, the British Columbia Utilities Commission ("BCUC") issued its decision on FBC's MRP application for the years 2020 to 2024 ("MRP Decision"). The approved MRP includes, amongst other items, a level of operation and maintenance expense per customer indexed for inflation less a fixed productivity adjustment factor, a forecast approach to the growth and sustainment capital, a number of service quality indicators designed to ensure the Corporation maintains service levels, and a 50/50 sharing between customers and the Corporation of variances from the allowed Return on Equity ("ROE").

FortisBC Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and six months ended June 30, 2023 and 2022

3. REGULATORY MATTERS (continued)

Variations from the allowed ROE subject to sharing include other revenue and certain components of operating and maintenance costs, as well as variations in the utility's regulated rate base amounts, while variations associated with revenues and other expenses, including those that are not controllable or associated with clean growth capital expenditures, are subject to flow-through treatment and refunded to or recovered from customers.

In December 2022, the BCUC approved permanent rates to be effective January 1, 2023. As part of the approval, FBC was directed to remove certain expenditures from rate base and to establish a rate base deferral account to capture any variations in the approved rate increase resulting from final determinations on Stage 1 of the BCUC's current Generic Cost of Capital Proceeding (the "GCOC Proceeding"). FBC had requested an interim rate increase of 3.98 per cent over 2022 rates and a 2023 forecast average rate base of \$1,675 million. In January 2023, FBC filed an application to reconsider the BCUC's decision to reduce its rate base by \$28 million, and to request that the BCUC maintain FBC's 2023 rates as interim pending the outcome of Stage 1 of the GCOC Proceeding. The application was approved by the BCUC in April 2023.

4. SEASONALITY OF OPERATIONS

Interim results fluctuate due to the seasonal demands for electricity, the timing of incurring costs, the movements of electricity prices, and the timing and recognition of regulatory decisions. FBC's operations generally produce higher net earnings in the first and fourth quarters due to variations in customer consumption as a result of cooler weather, higher net earnings in the second quarter due to the timing of power purchases, and lower net earnings 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.

5. REVENUE

Disaggregation of Revenue

The following table presents the disaggregation of the Corporation's revenue by type of customer:

(\$ millions)	Quarter ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Residential	48	41	114	101
Commercial	31	28	62	57
Wholesale	11	11	29	27
Industrial	13	12	27	24
Total electricity revenue	103	92	232	209
Other contract revenue ¹	8	13	17	26
Total revenue from contracts with customers	111	105	249	235
Alternative revenue ²	-	(6)	(6)	(14)
Other revenue ³	(1)	5	4	9
Total revenue	110	104	247	230

¹ Other contract revenue includes utility customer connection fees, surplus power sales, revenue from third party contract work and pole attachments, and revenue from the sale of carbon credits.

² Alternative revenue includes the Earnings Sharing Mechanism, which recognizes the 50/50 sharing of variations from the allowed ROE, and flow-through variations related to tariff-based revenue.

³ Other revenue is primarily comprised of other flow-through and regulatory deferral adjustments resulting from cost recovery variations in regulated forecasts used to set rates for electricity revenue.

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6. FINANCE CHARGES

<i>(\$ millions)</i>	Quarter ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Interest on long-term debt	10	11	21	21
Interest on short-term debt	1	-	2	-
Net interest on debt	11	11	23	21
Interest on finance leases	8	8	16	16
Total finance charges	19	19	39	37

7. EMPLOYEE FUTURE BENEFITS

The Corporation is a sponsor of pension plans for eligible employees. The plans include registered defined benefit pension plans, the supplemental unfunded arrangements, and defined contribution plans. In addition to pensions, the Corporation provides other post-employment benefits ("OPEB") for certain of its retired employees. The net benefit cost for the Corporation's defined benefit pension and supplemental plans and OPEB plans were as follows:

<i>(\$ millions)</i>	Quarter ended June 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2023	2022	2023	2022
Components of net benefit cost				
Service costs	1	1	-	1
Interest costs	3	2	-	-
Expected return on plan assets	(4)	(3)	-	-
Net benefit cost	-	-	-	1

<i>(\$ millions)</i>	Six months ended June 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2023	2022	2023	2022
Components of net benefit cost				
Service costs	1	3	-	1
Interest costs	6	4	-	-
Expected return on plan assets	(7)	(7)	-	-
Net benefit cost	-	-	-	1

The Corporation's estimated 2023 contributions are \$3 million (2022 - \$4 million) for defined benefit pension plans and \$1 million (2022 - \$1 million) for OPEB plans.

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8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(\$ millions)</i>	Quarter ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Change in working capital				
Accounts receivable	10	-	14	2
Prepaid expenses	(6)	3	(8)	-
Accounts payable and other current liabilities	(33)	(24)	(25)	(13)
Total change in working capital	(29)	(21)	(19)	(11)

Non-Cash Investing Activities

<i>(\$ millions)</i>	2023	2022
As at June 30		
Accrued capital expenditures	18	22

9. FINANCIAL INSTRUMENTS
Financial Instruments Not Carried at Fair Value

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

<i>(\$ millions)</i>	Fair Value Hierarchy	As at			
		June 30, 2023		December 31, 2022	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	885	833	885	813