



FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the quarter and six months ended June 30, 2024 and 2023
(Unaudited)

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

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash	\$ 4	\$ -
Accounts receivable and other current assets, net	45	65
Inventories	1	1
Prepaid expenses	13	3
Regulatory assets	10	9
Total current assets	73	78
Property, plant and equipment, net	1,859	1,837
Intangible assets, net	70	70
Regulatory assets	482	471
Other assets	18	17
Goodwill	235	235
TOTAL ASSETS	\$ 2,737	\$ 2,708
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities	\$ 140	\$ 110
Accounts payable and other current liabilities	66	88
Current portion of finance lease obligations	2	2
Regulatory liabilities	8	11
Total current liabilities	216	211
Long-term debt (note 9)	854	853
Finance lease obligations	338	339
Regulatory liabilities	54	50
Deferred income tax	270	261
Other liabilities	47	48
Total liabilities	1,779	1,762
Equity		
Common shares ¹	339	339
Additional paid-in capital	322	322
Retained earnings	297	285
Total equity	958	946
TOTAL LIABILITIES AND EQUITY	\$ 2,737	\$ 2,708

¹ 500 million authorized common shares with a par value of \$100 each; 3.4 million issued and outstanding at June 30, 2024 (December 31, 2023 - 3.4 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	
	2024	2023	2024	2023
Revenue (note 5)	\$ 116	\$ 110	\$ 257	\$ 247
Expenses				
Power purchase costs	21	21	70	68
Operating costs	26	22	50	45
Property and other taxes	4	4	9	9
Depreciation and amortization	22	24	44	48
Total expenses	73	71	173	170
Operating income	43	39	84	77
Other income	2	1	3	2
Finance charges (note 6)	20	19	40	39
Earnings before income taxes	25	21	47	40
Income tax expense	5	3	8	4
Net earnings	\$ 20	\$ 18	\$ 39	\$ 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, 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
As at December 31, 2023	3.4	\$ 339	\$ 322	\$ 285	\$ 946
Net earnings	-	-	-	39	39
Dividends on common shares	-	-	-	(27)	(27)
As at June 30, 2024	3.4	\$ 339	\$ 322	\$ 297	\$ 958

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	
	2024	2023	2024	2023
Operating activities				
Net earnings	\$ 20	\$ 18	\$ 39	\$ 36
Adjustments to reconcile net earnings to cash from operating activities:				
Depreciation and amortization	22	24	44	48
Accrued employee future benefits	(2)	(1)	(3)	(2)
Change in regulatory assets and liabilities	(8)	(9)	(10)	(15)
Change in working capital (note 8)	(7)	(29)	(9)	(19)
Cash from operating activities	25	3	61	48
Investing activities				
Property, plant and equipment additions (note 8)	(30)	(32)	(57)	(59)
Intangible asset additions	(2)	(2)	(3)	(3)
Contributions in aid of construction	2	2	4	4
Change in other assets and other liabilities	(1)	(2)	(3)	(4)
Cash used in investing activities	(31)	(34)	(59)	(62)
Financing activities				
Net proceeds from credit facility	22	43	30	2
Repayment of finance lease obligations	(1)	(1)	(1)	(1)
Issuance of common shares	-	-	-	40
Dividends on common shares	(14)	(13)	(27)	(26)
Cash from financing activities	7	29	2	15
Net change in cash	1	(2)	4	1
Cash at beginning of period	3	3	-	-
Cash at end of period	\$ 4	\$ 1	\$ 4	\$ 1

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, 2024 and 2023**

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 191,700 customers directly and indirectly. The Corporation's business includes four hydroelectric generating plants, approximately 7,300 kilometers of transmission and distribution power lines, and a historical peak demand of 835 megawatts.

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 2023 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, 2023.

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 July 30, 2024, 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, 2024. 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, 2024, there were no ASUs issued by FASB that have a material impact on these Condensed Consolidated 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 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.

Improvements to Reportable Segment Disclosures

ASU No. 2023-07, *Improvements to Reportable Segment Disclosures*, issued in December 2023, is effective for the Corporation's December 31, 2024 annual financial statements, and for interim periods beginning in 2025, on a retrospective basis. The ASU requires disclosure of incremental segment information, including those for single reportable segments, incorporating significant segment expenses and other items that are included in segment profit or loss. The Corporation is assessing the impact of adoption of this ASU on the disclosures to its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Improvements to Income Tax Disclosures*

ASU No. 2023-09, *Improvements to Income Tax Disclosures*, issued in December 2023, is effective for the Corporation January 1, 2025 on a prospective basis, with retrospective application and early adoption permitted. Principally, it requires additional disclosure of income tax information by jurisdiction to reflect an entity's exposure to potential changes in tax legislation, and associated risks and opportunities. The Corporation is assessing the impact of adoption of this ASU on the disclosures to its consolidated financial statements.

3. REGULATORY MATTERS**Allowed Return on Equity and Capital Structure**

In September 2023, the BCUC issued its decision on Stage 1 of the Generic Cost of Capital ("GCOC") Proceeding ("GCOC Stage 1 Decision") for FBC and FEI. In its decision, the BCUC determined that FBC's deemed equity component of capital structure and allowed ROE will change from 40 per cent and 9.15 per cent to 41 per cent and 9.65 per cent, respectively, effective January 1, 2023. The 2023 year-to-date net impact of the change in cost of capital was recognized in the third quarter of 2023. The BCUC also determined that neither a formulaic ROE automatic adjustment mechanism nor specific criteria or other triggers for future cost of capital proceedings are warranted, and instead will remain in effect until otherwise determined by the BCUC.

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").

Variances from the allowed ROE subject to sharing include other revenue and certain components of operating and maintenance costs, as well as variances in the utility's regulated rate base amounts, while variances 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 2023, the BCUC approved a 2024 rate increase of 6.74 per cent over 2023 rates and a 2024 forecast average rate base of \$1,715 million.

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 second quarter due to the timing of power purchases, with lower net earnings in the third quarter and higher net earnings in the first and fourth quarters due to variances in customer load as a result of weather. 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.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and six months ended June 30, 2024 and 2023

5. REVENUE

Disaggregation of Revenue

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

	Quarter ended June 30		Six months ended June 30	
(\$ millions)	2024	2023	2024	2023
Residential	42	48	113	114
Commercial	31	31	64	62
Wholesale	13	11	31	29
Industrial	15	13	29	27
Total electricity revenue	101	103	237	232
Other contract revenue ¹	9	8	19	17
Total revenue from contracts with customers	110	111	256	249
Alternative revenue ²	4	-	(3)	(6)
Other revenue ³	2	(1)	4	4
Total revenue	116	110	257	247

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

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

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

6. FINANCE CHARGES

	Quarter ended June 30		Six months ended June 30	
(\$ millions)	2024	2023	2024	2023
Interest on long-term debt	11	10	21	21
Interest on short-term debt	1	1	3	2
Net interest on debt	12	11	24	23
Interest on finance leases	8	8	16	16
Total finance charges	20	19	40	39

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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 following table presents the net benefit cost for these plans.

(\$ millions)	Quarter ended June 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2024	2023	2024	2023
Components of net benefit cost				
Service costs	1	1	-	-
Interest costs	3	3	1	-
Expected return on plan assets	(4)	(4)	-	-
Net benefit cost	-	-	1	-

(\$ millions)	Six months ended June 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2024	2023	2024	2023
Components of net benefit cost				
Service costs	2	1	-	-
Interest costs	6	6	1	-
Expected return on plan assets	(8)	(7)	-	-
Net benefit cost	-	-	1	-

The Corporation's estimated annual 2024 contributions are \$3 million (2023 - \$3 million) for defined benefit pension plans and \$1 million (2023 - \$1 million) for OPEB plans.

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ millions)	Quarter ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Change in working capital				
Accounts receivable and other current assets	33	10	20	14
Prepaid expenses	(8)	(6)	(10)	(8)
Accounts payable and other current liabilities	(32)	(33)	(19)	(25)
Total change in working capital	(7)	(29)	(9)	(19)

Non-Cash Investing Activities

(\$ millions)	2024	2023
As at June 30		
Accrued capital expenditures	16	18

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9. FINANCIAL INSTRUMENTS

Financial Instruments Not Carried At Fair Value

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

		As at			
		June 30, 2024		December 31, 2023	
<i>(\$ millions)</i>	Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	860	812	860	849