



FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the quarter and nine months ended September 30, 2022 and 2021
(Unaudited)

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

ASSETS	September 30, 2022	December 31, 2021
Current assets		
Cash	\$ 11	\$ -
Accounts receivable, net	76	66
Prepaid expenses	11	2
Other assets	1	1
Regulatory assets	7	7
Total current assets	106	76
Property, plant and equipment, net	1,762	1,720
Intangible assets, net	66	65
Regulatory assets	446	424
Other assets	17	17
Goodwill	235	235
TOTAL ASSETS	\$ 2,632	\$ 2,537
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities	\$ 60	\$ 116
Accounts payable and other current liabilities	104	98
Current portion of long-term debt (note 9)	25	-
Current portion of finance lease obligations	1	1
Regulatory liabilities	10	5
Total current liabilities	200	220
Long-term debt (note 9)	853	779
Finance lease obligations	340	332
Regulatory liabilities	50	34
Deferred income tax	234	226
Other liabilities	64	67
Total liabilities	1,741	1,658
Equity		
Common shares ¹	299	299
Additional paid-in capital	322	322
Retained earnings	270	258
Total equity	891	879
TOTAL LIABILITIES AND EQUITY	\$ 2,632	\$ 2,537

¹ 500 million authorized common shares with a par value of \$100 each; 3.0 million issued and outstanding at September 30, 2022 and December 31, 2021.

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

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

	Quarter ended		Nine months ended	
	2022	2021	2022	2021
Revenue (note 5)	\$ 112	\$ 104	\$ 342	\$ 325
Expenses				
Power purchase costs	37	34	97	95
Operating costs	24	21	76	68
Property and other taxes	4	4	13	13
Depreciation and amortization	16	16	50	49
Total expenses	81	75	236	225
Operating income	31	29	106	100
Other income	2	2	5	4
Finance charges (note 6)	19	18	56	54
Earnings before income taxes	14	13	55	50
Income tax expense	1	2	6	7
Net earnings	\$ 13	\$ 11	\$ 49	\$ 43

FortisBC Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the nine months ended September 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, 2020	2.7	\$ 269	\$ 322	\$ 249	\$ 840
Net earnings	-	-	-	43	43
Dividends on common shares	-	-	-	(35)	(35)
As at September 30, 2021	2.7	\$ 269	\$ 322	\$ 257	\$ 848
As at December 31, 2021	3.0	299	322	258	879
Net earnings	-	-	-	49	49
Dividends on common shares	-	-	-	(37)	(37)
As at September 30, 2022	3.0	\$ 299	\$ 322	\$ 270	\$ 891

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

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

	Quarter ended		Nine months ended	
	2022	2021	2022	2021
Operating activities				
Net earnings	\$ 13	\$ 11	\$ 49	\$ 43
Adjustments to reconcile net earnings to cash from operating activities:				
Depreciation and amortization	16	16	50	49
Accrued employee future benefits	(1)	-	(3)	(1)
Equity component of allowance for funds used during construction	-	-	(1)	(1)
Change in regulatory assets and liabilities	8	4	12	7
Change in working capital (note 8)	(1)	1	(12)	13
Cash from operating activities	35	32	95	110
Investing activities				
Property, plant and equipment additions (note 8)	(30)	(33)	(87)	(88)
Intangible asset additions	(1)	(1)	(4)	(4)
Contributions in aid of construction	2	2	7	6
Change in other assets and other liabilities	(2)	(2)	(6)	(6)
Cash used in investing activities	(31)	(34)	(90)	(92)
Financing activities				
Net proceeds from (repayment of) credit facility	17	14	(56)	20
Proceeds from issuance of long-term debt	-	-	100	-
Debt issuance costs	-	-	(1)	-
Dividends on common shares	(12)	(11)	(37)	(35)
Cash from (used in) financing activities	5	3	6	(15)
Net change in cash	9	1	11	3
Cash at beginning of period	2	2	-	-
Cash at end of period	\$ 11	\$ 3	\$ 11	\$ 3

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 nine months ended September 30, 2022 and 2021**

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 186,600 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 777 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 2021 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, 2021.

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 October 27, 2022, 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 September 30, 2022. Subsequent events have been appropriately disclosed 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 nine months ended September 30, 2022, 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.

FortisBC Inc.
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and nine months ended September 30, 2022 and 2021**
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”).

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 2021, the BCUC approved a rate increase of 3.47 per cent over 2021 rates, effective January 1, 2022. As part of this filing, a 2022 average rate base of \$1,583 million was approved.

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.

5. REVENUE
Disaggregation of Revenue

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

(\$ millions)	Quarter ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Residential	50	45	151	146
Commercial	28	32	85	85
Wholesale	12	12	39	38
Industrial	11	8	35	27
Total electricity revenue	101	97	310	296
Other contract revenue ¹	20	11	46	33
Total revenue from contracts with customers	121	108	356	329
Alternative revenue ²	(8)	(4)	(22)	(11)
Other revenue ³	(1)	-	8	7
Total revenue	112	104	342	325

¹ Other contract revenue includes utility customer connection fees, surplus capacity 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.

FortisBC Inc.
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and nine months ended September 30, 2022 and 2021**
6. FINANCE CHARGES

(\$ millions)	Quarter ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Interest on long-term debt	10	10	31	30
Interest on short-term debt	2	1	2	1
Debt component of allowance for funds used during construction	(1)	(1)	(1)	(1)
Net interest on debt	11	10	32	30
Interest on finance leases	8	8	24	24
Total finance charges	19	18	56	54

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 September 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2022	2021	2022	2021
Components of net benefit cost				
Service costs	1	2	-	1
Interest costs	3	2	-	-
Expected return on plan assets	(4)	(4)	-	-
Net benefit cost	-	-	-	1

(\$ millions)	Nine months ended September 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2022	2021	2022	2021
Components of net benefit cost				
Service costs	4	6	1	1
Interest costs	7	6	-	-
Expected return on plan assets	(11)	(10)	-	-
Amortization of actuarial losses	-	1	-	-
Net benefit cost	-	3	1	1

The Corporation's estimated annual 2022 contributions are \$4 million (2021 - \$4 million) for defined benefit pension plans and \$1 million (2021 - \$1 million) for OPEB plans.

FortisBC Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and nine months ended September 30, 2022 and 2021

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(\$ millions)</i>	Quarter ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Change in working capital				
Accounts receivable	(12)	4	(10)	10
Prepaid expenses	(9)	(8)	(9)	(8)
Accounts payable and other current liabilities	20	5	7	11
Total change in working capital	(1)	1	(12)	13

Non-Cash Investing Activities

<i>(\$ millions)</i>	2022	2021
As at September 30		
Accrued capital expenditures	24	18

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			
		September 30, 2022		December 31, 2021	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	885	824	785	979