



**FortisBC Inc.**

An indirect subsidiary of Fortis Inc.

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

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

<b>ASSETS</b>	<b>September 30, 2023</b>	December 31, 2022
<b>Current assets</b>		
Cash	\$ 1	\$ -
Accounts receivable and other current assets, net	62	68
Inventories	1	1
Prepaid expenses	11	3
Regulatory assets	8	8
<b>Total current assets</b>	<b>83</b>	80
<b>Property, plant and equipment, net</b>	<b>1,816</b>	1,784
<b>Intangible assets, net</b>	<b>68</b>	68
<b>Regulatory assets</b>	<b>446</b>	412
<b>Other assets</b>	<b>17</b>	16
<b>Goodwill</b>	<b>235</b>	235
<b>TOTAL ASSETS</b>	<b>\$ 2,665</b>	\$ 2,595
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Credit facilities	\$ 79	\$ 65
Accounts payable and other current liabilities	96	97
Current portion of long-term debt (note 9)	-	25
Current portion of finance lease obligations	2	1
Regulatory liabilities	11	11
<b>Total current liabilities</b>	<b>188</b>	199
<b>Long-term debt</b> (note 9)	<b>853</b>	853
<b>Finance lease obligations</b>	<b>342</b>	335
<b>Regulatory liabilities</b>	<b>64</b>	55
<b>Deferred income tax</b>	<b>255</b>	240
<b>Other liabilities</b>	<b>19</b>	22
<b>Total liabilities</b>	<b>1,721</b>	1,704
<b>Equity</b>		
Common shares <sup>1</sup>	339	299
Additional paid-in capital	322	322
Retained earnings	283	270
<b>Total equity</b>	<b>944</b>	891
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,665</b>	\$ 2,595

<sup>1</sup> 500 million authorized common shares with a par value of \$100 each; 3.4 million issued and outstanding at September 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 nine months ended September 30**  
(in millions of Canadian dollars)

	Quarter ended		Nine months ended	
	2023	2022	2023	2022
<b>Revenue</b> (note 5)	\$ 124	\$ 112	\$ 371	\$ 342
<b>Expenses</b>				
Power purchase costs	38	37	106	97
Operating costs	22	24	67	76
Property and other taxes	5	4	14	13
Depreciation and amortization	24	16	72	50
<b>Total expenses</b>	<b>89</b>	<b>81</b>	<b>259</b>	<b>236</b>
<b>Operating income</b>	<b>35</b>	<b>31</b>	<b>112</b>	<b>106</b>
Other income	1	2	3	5
Finance charges (note 6)	20	19	59	56
<b>Earnings before income taxes</b>	<b>16</b>	<b>14</b>	<b>56</b>	<b>55</b>
Income tax expense	1	1	5	6
<b>Net earnings</b>	<b>\$ 15</b>	<b>\$ 13</b>	<b>\$ 51</b>	<b>\$ 49</b>

**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, 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
As at December 31, 2022	<b>3.0</b>	<b>\$ 299</b>	<b>\$ 322</b>	<b>\$ 270</b>	<b>\$ 891</b>
Net earnings	-	-	-	51	51
Issuance of common shares	0.4	40	-	-	40
Dividends on common shares	-	-	-	(38)	(38)
<b>As at September 30, 2023</b>	<b>3.4</b>	<b>\$ 339</b>	<b>\$ 322</b>	<b>\$ 283</b>	<b>\$ 944</b>

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	
	2023	2022	2023	2022
<b>Operating activities</b>				
Net earnings	\$ 15	\$ 13	\$ 51	\$ 49
Adjustments to reconcile net earnings to cash from operating activities:				
Depreciation and amortization	24	16	72	50
Equity component of allowance for funds used during construction	-	-	-	(1)
Accrued employee future benefits	(1)	(1)	(3)	(3)
Change in regulatory assets and liabilities	(9)	8	(24)	12
Change in working capital (note 8)	27	(1)	8	(12)
<b>Cash from operating activities</b>	<b>56</b>	35	<b>104</b>	95
<b>Investing activities</b>				
Property, plant and equipment additions (note 8)	(29)	(30)	(88)	(87)
Intangible asset additions	(1)	(1)	(4)	(4)
Contributions in aid of construction	2	2	6	7
Change in other assets and other liabilities	(3)	(2)	(7)	(6)
<b>Cash used in investing activities</b>	<b>(31)</b>	(31)	<b>(93)</b>	(90)
<b>Financing activities</b>				
Net proceeds from (repayment of) credit facility	12	17	14	(56)
(Repayment of) proceeds from issuance of long-term debt	(25)	-	(25)	100
Debt issuance costs	-	-	-	(1)
Repayment of finance lease obligations	-	-	(1)	-
Issuance of common shares	-	-	40	-
Dividends on common shares	(12)	(12)	(38)	(37)
<b>Cash (used in) from financing activities</b>	<b>(25)</b>	5	<b>(10)</b>	6
<b>Net change in cash</b>	<b>-</b>	9	<b>1</b>	11
Cash at beginning of period	1	2	-	-
<b>Cash at end of period</b>	<b>\$ 1</b>	\$ 11	<b>\$ 1</b>	\$ 11

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, 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 189,400 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 October 26, 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 September 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 nine months ended September 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****Allowed Return on Equity and Capital Structure**

In January 2021, the BCUC announced that a Generic Cost of Capital ("GCOC") Proceeding was being initiated, including a review of the deemed common equity component of total capital structure and the allowed Return on Equity ("ROE") on common equity for regulated utilities in BC. The BCUC determined the GCOC Proceeding would move forward in stages. The first stage addressed the allowed ROE and deemed equity component of capital structure for FBC and FEI and the effective date for any change, whether re-establishment of a formulaic ROE automatic adjustment mechanism is warranted and if so, what it would look like and when it would take effect, and the criteria or other triggers for a future cost of capital proceeding. Other utilities will be reviewed in Stage 2. The BCUC has also determined it will address deferral account financing costs after the completion of both Stages 1 and 2.

In September 2023, the BCUC issued its decision on Stage 1 of the 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 year-to-date net impact of the change in cost of capital has been recognized in the third quarter. 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.

**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 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 variances 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 approximately \$1,676 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.

As part of the GCOC Decision, FBC was directed to file a Compliance Filing for permanent 2023 rates within thirty days. In late September 2023, FBC filed the Compliance Filing which included a deferral of the 2023 revenue deficiency resulting from the GCOC Stage 1 Decision, and a request for approval to make 2023 interim rates permanent. As part of the Compliance Filing, FBC has also proposed to refinance the capital structure in either the fourth quarter of 2023 or first quarter of 2024. The BCUC approved the Compliance Filing in October 2023. The Compliance Filing included a 2023 forecast average rate base of \$1,676 million.

**FortisBC Inc.**
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)  
For the quarter and nine months ended September 30, 2023 and 2022**
**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 variances 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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Residential	49	50	164	151
Commercial	33	28	94	85
Wholesale	14	12	43	39
Industrial	12	11	39	35
<b>Total electricity revenue</b>	<b>108</b>	<b>101</b>	<b>340</b>	<b>310</b>
Other contract revenue <sup>1</sup>	16	20	33	46
<b>Total revenue from contracts with customers</b>	<b>124</b>	<b>121</b>	<b>373</b>	<b>356</b>
Alternative revenue <sup>2</sup>	(4)	(8)	(10)	(22)
Other revenue <sup>3</sup>	4	(1)	8	8
<b>Total revenue</b>	<b>124</b>	<b>112</b>	<b>371</b>	<b>342</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Other revenue is primarily comprised of other flow-through and regulatory deferral adjustments, including other revenue recognized resulting from the GCOC Stage 1 Decision, resulting from cost recovery variances in regulated forecasts used to set rates for electricity revenue.

**6. FINANCE CHARGES**

(\$ millions)	Quarter ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Interest on long-term debt	11	10	32	31
Interest on short-term debt	1	2	3	2
Debt component of allowance for funds used during construction	-	(1)	-	(1)
<b>Net interest on debt</b>	<b>12</b>	<b>11</b>	<b>35</b>	<b>32</b>
Interest on finance leases	8	8	24	24
<b>Total finance charges</b>	<b>20</b>	<b>19</b>	<b>59</b>	<b>56</b>

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

(\$ millions)	Quarter ended September 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2023	2022	2023	2022
<b>Components of net benefit cost</b>				
Service costs	1	1	1	-
Interest costs	2	3	1	-
Expected return on plan assets	(4)	(4)	-	-
Amortization of actuarial gain	-	-	(1)	-
Amortization of past service costs	(1)	-	-	-
Regulatory adjustment	1	-	-	-
<b>Net benefit cost</b>	<b>(1)</b>	<b>-</b>	<b>1</b>	<b>-</b>

(\$ millions)	Nine months ended September 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2023	2022	2023	2022
<b>Components of net benefit cost</b>				
Service costs	2	4	1	1
Interest costs	8	7	1	-
Expected return on plan assets	(11)	(11)	-	-
Amortization of actuarial gain	-	-	(1)	-
Amortization of past service costs	(1)	-	-	-
Regulatory adjustment	1	-	-	-
<b>Net benefit cost</b>	<b>(1)</b>	<b>-</b>	<b>1</b>	<b>1</b>

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.



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

**8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(\$ millions)</i>	Quarter ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Change in working capital</b>				
Accounts receivable and other current assets, net	(8)	(12)	6	(10)
Prepaid expenses	-	(9)	(8)	(9)
Accounts payable and other current liabilities	35	20	10	7
<b>Total change in working capital</b>	<b>27</b>	<b>(1)</b>	<b>8</b>	<b>(12)</b>

**Non-Cash Investing Activities**

<i>(\$ millions)</i>	2023	2022
<b>As at September 30</b>		
Accrued capital expenditures	16	24

**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, 2023		December 31, 2022	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	860	752	885	813