FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2019 and 2018
(Unaudited)

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

ASSETS	**March 31, 2019**	December 31, 2018
Current assets		
Cash	**$ 1**	$ -
Accounts receivable	**55**	53
Prepaid expenses	**4**	2
Other assets	**1**	1
Regulatory assets	**6**	6
Total current assets	**67**	62
Property, plant and equipment, net (note 10)	**1,544**	1,534
Intangible assets, net	**57**	57
Regulatory assets (note 10)	**355**	345
Other assets (note 10)	**7**	5
Goodwill	**235**	235
TOTAL ASSETS	**$ 2,265**	$ 2,238
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities	**$ 70**	$ 68
Accounts payable and other current liabilities (note 10)	**85**	76
Current portion of finance leases (note 10)	**1**	1
Regulatory liabilities	**11**	14
Total current liabilities	**167**	159
Long-term debt	**729**	729
Finance leases (note 10)	**329**	322
Regulatory liabilities	**26**	19
Deferred income taxes	**177**	175
Other liabilities (note 10)	**58**	57
Total liabilities	**1,486**	1,461
Equity		
Common shares	**219**	219
Additional paid-in capital	**322**	322
Retained earnings	**238**	236
Total equity	**779**	777
TOTAL LIABILITIES AND EQUITY	**$ 2,265**	$ 2,238

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

FORTIS BC

FortisBC Inc.
Condensed Consolidated Statements of Earnings (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars)

	2019	2018
Revenue (note 5)	**$ 113**	$ 108
Expenses		
Power purchase costs	**47**	44
Operating costs	**20**	20
Property and other taxes	**4**	4
Depreciation and amortization	**15**	15
Total expenses	**86**	83
Operating income	**27**	25
Other income	**1**	1
Finance charges	**10**	10
Earnings before income taxes	**18**	16
Income tax expense	**4**	3
Net earnings	**$ 14**	$ 13

FortisBC Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars)

	Common Shares	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
As at December 31, 2017	$ 219	$ 322	$ 230	$ 771
Net earnings	-	-	13	13
Dividends on common shares	-	-	(11)	(11)
As at March 31, 2018	219	322	232	773
As at December 31, 2018	**219**	**322**	**236**	**777**
Net earnings	**-**	**-**	**14**	**14**
Dividends on common shares	**-**	**-**	**(12)**	**(12)**
As at March 31, 2019	**$ 219**	**$ 322**	**$ 238**	**$ 779**

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

FortisBC Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars)

	2019	2018
Operating activities		
Net earnings	$ 14	$ 13
Adjustments for non-cash items		
Depreciation and amortization	15	15
Change in regulatory assets and liabilities	3	4
Change in working capital (note 7)	3	3
Cash from operating activities	35	35
Investing activities		
Property, plant and equipment additions (note 7)	(24)	(29)
Intangible asset additions	(1)	-
Contributions in aid of construction	2	3
Change in other long-term assets and liabilities	(1)	-
Cash used in investing activities	(24)	(26)
Financing activities		
Net proceeds from credit facilities	2	2
Dividends on common shares	(12)	(11)
Cash used in financing activities	(10)	(9)
Net change in cash	1	-
Cash at beginning of period	-	-
Cash at end of period	$ 1	$ -

Supplementary Information to Condensed Consolidated Statements of Cash Flows (note 7).

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

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 176,700 customers directly and indirectly. The Corporation's business includes four hydroelectric generating plants, approximately 7,260 kilometers of transmission and distribution power lines, and a peak demand of 746 MW.

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 of the information and disclosures required in the Annual Consolidated Financial Statements and should be read in conjunction with the Corporation's 2018 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.

With the exception of the new accounting policies listed below, 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, 2018.

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

An evaluation of subsequent events through April 30, 2019, 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 Financial Statements as at March 31, 2019. Subsequent events have been appropriately disclosed in these Condensed Consolidated Interim Financial Statements.

New Accounting Policies

Leases

Effective January 1, 2019, FBC adopted ASU No. 2016-02, *Leases* (ASC Topic 842), that requires lessees to recognize a right-of-use asset and lease liability for all leases with a lease term greater than 12 months, along with additional quantitative and qualitative disclosures. The Corporation applied the transition provisions as of the adoption date and did not retrospectively adjust prior periods. FBC elected a package of implementation options, referred to as practical expedients, that allowed it to not reassess: (i) whether existing contracts, including land easements, are or contain a lease; (ii) the lease classification of existing leases; or (iii) the initial direct costs for existing leases. Also, the Corporation utilized the hindsight practical expedient to determine the lease term. Upon adoption, the Corporation did not identify or record an adjustment to the opening balance of retained earnings, and there was no impact on net earnings or cash flows.

When a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and lease liability are recognized. At inception, the right-of-use asset and liability are both measured at the present value of future lease payments, excluding variable payments that are based on usage or performance. For operating leases, the future lease payments include both lease components (e.g., rent, real estate taxes and insurance costs) and non-lease components (e.g., common area maintenance costs), which FBC accounts for as a single lease component. The Corporation has not elected to combine lease and non-lease components for the finance leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The present value is calculated using the rate implicit in the lease or a lease-specific secured interest rate based on the remaining lease term. Renewal options are included in the lease term when it is reasonably certain that the option will be exercised.

Leases with a term of twelve months or less are not recorded on the balance sheet but are recognized as lease expense straight-line over the lease term.

As at March 31, 2019, the Corporation recognized $1 million of right-of-use assets and lease liabilities primarily related to office facilities. Refer to Note 10 for additional disclosure on FBC's leasing arrangements.

Future Accounting Pronouncements

FBC considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). The following updates have been issued by FASB, but have not yet been adopted by FBC. Any ASUs not included below were assessed and determined to be either not applicable to the Corporation or are not expected to have a material impact on the Consolidated Financial Statements.

Measurement of Credit Losses on Financial Instruments

ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, issued in June 2016, is effective for FBC January 1, 2020, and is to be applied on a modified retrospective basis. Principally, it requires entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to estimate credit losses. FBC does not expect the adoption of this ASU to have a material impact on the Consolidated Financial Statements and related disclosures.

Fair Value Measurement Disclosures

ASU No. 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement, issued in August 2018, is effective for FBC January 1, 2020 and is to be primarily applied on a retrospective basis, with certain disclosures requiring prospective application. Principally, it improves the effectiveness of financial statement note disclosures by clarifying what is required and important to users of the financial statements. FBC does not expect the adoption of this ASU to have a material impact on the Consolidated Financial Statements and related disclosures.

Pensions and Other Postretirement Plan Disclosures

ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*, issued in August 2018, is effective for FBC January 1, 2021 and is to be applied on a retrospective basis for all periods presented. Principally, it modifies the disclosure requirements for employers with defined pension or other post-retirement plans and clarifies disclosure requirements. In addition, the amendments remove (a) the amounts in accumulated other comprehensive income expected to be recognized as components of net period benefit costs over the next fiscal period, (b) the amount and timing of plan assets expected to be returned to the employer, and (c) the effects of a one-percentage-point change on the assumed health care costs and the change in rates on service cost, interest cost and the benefit obligation for post-retirement health care benefits. FBC does not expect the adoption of this ASU to have a material impact on the Consolidated Financial Statements and related disclosures.

3. REGULATORY MATTERS

Performance Based Ratemaking Plan for 2014 to 2019

In September 2014, the British Columbia Utilities Commission ("BCUC") issued its decision on FBC's Performance Based Ratemaking Plan setting out the rate-setting framework for the years 2014 to 2019.

In December 2018, the BCUC issued its decision on FBC's 2019 delivery rates on an interim basis pending the BCUC's decision regarding FBC's 2019-2022 Demand Side Management Expenditures Application. The interim rate decision resulted in a 2019 average rate base of approximately $1,341 million and no increase to rates. 2019 rates would have otherwise decreased had FBC not requested in the application to defer a revenue surplus for the year, which will be refunded to customers in future rates. In March 2019, the DSM Expenditures Application decision was received and in April 2019 the BCUC approved FBC's 2019 interim rates on a permanent basis, effective January 1, 2019.

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, lower net earnings in the third quarter and higher net earnings in the first and fourth quarters due to increased customer load as a result of cooler weather, while 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 for the three months ended March 31:

($ millions)	**2019**	2018
Residential	**58**	56
Commercial	**26**	24
Wholesale	**14**	14
Industrial	**8**	7
Total electric revenue	**106**	101
Other contract revenue [1]	**8**	6
Revenue from contracts with customers	**114**	107
Alternative revenue	**(8)**	(4)
Other revenue [2]	**7**	5
Total revenue	**113**	108

[1] Other contract revenue includes customer connection fees, surplus capacity sales, third party contract work and pole attachments.

[2] Other revenue is primarily comprised of regulatory deferral adjustments resulting primarily from cost recovery variances in regulated forecasts used to set rates for electricity revenue.

6. EMPLOYEE FUTURE BENEFITS

The Corporation is a sponsor of pension plans for eligible employees. The plans include registered defined benefit pension plans, 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 three months ended March 31 was as follows:

	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
($ millions)	**2019**	2018	**2019**	2018
Service costs	**1**	2	**-**	1
Interest costs	**2**	2	**-**	-
Expected return on plan assets	**(3)**	(3)	**-**	-
Amortization:				
Actuarial losses	**1**	-	**-**	-
Net benefit cost	**1**	1	**-**	1

During 2019, the Corporation expects to contribute $5 million for defined benefit pension plans and make payments of $1 million for OPEB plans.

7. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

The supplementary information to the Condensed Consolidated Statements of Cash Flows for the three months ended March 31 was as follows:

Significant Non-Cash Transactions

($ millions)	**2019**	2018
Change in capital expenditures	**-**	(4)
Change in regulated asset for deferred income taxes	**(1)**	(1)
Change in regulated asset for Brilliant Power Purchase Agreement lease costs	**(9)**	(9)

Change in Working Capital

($ millions)	**2019**	2018
Accounts receivable	**(2)**	(3)
Prepaid expenses	**(2)**	(2)
Accounts payable and other current liabilities	**7**	12
Net income taxes receivable and payable	**-**	(1)
Net current regulatory assets and liabilities	**-**	(3)
Change in working capital per Statements of Cash Flows	**3**	3

The non-cash investing activities balances as at March 31 were as follows:

($ millions)	**2019**	2018
Accrued capital expenditures	**12**	9

8. FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the market price to sell an asset or transfer a liability at the measurement date. The Corporation uses the following methods and assumptions for estimating the fair value of financial instruments:

- The carrying values of cash, accounts receivable, accounts payable, other current assets and liabilities and borrowings under the credit facilities on the Condensed Consolidated Balance Sheets of the Corporation approximate their fair values due to the short-term nature of these financial instruments. These items have been excluded from the table below.
- For long-term debt, the Corporation uses quoted market prices when available. When quoted market prices are not available, the fair value is determined by discounting the future cash flows of the specific debt instrument at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Corporation does not intend to settle long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

The use of different estimation methods and market assumptions may yield different estimated fair value amounts. The following table includes the carrying value and estimated fair value of the Corporation's secured and unsecured long-term debt:

($ millions)	Fair Value Hierarchy	March 31, 2019 Carrying Value	March 31, 2019 Estimated Fair Value	December 31, 2018 Carrying Value	December 31, 2018 Estimated Fair Value
Long-term debt, including current portion [1]	Level 2	**735**	**907**	735	848

[1] Carrying value excludes unamortized debt issuance costs.

9. GUARANTEES

The Corporation had letters of credit outstanding at March 31, 2019 totaling $1 million (December 31, 2018 - $1 million) primarily to support the funding of one of the Corporation's pension plans and a wheeling agreement.

10. LEASES

Finance Leases

The Corporation has recognized finance leases for the Brilliant Power Purchase Agreement ("BPPA"), which is an arrangement that contains a lease for the sale of the output of the Brilliant hydroelectric plant, and for the Brilliant Terminal Station ("BTS"). In exchange for the specified take-or-pay amounts of power, the BPPA requires semi-annual payments based on a return on capital, which is composed of the original plant capital charge and periodic upgrade capital charges, as well as sustaining capital charges, and related operating costs. Under the BTS, FBC pays semi-annual payments based on a charge related to the recovery of the capital cost of the BTS, and related operating costs.

Office Facility Operating Lease

The Corporation leases an office facility from a related party, FortisBC Energy Inc., with a remaining term of 4 years and with no remaining options to extend the term of the agreement. The rental payment is fixed throughout the term of the lease with no escalating factors and there are no additional variable payments above the fixed monthly rent.

10. LEASES (continued)

The following table details supplemental balance sheet information related to the Corporation's leases:

($ millions)	Classification	March 31, 2019
Assets		
Long-term		
Operating leases	Other assets	**1**
Finance leases	Property, plant and equipment, net	**211**
Finance lease deferral	Regulatory assets	**119**
Total lease assets		**331**
Liabilities		
Current		
Operating leases	Accounts payable and other current liabilities	**-**
Finance leases	Current portion of finance lease	**1**
Long-term		
Operating leases	Other liabilities	**1**
Finance leases	Finance lease	**329**
Total lease liabilities		**331**

The following table presents the components of the Corporation's lease cost:

($ millions)	Classification	March 31, 2019
Operating lease cost [1]	Operating costs	**-**
Finance lease cost		
Purchased power	Power purchase costs	**7**
Operating costs	Operating costs	**1**
Variable lease cost	Power purchase costs / Operating costs	**2**
Total lease cost		**10**

[1] Includes short-term leases and variable lease costs which are immaterial.

For the three months ended March 31, 2018, operating lease cost was immaterial.

As at March 31, 2019, the present value of the future cash flows required over the next five years and thereafter are as follows:

($ millions)	Operating Leases	Finance Leases	Total
2019	**-**	**44**	**44**
2020	**-**	**45**	**45**
2021	**-**	**45**	**45**
2022	**1**	**46**	**47**
2023	**-**	**47**	**47**
Thereafter	**-**	**1,882**	**1,882**
Subtotal	**1**	**2,109**	**2,110**
Less: amounts representing imputed interest and executory costs	**-**	**1,779**	**1,779**
Total operating and finance leases	**1**	**330**	**331**
Less: current portion	**-**	**1**	**1**
Long-term portion	**1**	**329**	**330**

10. LEASES (continued)

The Corporation provides the following supplemental information related to its leases:

Lease Term and Discount Rate	March 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	4
Finance leases	36
Weighted-average discount rate (%)	
Operating leases	3.0%
Finance leases	5.2%

Other Information	March 31, 2019
($ millions)	
Supplementary non-cash information	
Right-of-use assets obtained in exchange for new operating lease liabilities	1