



**FortisBC Inc.**

An indirect subsidiary of Fortis Inc.

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

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

	June 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2	\$ -
Accounts receivable, net	64	66
Prepaid expenses	2	2
Other assets	1	1
Regulatory assets	7	7
<b>Total current assets</b>	<b>76</b>	76
<b>Property, plant and equipment, net</b>	<b>1,744</b>	1,720
<b>Intangible assets, net</b>	<b>66</b>	65
<b>Regulatory assets</b>	<b>434</b>	424
<b>Other assets</b>	<b>17</b>	17
<b>Goodwill</b>	<b>235</b>	235
<b>TOTAL ASSETS</b>	<b>\$ 2,572</b>	\$ 2,537
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Credit facilities	\$ 43	\$ 116
Accounts payable and other current liabilities	82	98
Current portion of finance lease obligations	1	1
Regulatory liabilities	8	5
<b>Total current liabilities</b>	<b>134</b>	220
<b>Long-term debt</b> (note 9)	<b>878</b>	779
<b>Finance lease obligations</b>	<b>332</b>	332
<b>Regulatory liabilities</b>	<b>40</b>	34
<b>Deferred income tax</b>	<b>233</b>	226
<b>Other liabilities</b>	<b>65</b>	67
<b>Total liabilities</b>	<b>1,682</b>	1,658
<b>Equity</b>		
Common shares	299	299
Additional paid-in capital	322	322
Retained earnings	269	258
<b>Total equity</b>	<b>890</b>	879
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,572</b>	\$ 2,537

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	
	2022	2021	2022	2021
<b>Revenue</b> (note 5)	\$ 104	\$ 105	\$ 230	\$ 221
<b>Expenses</b>				
Power purchase costs	17	21	60	61
Operating costs	26	26	52	47
Property and other taxes	5	4	9	9
Depreciation and amortization	17	17	34	33
<b>Total expenses</b>	<b>65</b>	68	<b>155</b>	150
<b>Operating income</b>	<b>39</b>	37	<b>75</b>	71
Other income	2	1	3	2
Finance charges (note 6)	19	18	37	36
<b>Earnings before income taxes</b>	<b>22</b>	20	<b>41</b>	37
Income tax expense	3	3	5	5
<b>Net earnings</b>	<b>\$ 19</b>	\$ 17	<b>\$ 36</b>	\$ 32

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

	Common Shares <sup>1</sup>	Additional Paid-in Capital	Retained Earnings	Total
As at December 31, 2020	\$ 269	\$ 322	\$ 249	\$ 840
Net earnings	-	-	32	32
Dividends on common shares	-	-	(24)	(24)
As at June 30, 2021	269	322	257	848
As at December 31, 2021	<b>299</b>	<b>322</b>	<b>258</b>	<b>879</b>
Net earnings	-	-	36	36
Dividends on common shares	-	-	(25)	(25)
As at June 30, 2022	<b>\$ 299</b>	<b>\$ 322</b>	<b>\$ 269</b>	<b>\$ 890</b>

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

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	
	2022	2021	2022	2021
<b>Operating activities</b>				
Net earnings	\$ 19	\$ 17	\$ 36	\$ 32
Adjustments to reconcile net earnings to cash from operating activities:				
Depreciation and amortization	17	17	34	33
Equity component of allowance for funds used during construction	(1)	(1)	(1)	(1)
Accrued employee future benefits	(1)	(1)	(2)	(1)
Change in regulatory assets and liabilities	-	(1)	4	3
Change in working capital (note 8)	(21)	(8)	(11)	12
<b>Cash from operating activities</b>	<b>13</b>	23	<b>60</b>	78
<b>Investing activities</b>				
Property, plant and equipment additions (note 8)	(28)	(28)	(57)	(55)
Intangible asset additions	(2)	(2)	(3)	(3)
Contributions in aid of construction	2	2	5	4
Change in other assets and other liabilities	(3)	(3)	(4)	(4)
<b>Cash used in investing activities</b>	<b>(31)</b>	(31)	<b>(59)</b>	(58)
<b>Financing activities</b>				
Net proceeds from (repayment of) credit facility	28	19	(73)	6
Proceeds from issuance of long-term debt	-	-	100	-
Debt issuance costs	-	-	(1)	-
Dividends on common shares	(13)	(12)	(25)	(24)
<b>Cash from (used in) financing activities</b>	<b>15</b>	7	<b>1</b>	(18)
<b>Net change in cash</b>	<b>(3)</b>	(1)	<b>2</b>	2
Cash at beginning of period	5	3	-	-
<b>Cash at end of period</b>	<b>\$ 2</b>	\$ 2	<b>\$ 2</b>	\$ 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, 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 185,900 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 July 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 June 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 six months ended June 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.

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)  
For the quarter and six months ended June 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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Residential	41	42	101	101
Commercial	28	26	57	53
Wholesale	11	11	27	26
Industrial	12	10	24	19
<b>Total electricity revenue</b>	<b>92</b>	<b>89</b>	<b>209</b>	<b>199</b>
Other contract revenue <sup>1</sup>	13	13	26	22
<b>Total revenue from contracts with customers</b>	<b>105</b>	<b>102</b>	<b>235</b>	<b>221</b>
Alternative revenue <sup>2</sup>	(6)	(2)	(14)	(7)
Other revenue <sup>3</sup>	5	5	9	7
<b>Total revenue</b>	<b>104</b>	<b>105</b>	<b>230</b>	<b>221</b>

<sup>1</sup> Other contract revenue includes utility customer connection fees, surplus capacity sales, and revenue from third party contract work and pole attachments.

<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 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 six months ended June 30, 2022 and 2021**
**6. FINANCE CHARGES**

(\$ millions)	Quarter ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Interest on long-term debt	11	10	21	20
<b>Net interest on debt</b>	<b>11</b>	10	<b>21</b>	20
Interest on finance leases	8	8	16	16
<b>Total finance charges</b>	<b>19</b>	18	<b>37</b>	36

**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 June 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2022	2021	2022	2021
<b>Components of net benefit cost</b>				
Service costs	1	2	1	-
Interest costs	2	2	-	-
Expected return on plan assets	(3)	(3)	-	-
Amortization of actuarial losses	-	1	-	-
<b>Net benefit cost</b>	<b>-</b>	2	<b>1</b>	-

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

The Corporation's estimated 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 six months ended June 30, 2022 and 2021**

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

<i>(\$ millions)</i>	Quarter ended June 30		Six months ended June 30	
	2022	2021	2022	2021
<b>Change in working capital</b>				
Accounts receivable	-	3	2	6
Prepaid expenses	3	3	-	-
Accounts payable and other current liabilities	(24)	(14)	(13)	6
<b>Total change in working capital</b>	<b>(21)</b>	<b>(8)</b>	<b>(11)</b>	<b>12</b>

**Non-Cash Investing Activities**

<i>(\$ millions)</i>	2022	2021
<b>As at June 30</b>		
Accrued capital expenditures	22	17

**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.

<i>(\$ millions)</i>	Fair Value Hierarchy	As at			
		June 30, 2022		December 31, 2021	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	885	832	785	979