FORTISBC INC.

MANAGEMENT DISCUSSION & ANALYSIS
For the Three Months Ended March 31, 2019

April 30, 2019

The following FortisBC Inc. ("FBC" or the "Corporation") Management Discussion & Analysis ("MD&A") has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information for 2019 and comparative periods contained in the following MD&A has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and is presented in Canadian dollars. The MD&A should be read in conjunction with the Corporation's Unaudited Condensed Consolidated Interim Financial Statements and notes thereto for the three months ended March 31, 2019 prepared in accordance with US GAAP and the Corporation's Annual Audited Consolidated Financial Statements and notes thereto together with the MD&A for the year ended December 31, 2018, with 2017 comparatives, prepared in accordance with US GAAP.

In this MD&A, FortisBC Pacific refers to the Corporation's parent, FortisBC Pacific Holdings Inc., FEI refers to FortisBC Energy Inc., WELP refers to the Waneta Expansion Limited Partnership which Fortis owned a 51 per cent interest of during 2018, FHI refers to FortisBC Holdings Inc., and Fortis refers to the Corporation's ultimate parent, Fortis Inc. During January 2019, Fortis announced the sale of its 51 per cent interest in WELP to parties not related to Fortis.

FORWARD-LOOKING STATEMENT

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes, but is not limited to, statements regarding the expected date of the British Columbia Utility Commission's decision in response to the Corporation's Multi-year Rate Plan application (the "MRP Application"); the Corporation's expected level of capital expenditures and its expectations to finance those capital expenditures through credit facilities, equity injections from its parent FortisBC Pacific, and debenture issuances; and the Corporation's estimated contractual obligations.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include but are not limited to: receipt of applicable regulatory approvals and requested rate orders; absence of administrative monetary penalties; the ability to continue to report under US GAAP beyond the Canadian securities regulators exemption to the end of 2023 or earlier; absence of asset breakdown; absence of environmental damage and health and safety issues; absence of adverse weather conditions and natural disasters; ability to maintain and obtain applicable permits; the adequacy of the Corporation's existing insurance arrangements; no adverse effect of the Indigenous peoples' settlement process on the Corporation; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefit costs; the ability of the Corporation to attract and retain a skilled workforce; absence of information technology infrastructure failure; absence of cyber-security failure; continued electricity demand; the ability to arrange sufficient and cost effective financing; no material adverse rating actions by credit rating agencies; that counterparties do not default on power supply contracts; and no weather related demand loss or significant and sustained loss of precipitation over the headwaters of the Kootenay River system.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory approval and rate orders risk (including the risk of imposition of administrative monetary penalties); continued reporting in accordance with US GAAP risk; asset breakdown, operation, maintenance and expansion risk; environment, health and safety matters risk including operational liability risks; weather and natural disasters risk; permits risk; underinsured and uninsured losses; risks involving Indigenous peoples; labour relations risk; employee future benefits risk; human resources risk; information technology infrastructure risk; cyber-security risk; interest rates risk; impact of changes in economic conditions risk; capital resources and liquidity risk; competitiveness and commodity price risk; power purchase and capacity sale contracts risk;

weather related risk; and other risks described in the Corporation's most recent Annual Information Form ("AIF"). For additional information with respect to these risk factors, reference should be made to the Corporation's MD&A and AIF for the year ended December 31, 2018.

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

CORPORATE OVERVIEW

FBC is an integrated, regulated electric utility operating in the southern interior of British Columbia ("BC"), serving approximately 176,700 customers directly and indirectly, focusing on the safe delivery of reliable and cost effective electricity. The Corporation's business includes four hydroelectric generating plants, approximately 7,300 kilometers of transmission and distribution power lines, and a peak demand of 746 MW.

The Corporation is an indirect, wholly-owned subsidiary of Fortis, a leader in the North American electric and natural gas utility business. Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

REGULATION

Customer Rates and Deferral Mechanisms

The Corporation's customer rates are based on estimates and forecasts. In order to manage the risk of forecast error associated with some of these estimates and to manage volatility in rates, a number of regulatory deferral accounts are in place.

Variances from regulated forecasts used to set rates for electricity revenue and power purchase costs are flowed back to customers in future rates through approved regulatory deferral mechanisms and therefore these variances do not have an impact on net earnings in either 2019 or 2018. As part of FBC's Multi-year Performance Based Ratemaking Plan for the years 2014 to 2019 ("PBR Application"), the Corporation has a flow-through deferral account that captures variances from regulated forecast items, excluding formulaic operation and maintenance costs, that do not have separately approved deferral mechanisms, and flows those variances through customer rates in the following year.

Performance Based Ratemaking Plan for 2014 to 2019

In September 2014, the British Columbia Utilities Commission ("BCUC") issued its decision on FBC's PBR Application 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 ("DSM") Expenditures Application. The interim rate decision resulted in a 2019 average rate base of approximately $1,341 million (2018 - $1,321 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.

Multi-Year Rate Plan for 2020 to 2024

In March 2019, FBC filed its MRP Application, an application with the BCUC requesting approval of a Multi-year Rate Plan for the years 2020 to 2024. The MRP Application proposes a rate-setting framework that includes, amongst other items, a level of operation and maintenance expense per customer indexed for inflation, a forecast approach to growth and sustainment capital, a 50/50 sharing between customers and the Corporation of variances from the allowed Return on Equity, targeted incentives for the Corporation related to power supply costs, emissions reductions and customer engagement, and an innovation fund recognizing the need to accelerate investment in clean energy innovation. FBC is also seeking approval of updated depreciation rates and a number of service quality indicators designed to ensure the Corporation maintains service levels. The regulatory process to review this application will continue through 2019, with a decision expected in early 2020.

CONSOLIDATED RESULTS OF OPERATIONS

Quarters Ended March 31	2019	2018	Variance
Electricity sales (GWh)	**949**	920	29
($ millions)			
Revenue	**113**	108	5
Power purchase costs	**47**	44	3
Operating costs	**20**	20	-
Property and other taxes	**4**	4	-
Depreciation and amortization	**15**	15	-
Total expenses	**86**	83	3
Operating income	**27**	25	2
Add: Other income	**1**	1	-
Less: Finance charges	**10**	10	-
Earnings before income taxes	**18**	16	2
Income tax expense	**4**	3	1
Net earnings	**14**	13	1

The following table outlines net earnings and the significant variances in the Consolidated Results of Operations for the three months ended March 31, 2019 as compared to March 31, 2018:

Quarter		
Item	**Increase** ($ millions)	**Explanation**
Net earnings	**1**	Net earnings for the quarter ended March 31, 2019 were $14 million compared to $13 million for the same period in 2018. The increase was primarily due to a higher investment in regulated assets and higher operation and maintenance expense savings for the quarter, net of the regulated Earnings Sharing Mechanism, as compared to operating costs allowed in rates under the PBR formula primarily due to the timing of incurring such costs throughout the year. Both 2019 and 2018 net earnings are based on an allowed return on equity of 9.15 per cent and a deemed equity component of capital structure of 40 per cent.
Revenue	**5**	Total revenue includes revenue from contracts with customers, which is comprised of tariff revenue, fees charged for tariff-based customer connections, revenue from non-tariff sources for surplus capacity sales, revenue from third party contract work, and pole attachment revenue. Also included in total revenue is alternative revenue, which is comprised of the regulated Earnings Sharing Mechanism and flow-through variances related to tariff-based revenue. Lastly, total revenue includes other revenue, which is primarily comprised of regulatory deferral adjustments that capture variances from regulated forecast items, excluding formulaic operating costs. If such regulatory deferral adjustments recognized in the current period are owed to, or recoverable from, customers in future rates, they are recognized as either other expense or other revenue, respectively. Electricity sales volumes were higher primarily due to increased average consumption by residential and commercial customers as a result of colder weather. The higher consumption resulted in increased revenue from contracts with customers, but was offset by an equal alternative revenue amount resulting in no impact on total revenue. The increase in total revenue was primarily due to higher surplus power sales and an increase in the amortization of prior year regulatory flow-through liability accounts that captured variances from regulated forecast items, partially offset by $1 million in revenue surplus recognized as a result of the BCUC decision to not increase FBC's 2019 delivery rates and to defer the revenue surplus for the year to be refunded to customers in future rates.

Quarter		
Item	**Increase** ($ millions)	**Explanation**
Power purchase costs	**3**	The increase in power purchase costs was primarily due to higher purchase volumes driven by an increase in electricity sales and higher average power purchase prices compared to the first quarter of 2018.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2017 through March 31, 2019. The information has been obtained from the Corporation's Unaudited Condensed Consolidated Interim Financial Statements. Past operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarter Ended	**Revenue**	**Net Earnings**
($ millions)		
March 31, 2019	113	14
December 31, 2018	107	12
September 30, 2018	92	10
June 30, 2018	84	15
March 31, 2018	108	13
December 31, 2017	102	12
September 30, 2017	90	10
June 30, 2017	82	15

A summary of the past eight quarters reflects the seasonality associated with the Corporation's business. The 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, interim net earnings are not indicative of net earnings on an annual basis.

March 2019/2018 – Net earnings were higher primarily due to higher investment in regulated assets and higher operation and maintenance expense savings for the quarter, net of the regulated Earnings Sharing Mechanism.

December 2018/2017 – Net earnings were consistent with net earnings in the same period of 2017 as the increase in net earnings from higher investment in regulated assets was offset by lower interest savings.

September 2018/2017 - Net earnings were consistent between periods as the net earnings from higher investment in regulated assets during 2018 was offset by lower interest savings.

June 2018/2017 - Net earnings were consistent with net earnings in the same period of 2017 as higher investment in regulated assets was offset by a one-time income tax gain recognized in the second quarter of 2017 for the previous disposition of non-regulated assets and for which there was no comparable tax savings in 2018.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheets between March 31, 2019 and December 31, 2018:

Balance Sheet Account	Increase ($ millions)	Explanation
Regulatory assets (current and long-term)	**10**	The increase was primarily due to DSM expenditures of $2 million, the recognition of $9 million relating to the Brilliant Power Purchase Agreement ("BPPA") and Brilliant Terminal Station asset and obligation under finance lease and an increase of $1 million in regulated deferred income tax liabilities, the offsets of which were deferred as regulatory assets, partially offset by current year amortization of regulatory assets of $2 million.
Property, plant and equipment, net	**10**	The increase was primarily due to capital expenditures of $24 million incurred during the quarter, which includes sustainment and growth capital expenditures, as well as the Corra Linn Dam Spillway Gates Replacement and Upper Bonnington Old Unit Refurbishment projects, less: • depreciation expense, excluding net salvage provision, of $10 million, • decrease in finance lease assets of $1 million due to depreciation, the offset of which has been recognized in regulatory assets, • costs of removal of $1 million incurred, which are recognized against the net salvage provision in regulatory liabilities, and • contributions in aid of construction of $2 million received.
Accounts payable and other current liabilities	**9**	The increase was primarily due to timing of interest payments on debentures and higher power purchase accruals.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Cash Flows

Quarters Ended March 31	**2019**	2018	Variance
($ millions)			
Cash flows provided by (used for)			
Operating activities	**35**	35	-
Investing activities	**(24)**	(26)	2
Financing activities	**(10)**	(9)	(1)
Net change in cash	**1**	-	1

Cash flows provided by and used for operating, investing and financing activities were comparable to the same period in 2018. During the quarter ended March 31, 2019, FBC paid common share dividends of $12 million (2018 - $11 million) to its parent company, FortisBC Pacific.

Contractual Obligations

The Corporation's contractual obligations have not materially changed from those disclosed in the MD&A for the year ended December 31, 2018.

Credit Ratings

There have been no changes to the Corporation's credit ratings from those reported in the Corporation's 2018 annual MD&A, which are summarized in the table below:

Rating Agency	Credit Rating	Type of Rating	Outlook
DBRS	A (low)	Secured and Unsecured Debentures	Stable
Moody's	Baa1	Unsecured Debentures	Stable

Projected Capital Expenditures

The Corporation continually updates its capital expenditure programs and assesses current and future operating, maintenance, replacement, expansion and removal expenditures that will be incurred in the ongoing operation of its business. The initial approval from the BCUC to proceed with capital projects can occur through a number of processes, including revenue requirement applications and Certificate of Public Convenience and Necessity ("CPCN") applications. Once the projects are approved, the regulatory process allows for capital project costs to be reviewed by the BCUC subsequent to the capital project being completed and in service to confirm that all costs are recoverable in customer rates.

The 2019 projected capital expenditures are approximately $116 million, inclusive of AFUDC and excluding customer contributions in aid of construction, and are necessary to provide service, public and employee safety, and reliability of supply of electricity to the Corporation's customer base. In addition to the rate base amounts approved in annual regulatory decisions, multi-year projects under construction earn a regulated return.

Included in these projected capital expenditures are more significant projects further described below.

Corra Linn Dam Spillway Gates Replacement

In 2016, the Corporation filed a CPCN application with the BCUC for the construction and operation of 14 replacement spillway gates and upgrades to the associated structures at the Corra Linn Dam in order to align with industry standards, meet current regulation and minimize the risks to public and employee safety. In 2017, the BCUC approved the CPCN which included estimated project costs of $63 million. Construction commenced in 2017 with an estimated completion date of 2021.

Upper Bonnington Old Unit Refurbishment.

In 2016, the Corporation filed a special projects application with the BCUC for the refurbishment of Upper Bonnington generating units in order to extend their life and reduce safety and environmental risks associated with the potential failures of the aged equipment. In 2017, the BCUC approved the application which included estimated project costs of $32 million. Construction commenced in 2017 with an estimated completion date of 2020.

Credit Facilities

As at March 31, 2019, the Corporation had bank credit facilities of $160 million, comprised of a $150 million operating credit facility and a $10 million demand overdraft facility. The $150 million operating credit facility matures in April 2024.

The following summary outlines the Corporation's credit facilities:

($ millions)	**March 31, 2019**	December 31, 2018
Operating credit facility	**150**	150
Demand overdraft facility	**10**	10
Draws on operating credit facility	**(70)**	(66)
Draws on overdraft facility	**-**	(2)
Letters of credit outstanding	**(1)**	(1)
Credit facilities available	**89**	91

RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with its parent, FortisBC Pacific, ultimate parent, Fortis, and other related companies under common control, including FEI, FHI and WELP, to provide or receive services, materials, and power purchases under the WECA. The following transactions were measured at the exchange amounts unless otherwise indicated.

Related Party Recoveries

The amounts charged to the Corporation's parent and other related parties under common control for the three months ended March 31 were as follows:

($ millions)	**2019**	2018
Operating costs charged to FortisBC Pacific (a)	**2**	2
Operating costs charged to FEI (b)	**2**	2
Total related party recoveries	**4**	4

(a) The Corporation charged its parent, FortisBC Pacific, for management services, labour and materials.

(b) The Corporation charged FEI for electricity sales, management services and other labour.

Related Party Costs

The amounts charged by Fortis and other related parties under common control for the three months ended March 31 were as follows:

($ millions)	**2019**	2018
Power purchase costs charged by WELP (a)	**16**	15
Operating costs charged by Fortis (b)	**1**	1
Operating costs charged by FEI (c)	**1**	1
Total related party costs	**18**	17

(a) The Corporation was charged by WELP for purchasing capacity pursuant to the WECA. During January 2019, Fortis announced the sale of its 51 per cent interest to CPC and CBT, which are parties not related to Fortis. The transaction closed April 16, 2019, after which time WELP ceased to be a related party to the Corporation.

(b) The Corporation was charged by Fortis for corporate management services and other compensation.

(c) The Corporation was charged by FEI for natural gas purchases, office rent, management services, and other labour.

Balance Sheet Amounts

The amounts due from related parties, included in accounts receivable on the Consolidated Balance Sheets, and the amounts due to related parties, included in accounts payable and other current liabilities on the Consolidated Balance Sheets, are as follows:

	March 31, 2019		December 31, 2018	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
FortisBC Pacific	**1**	**-**	-	-
FEI	**1**	**-**	-	-
WELP	**-**	**(11)**	-	(12)
Total due from (due to) related parties	**2**	**(11)**	-	(12)

FINANCIAL INSTRUMENTS

Financial Instruments Not Measured At Fair Value

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.

Power purchase contracts that have been designated as normal purchase or normal sale contracts are not reported at fair value under the accounting rules for derivatives. They are accounted for on an accrual basis.

NEW ACCOUNTING POLICIES

Standard	Effective Date	Description	Effect on FBC
Leases	January 1, 2019	ASU No. 2016-02, *Leases* (ASC Topic 842), 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. 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. 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.	FBC 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. 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. 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. As at March 31, 2019, the Corporation recognized $1 million of right-of-use assets and lease liabilities primarily related to office facilities.

FUTURE ACCOUNTING PRONOUNCEMENTS

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

OTHER DEVELOPMENTS

Collective Agreements

There are two collective agreements between the Corporation and Local 378 of the Canadian Office and Professional Employees Union ("COPE") now referred to as MoveUP. In October 2018, a memorandum of agreement was reached which extends the expiry of the first collective agreement, representing employees in specified occupations in the areas of administration and operations support, by one year to December 31, 2019. The second collective agreement, representing customer service employees, expires on March 31, 2022.

The collective agreement between the Corporation and Local 213 of the International Brotherhood of Electrical Workers ("IBEW") expires on January 31, 2021. IBEW represents employees in specified occupations in the areas of generation, transmission and distribution.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A, the Corporation had issued and outstanding 2,191,510 common shares, all of which are owned by FortisBC Pacific, an indirect wholly-owned subsidiary of Fortis.

ADDITIONAL INFORMATION

Additional information about FBC, including its AIF, can be accessed at www.fortisbc.com or www.sedar.com. The information contained on, or accessible through, either of these websites is not incorporated by reference into this document.

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