FortisBC Inc.
An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited)

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

ASSETS	March 31, 2020	December 31, 2019
Current assets		
Cash	$ 5	$ -
Accounts receivable, net (notes 2, 11 and 12)	52	56
Prepaid expenses	4	2
Other assets	1	1
Regulatory assets (note 12)	6	5
Total current assets	68	64
Property, plant and equipment, net	1,588	1,578
Intangible assets, net	58	58
Regulatory assets	395	381
Other assets	10	10
Goodwill	235	235
TOTAL ASSETS	$ 2,354	$ 2,326
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities	$ 64	$ 65
Accounts payable and other current liabilities	89	67
Due to parent company	-	60
Current portion of finance lease obligations	1	1
Regulatory liabilities	5	7
Total current liabilities	159	200
Long-term debt (note 9)	729	729
Finance lease obligations	333	325
Regulatory liabilities	30	27
Deferred income tax	197	192
Other liabilities	71	71
Total liabilities	1,519	1,544
Equity		
Common shares	269	219
Additional paid-in capital	322	322
Retained earnings	244	241
Total equity	835	782
TOTAL LIABILITIES AND EQUITY	$ 2,354	$ 2,326

See accompanying notes to Condensed Consolidated Interim Financial Statements.

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

	2020	2019
Revenue (note 5)	**$ 111**	$ 113
Expenses		
Power purchase costs	**39**	40
Operating costs (note 11)	**21**	19
Property and other taxes	**4**	4
Depreciation and amortization	**15**	15
Total expenses	**79**	78
Operating income	**32**	35
Other income	**1**	1
Finance charges (note 6)	**18**	18
Earnings before income taxes	**15**	18
Income tax expense	**1**	4
Net earnings	**$ 14**	$ 14

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

	Common Shares [1]	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
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
As at December 31, 2019	**219**	**322**	**241**	**782**
Net earnings	**-**	**-**	**14**	**14**
Issuance of common shares	**50**	**-**	**-**	**50**
Dividends on common shares	**-**	**-**	**(11)**	**(11)**
As at March 31, 2020	**$ 269**	**$ 322**	**$ 244**	**$ 835**

[1] 500 million authorized common shares with a par value of $100 each; 2.7 million issued and outstanding at March 31, 2020 (December 31, 2019 – 2.2 million issued and outstanding).

See accompanying notes to 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)

	2020	2019
Operating activities		
Net earnings	**$ 14**	$ 14
Adjustments to reconcile net earnings to cash from operating activities:		
Depreciation and amortization	**15**	15
Change in regulatory assets and liabilities	**(1)**	3
Change in working capital (note 8)	**25**	3
Cash from operating activities	**53**	35
Investing activities		
Property, plant and equipment additions (note 8)	**(27)**	(24)
Intangible asset additions	**(1)**	(1)
Contributions in aid of construction	**2**	2
Change in other assets and other liabilities	**-**	(1)
Cash used in investing activities	**(26)**	(24)
Financing activities		
Net (repayment of) proceeds from credit facility	**(1)**	2
Repayment of Fortis demand loans	**(60)**	-
Issuance of common shares	**50**	-
Dividends on common shares	**(11)**	(12)
Cash used in financing activities	**(22)**	(10)
Net change in cash	**5**	1
Cash at beginning of period	**-**	-
Cash at end of period	**$ 5**	$ 1

Supplementary Information to Condensed Consolidated Statements of Cash Flows (note 8).

See accompanying notes to 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 179,200 customers directly and indirectly. The Corporation's business includes four hydroelectric generating plants, approximately 7,300 kilometers of transmission and distribution power lines, and an historical 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 2019 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, 2019.

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 May 5, 2020, 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 March 31, 2020. Subsequent events have been appropriately disclosed in these Condensed Consolidated Interim Financial Statements, as described in note 12, Subsequent Event.

New Accounting Policies

Measurement of Credit Losses on Financial Instruments

Effective January 1, 2020, the Corporation adopted Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires the use of reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. The new guidance also requires quantitative and qualitative disclosures regarding the activity in the allowance for credit losses for financial assets within the scope of the guidance (note 11).

The Corporation records an allowance for credit losses to reduce accounts receivable for amounts estimated to be uncollectible. The allowance for doubtful accounts that is estimated is based on historical experience, current conditions, reasonable and supportable economic forecasts and accounts receivable aging. It is evaluated based on historical and expected credit loss patterns, reasonable and supportable forecasts and customer type. The Corporation recognized an additional adjustment to allowance for trade receivables as a result of additional information around current conditions obtained after March 31, 2020 (note 12). Accounts receivable are written-off in the period in which the receivable is deemed uncollectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The adoption of this update did not change the Corporation's disclosures.

3. REGULATORY MATTERS

Multi-Year Rate Plan for 2020 to 2024

In March 2019, FBC filed an application with the British Columbia Utilities Commission ("BCUC") requesting approval of an MRP for the years 2020 to 2024. The regulatory process to review this application has concluded, with a decision expected by mid-2020. In November 2019, the BCUC approved a rate increase of 1.0 per cent over 2019 rates pursuant to the MRP, on an interim and refundable basis, effective January 1, 2020. Interim rates will remain in place pending a final determination on 2020 rates by the BCUC.

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:

	Quarter Ended March 31	
($ millions)	**2020**	2019
Residential	**51**	58
Commercial	**25**	26
Wholesale	**14**	14
Industrial	**9**	8
Total electricity revenue	**99**	106
Other contract revenue [1]	**8**	8
Total revenue from contracts with customers	**107**	114
Alternative revenue	**2**	(8)
Other revenue [2]	**2**	7
Total revenue	**111**	113

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

[2] 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.

6. FINANCE CHARGES

	Quarter Ended March 31	
($ millions)	**2020**	2019
Interest on long-term debt	**9**	9
Interest on short-term debt	**1**	1
Net interest on debt	**10**	10
Interest on finance leases [1]	**8**	8
Total finance charges	**18**	18

[1] Interest on finance leases related to the Brilliant Power Purchase Agreement ("BPPA") and the Brilliant Terminal Station that are treated as power purchase costs and operating costs, respectively, for rate-setting purposes, have been presented as finance charges in accordance with ASC 842, *Leases,* effective January 1, 2019.

During the second quarter of 2019, this reclassification of interest on finance leases was identified, and as a result the financial statements issued for the six months ended June 30, 2019 included restatements for the three months ended March 31, 2019 for this change. The comparative figures for the three months ended March 31, 2019 in these Condensed Consolidated Interim Financial Statements and in the table above have been reclassified to comply with this presentation.

7. EMPLOYEE FUTURE BENEFITS

The Corporation is a sponsor of pension plans for eligible employees. The plans include registered defined benefit pension plans and supplemental unfunded arrangements. In addition to pensions, the Corporation provides other post-employment benefits ("OPEB") for certain of its retired employees. The net benefit cost for these plans was as follows:

	Quarter Ended March 31			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
($ millions)	**2020**	2019	**2020**	2019
Service costs	**2**	1	**-**	-
Interest costs	**2**	2	**-**	-
Expected return on plan assets	**(3)**	(3)	**-**	-
Amortization of actuarial losses	**-**	1	**-**	-
Net benefit cost	**1**	1	**-**	-

During 2020, the Corporation expects to contribute $5 million (2019 - $4 million) for defined benefit pension plans and make payments of $1 million for OPEB plans (2019 - $1 million).

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Significant Non-Cash Transactions

	Quarter Ended March 31	
($ millions)	**2020**	2019
Change in accrued capital expenditures	**3**	-
Change in regulated asset for deferred income tax	**(5)**	(1)
Change in regulated asset for BPPA lease costs	**(9)**	(9)

Change in Working Capital

	Quarter Ended March 31	
($ millions)	**2020**	2019
Accounts receivable	**3**	(2)
Prepaid expenses	**(3)**	(2)
Accounts payable and other current liabilities	**25**	7
Change in working capital per Statements of Cash Flows	**25**	3

The period-end non-cash investing activities balances were as follows:

	As at March 31	
($ millions)	**2020**	2019
Accrued capital expenditures	**11**	12

9. FINANCIAL INSTRUMENTS

Financial Instruments Not Carried At Fair Value

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 credit facilities on the Condensed Consolidated Balance Sheets of the Corporation approximate their fair values due to 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 the 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 long-term debt:

		March 31, 2020		December 31, 2019	
($ millions)	Fair Value Hierarchy	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt [1]	Level 2	**735**	**895**	735	950

[1] Carrying value excludes unamortized debt issuance costs.

10. GUARANTEES

The Corporation had letters of credit outstanding at March 31, 2020 totaling $2 million (December 31, 2019 - $2 million) primarily to support the funding of one of the Corporation's pension plans and a wheeling agreement.

11. ALLOWANCE FOR CREDIT LOSSES

Accounts receivable are recorded net of an allowance for credit losses. The credit loss expense incurred during the quarter took into account current conditions related to the Coronavirus Disease 2019 ("COVID-19") pandemic (note 12). The change in the allowance for credit losses balance from December 31, 2019 to March 31, 2020 is as follows:

	Quarter Ended March 31
($ millions)	**2020**
Beginning of period	**(2)**
Credit loss expense	**(1)**
Write-offs	**-**
Recoveries	**-**
End of period	**(3)**

12. SUBSEQUENT EVENT

COVID-19 Pandemic

In response to the rapidly growing impact of the global COVID-19 pandemic on British Columbians, FBC applied and received interim approval from the BCUC in April 2020 to provide the following deferral and relief offerings to its customers:

i. three-month bill payment deferral to residential customers, and to small commercial customers who have been directly impacted financially as a result of the COVID-19 pandemic;

ii. bill relief in the form of bill credits for three months to small commercial customers that have closed their businesses due to the COVID-19 pandemic; and

iii. establish a rate base deferral account for the COVID-19 Customer Recovery Fund to record and track unrecovered revenue resulting from customers being unable to pay their bills, any bill payment deferrals provided to customers and subsequent payments of those deferred amounts, and any bill credits provided to customers resulting from the COVID-19 pandemic.

This approval was granted on an interim basis to allow the BCUC to conduct its public review process before issuing a final decision.

The COVID-19 Customer Recovery Fund deferral account is expected to capture the otherwise uncollectible revenues associated with providing the deferral and relief offerings to the Corporation's customers, which could otherwise have an impact on net earnings.

Other than amounts that are captured in the COVID-19 Customer Recovery Fund deferral account, the Corporation's other regulatory mechanisms which were in place during previous rate-setting frameworks and have been proposed under the MRP Application effective 2020 include deferral accounts that capture revenue shortfalls and flow-through treatment for incremental costs that qualify as significant and beyond the control of the Corporation.

The disposition of the COVID-19 Customer Recovery Fund deferral account will be the subject of a future rate filing once the extent of the financial impact on customers due to the COVID-19 pandemic is known.

During April 2020, the Corporation has obtained additional information around the potential collectibility for certain of its accounts receivable as at March 31, 2020. As a result of this subsequent information, the Corporation has recognized approximately $1 million as an additional adjustment to accounts receivable, with an offsetting increase in the regulatory assets, associated with the COVID-19 Customer Recovery Fund deferral account, in these condensed consolidated interim financial statements. Accordingly, there has been no effect on net earnings for the quarter ended March 31, 2020.