



FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the quarter ended March 31, 2022 and 2021
(Unaudited)

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

| ASSETS | March 31, 2022 | December 31, 2021 |
|------------------------------------------------|---------------------------|----------------------|
| Current assets | | |
| Cash | \$ 5 | \$ - |
| Accounts receivable, net | 64 | 66 |
| Prepaid expenses | 5 | 2 |
| Other assets | 1 | 1 |
| Regulatory assets | 7 | 7 |
| Total current assets | 82 | 76 |
| Property, plant and equipment, net | 1,731 | 1,720 |
| Intangible assets, net | 65 | 65 |
| Regulatory assets | 436 | 424 |
| Other assets | 17 | 17 |
| Goodwill | 235 | 235 |
| TOTAL ASSETS | \$ 2,566 | \$ 2,537 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Credit facilities | \$ 15 | \$ 116 |
| Accounts payable and other current liabilities | 107 | 98 |
| Current portion of finance lease obligations | 1 | 1 |
| Regulatory liabilities | 4 | 5 |
| Total current liabilities | 127 | 220 |
| Long-term debt (note 9) | 878 | 779 |
| Finance lease obligations | 340 | 332 |
| Regulatory liabilities | 42 | 34 |
| Deferred income tax | 229 | 226 |
| Other liabilities | 66 | 67 |
| Total liabilities | 1,682 | 1,658 |
| Equity | | |
| Common shares | 299 | 299 |
| Additional paid-in capital | 322 | 322 |
| Retained earnings | 263 | 258 |
| Total equity | 884 | 879 |
| TOTAL LIABILITIES AND EQUITY | \$ 2,566 | \$ 2,537 |

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

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

| | Quarter ended | |
|-------------------------------------|---------------|--------------|
| | 2022 | 2021 |
| Revenue (note 5) | \$ 126 | \$ 116 |
| Expenses | | |
| Power purchase costs | 43 | 40 |
| Operating costs | 26 | 21 |
| Property and other taxes | 4 | 5 |
| Depreciation and amortization | 17 | 16 |
| Total expenses | 90 | 82 |
| Operating income | 36 | 34 |
| Other income | 1 | 1 |
| Finance charges (note 6) | 18 | 18 |
| Earnings before income taxes | 19 | 17 |
| Income tax expense | 2 | 2 |
| Net earnings | \$ 17 | \$ 15 |

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

| | Common Shares ¹ | Additional Paid-in Capital | Retained Earnings | Total |
|----------------------------|-------------------------------|----------------------------------|----------------------|---------------|
| As at December 31, 2020 | \$ 269 | \$ 322 | \$ 249 | \$ 840 |
| Net earnings | - | - | 15 | 15 |
| Dividends on common shares | - | - | (12) | (12) |
| As at March 31, 2021 | 269 | 322 | 252 | 843 |
| As at December 31, 2021 | 299 | 322 | 258 | 879 |
| Net earnings | - | - | 17 | 17 |
| Dividends on common shares | - | - | (12) | (12) |
| As at March 31, 2022 | \$ 299 | \$ 322 | \$ 263 | \$ 884 |

¹ 500 million authorized common shares with a par value of \$100 each; 3.0 million issued and outstanding at March 31, 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 ended March 31
(in millions of Canadian dollars)

| | Quarter ended | |
|--------------------------------------------------------------------------|----------------------|-------|
| | 2022 | 2021 |
| Operating activities | | |
| Net earnings | \$ 17 | \$ 15 |
| Adjustments to reconcile net earnings to cash from operating activities: | | |
| Depreciation and amortization | 17 | 16 |
| Accrued employee future benefits | (1) | - |
| Change in regulatory assets and liabilities | 4 | 4 |
| Change in working capital (note 8) | 10 | 20 |
| Cash from operating activities | 47 | 55 |
| Investing activities | | |
| Property, plant and equipment additions (note 8) | (29) | (27) |
| Intangible asset additions | (1) | (1) |
| Contributions in aid of construction | 3 | 2 |
| Change in other assets and other liabilities | (1) | (1) |
| Cash used in investing activities | (28) | (27) |
| Financing activities | | |
| Net repayment of credit facility | (101) | (13) |
| Proceeds from issuance of long-term debt | 100 | - |
| Debt issuance costs | (1) | - |
| Dividends on common shares | (12) | (12) |
| Cash used in financing activities | (14) | (25) |
| Net change in cash | 5 | 3 |
| Cash at beginning of period | - | - |
| Cash at end of period | \$ 5 | \$ 3 |

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 ended March 31, 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 185,400 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 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 of 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 May 3, 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 March 31, 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 quarter ended March 31, 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.

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").

FortisBC Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter ended March 31, 2022 and 2021

3. REGULATORY MATTERS (continued)

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:

| <i>(\$ millions)</i> | Quarter ended March 31 | |
|----------------------------------------------------|-----------------------------------|------|
| | 2022 | 2021 |
| Residential | 60 | 59 |
| Commercial | 29 | 27 |
| Wholesale | 16 | 15 |
| Industrial | 12 | 9 |
| Total electricity revenue | 117 | 110 |
| Other contract revenue ¹ | 13 | 9 |
| Total revenue from contracts with customers | 130 | 119 |
| Alternative revenue ² | (8) | (5) |
| Other revenue ³ | 4 | 2 |
| Total revenue | 126 | 116 |

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

² 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.

³ 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.

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For the quarter ended March 31, 2022 and 2021

6. FINANCE CHARGES

| <i>(\$ millions)</i> | Quarter ended March 31 | |
|------------------------------|-----------------------------------|------|
| | 2022 | 2021 |
| Interest on long-term debt | 10 | 10 |
| Net interest on debt | 10 | 10 |
| Interest on finance leases | 8 | 8 |
| Total finance charges | 18 | 18 |

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 following table presents the net benefit cost for these plans.

| <i>(\$ millions)</i> | Quarter ended March 31 | | | |
|---------------------------------------|---------------------------------------------------------------|------|-------------------|------|
| | Defined Benefit Pension and Supplemental Plans | | OPEB Plans | |
| | 2022 | 2021 | 2022 | 2021 |
| Components of net benefit cost | | | | |
| Service costs | 2 | 2 | - | - |
| Interest costs | 2 | 2 | - | - |
| Expected return on plan assets | (4) | (3) | - | - |
| Net benefit cost | - | 1 | - | - |

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.

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For the quarter ended March 31, 2022 and 2021

8. SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(\$ millions)</i> | Quarter ended March 31 | |
|---------------------------------------------------|---------------------------|------|
| | 2022 | 2021 |
| Change in working capital | | |
| Accounts receivable | 2 | 3 |
| Prepaid expenses | (3) | (3) |
| Accounts payable and other current liabilities | 11 | 20 |
| | 10 | 20 |
| Significant non-cash transactions | | |
| Change in accrued capital expenditures | 4 | 3 |
| Change in regulated asset for deferred income tax | (2) | (2) |
| Change in regulated asset for BPPA lease costs | (9) | (9) |

The following table presents the non-cash investing activities balances.

| <i>(\$ millions)</i> | 2022 | 2021 |
|------------------------------|------|------|
| As at March 31 | | |
| Accrued capital expenditures | 21 | 14 |

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 | | | |
|----------------------|----------------------|----------------|----------------------|-------------------|----------------------|
| | | March 31, 2022 | | December 31, 2021 | |
| | | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Long-term debt | Level 2 | 885 | 956 | 785 | 979 |