FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited)

FORTIS BC

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

ASSETS	September 30, 2020	December 31, 2019
Current assets		
Cash	$ 5	$ -
Accounts receivable, net (notes 2 and 11)	55	56
Prepaid expenses	8	2
Other assets	1	1
Regulatory assets	6	5
Total current assets	75	64
Property, plant and equipment, net	1,618	1,578
Intangible assets, net	60	58
Regulatory assets	407	381
Other assets	11	10
Goodwill	235	235
TOTAL ASSETS	$ 2,406	$ 2,326
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities	$ 27	$ 65
Accounts payable and other current liabilities	89	67
Due to parent company	-	60
Current portion of finance lease obligations	1	1
Regulatory liabilities	3	7
Total current liabilities	120	200
Long-term debt (note 9)	804	729
Finance lease obligations	333	325
Regulatory liabilities	34	27
Deferred income tax	205	192
Other liabilities	70	71
Total liabilities	1,566	1,544
Equity		
Common shares	269	219
Additional paid-in capital	322	322
Retained earnings	249	241
Total equity	840	782
TOTAL LIABILITIES AND EQUITY	$ 2,406	$ 2,326

See accompanying notes to Condensed Consolidated Interim Financial Statements.

FORTIS BC

FortisBC Inc.
Condensed Consolidated Statements of Earnings (Unaudited)
For the three and nine months ended September 30
(in millions of Canadian dollars)

	Three months ended		Nine months ended	
	2020	2019	**2020**	2019
Revenue (note 5)	**$ 99**	$ 95	**$ 298**	$ 295
Expenses				
Power purchase costs	**28**	29	**82**	84
Operating costs (note 11)	**22**	19	**62**	57
Property and other taxes	**4**	4	**12**	12
Depreciation and amortization	**15**	15	**46**	46
Total expenses	**69**	67	**202**	199
Operating income	**30**	28	**96**	96
Other income	**1**	-	**3**	2
Finance charges (note 6)	**18**	18	**54**	54
Earnings before income taxes	**13**	10	**45**	44
Income tax expense	**3**	-	**4**	5
Net earnings	**$ 10**	$ 10	**$ 41**	$ 39

FortisBC Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the nine months ended September 30
(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	-	-	39	39
Dividends on common shares	-	-	(34)	(34)
As at September 30, 2019	219	322	241	782
As at December 31, 2019	**219**	**322**	**241**	**782**
Net earnings	**-**	**-**	**41**	**41**
Issuance of common shares	**50**	**-**	**-**	**50**
Dividends on common shares	**-**	**-**	**(33)**	**(33)**
As at September 30, 2020	**$ 269**	**$ 322**	**$ 249**	**$ 840**

[1] 500 million authorized common shares with a par value of $100 each; 2.7 million issued and outstanding at September 30, 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 and nine months ended September 30
(in millions of Canadian dollars)

	Three months ended		Nine months ended	
	2020	2019	**2020**	2019
Operating activities				
Net earnings	**$ 10**	$ 10	**$ 41**	$ 39
Adjustments to reconcile net earnings to cash from operating activities:				
Depreciation and amortization	**15**	15	**46**	46
Equity component of allowance for funds used during construction	**-**	(1)	**(1)**	(1)
Accrued employee future benefits	**(1)**	-	**(1)**	(1)
Change in regulatory assets and liabilities	**1**	(4)	**(3)**	-
Change in working capital (note 8)	**5**	10	**17**	7
Cash from operating activities	**30**	30	**99**	90
Investing activities				
Property, plant and equipment additions (note 8)	**(29)**	(22)	**(82)**	(70)
Intangible asset additions	**(1)**	(1)	**(6)**	(4)
Contributions in aid of construction	**2**	2	**5**	6
Change in other assets and other liabilities	**(2)**	(2)	**(4)**	(5)
Cash used in investing activities	**(30)**	(23)	**(87)**	(73)
Financing activities				
Net (repayment of) proceeds from credit facility	**(2)**	7	**(38)**	20
Repayment of Fortis demand loans	**-**	-	**(60)**	-
Proceeds from issuance of long-term debt	**-**	-	**75**	-
Debt issuance costs	**-**	-	**(1)**	-
Issuance of common shares	**-**	-	**50**	-
Dividends on common shares	**(11)**	(11)	**(33)**	(34)
Cash used in financing activities	**(13)**	(4)	**(7)**	(14)
Net change in cash	**(13)**	3	**5**	3
Cash at beginning of period	**18**	-	**-**	-
Cash at end of period	**$ 5**	$ 3	**$ 5**	$ 3

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 180,400 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 October 29, 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 September 30, 2020. Subsequent events have been appropriately disclosed in these Condensed Consolidated Interim Financial Statements.

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.

The Corporation records an allowance for credit losses to reduce accounts receivable for amounts estimated to be uncollectible. The credit loss allowance is estimated based on historical experience, current conditions, reasonable and supportable economic forecasts and accounts receivable aging. In addition to historical collection patterns, the Corporation considers customer class, customer size, economic indicators and certain other risk characteristics when evaluating the credit loss allowance. The Corporation's change in the allowance for credit losses is described in note 11. 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

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 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.

The MRP Decision approved updated FBC depreciation rates for property, plant and equipment and intangible assets, as well as updates to the provisions for removal costs collected as a component of depreciation on an accrual basis. These updates are effective for 2020 and have resulted in a net depreciation rate effect that is comparable to net depreciation rates previously in effect.

As part of the MRP Decision, FBC received approval to maintain the allocation of overhead costs to property, plant and equipment and intangible assets, which relate to the overall capital expenditure program.

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. In August 2020, FBC filed an updated 2020 rate filing reflecting the impacts of the MRP Decision. As part of this filing, a 2020 average rate base of $1,412 million was forecasted as well as a request for the 2020 rate increase to be made permanent. 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:

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2020**	2019	**2020**	2019
Residential	**41**	31	**131**	128
Commercial	**25**	24	**70**	73
Wholesale	**10**	12	**33**	35
Industrial	**10**	13	**26**	29
Total electricity revenue	**86**	80	**260**	265
Other contract revenue [1]	**12**	8	**27**	24
Total revenue from contracts with customers	**98**	88	**287**	289
Alternative revenue	**(14)**	5	**(6)**	-
Other revenue [2]	**15**	2	**17**	6
Total revenue	**99**	95	**298**	295

[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

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2020**	2019	**2020**	2019
Interest on long-term debt	**11**	10	**30**	29
Interest on short-term debt	**-**	1	**1**	2
Debt component of allowance for funds used during construction	**(1)**	(1)	**(1)**	(1)
Net interest on debt	**10**	10	**30**	30
Interest on finance leases [1]	**8**	8	**24**	24
Total finance charges	**18**	18	**54**	54

[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.

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:

	Three months ended September 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
($ millions)	**2020**	2019	**2020**	2019
Service costs	**2**	2	**1**	1
Interest costs	**2**	2	**-**	-
Expected return on plan assets	**(3)**	(3)	**-**	-
Amortization of actuarial losses	**-**	-	**-**	-
Net benefit cost	**1**	1	**1**	1

	Nine months ended September 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
($ millions)	**2020**	2019	**2020**	2019
Service costs	**5**	4	**1**	1
Interest costs	**6**	6	**-**	1
Expected return on plan assets	**(9)**	(9)	**-**	-
Amortization of actuarial losses	**1**	1	**-**	-
Net benefit cost	**3**	2	**1**	2

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

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2020**	2019	**2020**	2019
Change in accrued capital expenditures	**(1)**	3	**1**	3
Change in regulated asset for deferred income tax	**(2)**	(5)	**(13)**	(10)
Change in regulated asset for BPPA lease costs	**(9)**	(9)	**(12)**	(12)

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Change in Working Capital

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2020**	2019	**2020**	2019
Accounts receivable	**(11)**	(2)	**-**	5
Prepaid expenses	**(6)**	(8)	**(6)**	(7)
Accounts payable and other current liabilities	**22**	20	**23**	9
Change in working capital per Statements of Cash Flows	**5**	10	**17**	7

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

	As at September 30	
($ millions)	**2020**	2019
Accrued capital expenditures	**14**	15

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:

		September 30, 2020		December 31, 2019	
($ millions)	Fair Value Hierarchy	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt [1]	Level 2	**810**	**1,059**	735	950

[1] Carrying value excludes unamortized debt issuance costs.

10. GUARANTEES

The Corporation had letters of credit outstanding at September 30, 2020 of approximately $nil (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 allowance recorded for the nine months ended September 30, 2020 took into account current and forecasted economic conditions. The Corporation has recognized approximately $2 million as a provision for expected losses, approximately $2 million of which is offset with an increase in regulatory assets.

The change in the allowance for credit losses balance is as follows:

	Nine months ended September 30
($ millions)	**2020**
Beginning of period	**(2)**
Provision for expected credit losses	**(2)**
End of period	**(4)**