FORTISBC INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Quarter Ended March 31, 2022

May 3, 2022

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 2022 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 quarter ended March 31, 2022 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, 2021 and 2020, 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., FHI refers to FortisBC Holdings Inc., and Fortis refers to the Corporation's ultimate parent, Fortis Inc.

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 Corporation's expected level of capital expenditures, including forecasted project costs, and its expectations to finance those capital expenditures through credit facilities, equity injections from 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 (including absence of administrative monetary penalties); continued electricity demand; absence of climate change impacts; absence of adverse weather conditions and natural disasters; absence of environmental damage and health and safety issues; absence of asset breakdown; no weather related demand loss or significant and sustained loss of precipitation over the headwaters of the Kootenay River system; the ability to maintain and obtain applicable permits; the Indigenous engagement process will not delay or otherwise impact the Corporation's ability to obtain government or regulatory approvals; the adequacy of the Corporation's existing insurance arrangements; the ability to arrange sufficient and cost effective financing; no material adverse rating actions by credit rating agencies; that counterparties agree to renew power supply contracts; the ability of the Corporation to attract and retain a skilled workforce; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefit costs; absence of information technology infrastructure failure; absence of cybersecurity failure; absence of pandemic and public health crises impacts; and the ability to continue to report under US GAAP beyond the Canadian securities regulators exemption to the end of 2023 or earlier.

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); competitiveness and commodity price risk; climate change risk; weather and natural disasters risk; environment, health and safety matters risk; asset breakdown, operation, maintenance and expansion risk; electricity supply risks; permits risk; risks related to Indigenous rights and engagement; underinsured and uninsured losses; capital resources and liquidity risk; interest rates risk; impact of changes in economic conditions risk; power purchase and capacity sale contracts risk; human resources risk; labour relations risk; employee future benefits risk; information technology infrastructure risk; cybersecurity risk; pandemic and public health crises risk; continued reporting in accordance with US GAAP 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 "Business Risk Management" section of this MD&A and the Corporation's MD&A and AIF for the year ended December 31, 2021.

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

The Corporation is an integrated, regulated electric utility operating in the southern interior of British Columbia ("BC"), serving approximately 185,400 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 historical peak demand of 777 megawatts.

The Corporation is regulated by the British Columbia Utilities Commission ("BCUC"). Pursuant to the *Utilities Commission Act* (British Columbia), the BCUC regulates such matters as rates, construction plans, and financing.

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

REGULATION

Decision on Multi-Year Rate Plan ("MRP") for 2020 to 2024

In June 2020, the 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 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 January 1, 2022 rate increase of 3.47 per cent over 2021 rates. This rate increase includes a 2022 forecast average rate base of $1,583 million.

Allowed Return on Equity and Capital Structure

In January 2021, the BCUC announced that a Generic Cost of Capital Proceeding (the "GCOC Proceeding") was being initiated, including a review of the deemed common equity component of total capital structure and the allowed ROE on common equity for regulated utilities in BC. The BCUC has determined the GCOC Proceeding will move forward in two stages. The first stage will address the allowed return on equity and deemed equity component of capital structure for FBC and FEI and the effective date for any change, whether re-establishment of a formulaic ROE automatic adjustment mechanism is warranted and if so, what it would look like and when it would take effect, and the criteria or other triggers for a future cost of capital proceeding. Other utilities will be reviewed in Stage 2. The BCUC has also determined it will address deferral account financing costs after the completion of both Stages 1 and 2. FBC and FEI submitted evidence in support of their respective cost of capital as part of Stage 1 of the GCOC Proceeding on January 31, 2022 and the review process for that evidence is underway.

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 for the quarters ended March 31, 2022 and 2021.

As part of the MRP for the years 2020 to 2024, the BCUC has approved certain regulatory deferral mechanisms, including those that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation. These deferral mechanisms capture variances from regulated forecasts and flow them through customer rates in subsequent years. Variances from the allowed ROE, including most components of operating and maintenance costs, as well as variances in the utility's regulated rate base amounts, are shared.

CONSOLIDATED RESULTS OF OPERATIONS

Quarter ended March 31	**2022**	2021	Variance
Electricity sales *(gigawatt hours)*	**968**	933	35
($ millions)			
Revenue	**126**	116	10
Power purchase costs	**43**	40	3
Operating costs	**26**	21	5
Property and other taxes	**4**	5	(1)
Depreciation and amortization	**17**	16	1
Total expenses	**90**	82	8
Operating income	**36**	34	2
Add: Other income	**1**	1	-
Less: Finance charges	**18**	18	-
Earnings before income taxes	**19**	17	2
Income tax expense	**2**	2	-
Net earnings	**17**	15	2

The following table outlines net earnings and the significant variances in the Consolidated Results of Operations for the quarter ended March 31, 2022 as compared to March 31, 2021:

Quarter		
Item	**Increase (Decrease)** *($ millions)*	**Explanation**
Net earnings	**2**	Net earnings for the quarter ended March 31, 2022 were $17 million compared to $15 million for the same period in 2021. The increase was primarily due to: • a higher investment in regulated assets, and • higher favourable variances attributable to timing of operating costs for the quarter, as compared to those allowed in rates, net of amounts shared with customers, as compared to the same period in 2021. Both 2022 and 2021 net earnings are based on an allowed ROE of 9.15 per cent and a deemed equity component of capital structure of 40 per cent.
Revenue	**10**	The increase in revenue was primarily due to: • an increase in electricity sales volumes, • an increase in revenue approved for rate-setting purposes resulting from higher investment in regulated assets, and • an increase in revenue associated with third party contract work, partially offset by • a decrease in revenue associated with regulatory deferrals. Electricity sales volumes were higher than the same quarter in the previous year primarily due to higher industrial and commercial consumption. Variances between revenue associated with actual consumption and those revenues forecast for rate-setting purposes are captured in a regulatory deferral flow-through account, for which the income statement offset is recognized in alternative revenue, resulting in no net impact on total revenue compared to what is approved in rates.

Quarter		
Item	**Increase (Decrease)** *($ millions)*	**Explanation**
Power purchase costs	**3**	The increase was primarily due to higher power purchase volumes, driven by an increase in electricity sales and higher average power purchase prices.
Operating costs	**5**	The increase was primarily due to an increase in costs associated with third party contract work as well as inflationary increases.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2020 through March 31, 2022. 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, 2022	126	17
December 31, 2021	129	13
September 30, 2021	104	11
June 30, 2021	105	17
March 31, 2021	116	15
December 31, 2020	114	12
September 30, 2020	99	10
June 30, 2020	88	17

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 increase in 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 2022/2021 – Net earnings increased primarily due to higher investment in regulated assets and higher favourable variances attributable to timing of operating costs incurred, as compared to those allowed in rates, net of amounts shared with customers.

December 2021/2020 – Net earnings increased primarily due to higher favourable variances attributable to operating costs incurred, as compared to those allowed in rates, net of amounts shared with customers.

September 2021/2020 - Net earnings increased primarily due to higher investment in regulated assets and higher favourable variances attributable to timing of operating costs allowed in rates, net of amounts shared with customers.

June 2021/2020 – Net earnings were consistent with the same period in 2020 as the earnings from higher investment in regulated assets during 2021 were offset by lower favourable variance attributable to timing of operating costs incurred, as compared to operating costs allowed in rates, net of amounts shared with customers.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheets between March 31, 2022 and December 31, 2021:

Balance Sheet Account	**Increase (Decrease)** ($ millions)	**Explanation**
Property, plant and equipment, net	**11**	The increase was primarily due to capital expenditures of $29 million incurred during the quarter, partially offset by: • depreciation expense, excluding net salvage provision, of $9 million, • changes in accrued capital expenditures of $4 million, • contributions in aid of construction of $3 million, • $1 million of net adjustments in finance leases, the offset of which has been recognized in regulatory assets, and • costs of removal of $1 million incurred, which are recognized against the net salvage provision in regulatory liabilities.
Regulatory assets (current and long-term)	**12**	The increase was primarily due to changes in the Brilliant Power Purchase Agreement ("BPPA") asset and obligation under finance lease and an increase in regulated deferred income tax liabilities, the offsets of which were both deferred as regulatory assets.
Credit facilities	**(101)**	The decrease was primarily a result of net repayments with proceeds from the issuance of $100 million in unsecured Medium Term Note ("MTN") Debentures during the first quarter of 2022.
Long-term debt	**99**	The increase was due to the issuance of $100 million of unsecured MTN Debentures during the first quarter of 2022, net of debt issuance costs. The proceeds were used to repay existing credit facilities in support of the debt component of FBC's capital expenditure program.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Requirements and Liquidity

In the normal course of operations, the Corporation's cash flow requirements fluctuate seasonally based on the demand for electricity and the timing of power purchases. The Corporation maintains a committed credit facility that adequately meets any working capital deficiencies not funded through cash flow from operations, and for financing the debt component of the Corporation's capital expenditure program.

It is expected that operating expenses, interest costs, and other working capital will generally be paid out of operating cash flows, with varying levels of residual cash available for capital expenditures and dividend payments. Cash flow is also required to fund capital expenditure programs; regulated deferral accounts, and those regulatory mechanisms that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation; and investments in Demand Side Management. Funding requirements are expected to be financed from a combination of cash flow from operations, borrowings under the credit facility, equity injections from FortisBC Pacific, and long-term debenture issuances in accordance with the deemed regulatory capital structure approved by the BCUC of 40 per cent equity and 60 per cent debt. The approved capital structure could change depending on the outcome of the GCOC Proceeding discussed in the "Regulation" section of this MD&A.

The Corporation's ability to service its debt obligations and pay dividends on its common shares is dependent on the financial results of the Corporation. Depending on the timing of cash payments, borrowings under the Corporation's credit facility may be required from time to time to support the servicing of working capital deficiencies and payment of dividends. The Corporation may have to rely upon the proceeds of new debenture issuances to meet its principal debt obligations when they become due.

Summary of Consolidated Cash Flows

Quarter ended March 31	2022	2021	Variance
($ millions)			
Cash flows from (used in)			
Operating activities	**47**	55	(8)
Investing activities	**(28)**	(27)	(1)
Financing activities	**(14)**	(25)	11
Net change in cash	**5**	3	2

Operating Activities

Cash from operating activities was $8 million lower compared to the same period in 2021, primarily due to lower cash from working capital, primarily due to changes in accounts payable, partially offset by higher net earnings, after non-cash adjustments.

Investing Activities

Cash used in investing activities was $1 million higher compared to the same period in 2021 primarily due to higher capital expenditures.

Financing Activities

Cash used in financing activities was $11 million lower compared to the same period in 2021. During the quarter ended March 31, 2022, net proceeds from a $100 million MTN Debenture issuance were used to repay existing credit facilities, compared to the same period in 2021, where there was no debt issuance.

During the quarter ended March 31, 2022, FBC paid common share dividends of $12 million (2021 - $12 million) to its parent company, FortisBC Pacific.

Contractual Obligations

During the quarter ended March 31, 2022, the Corporation's contractual obligations have not changed materially from those disclosed in the MD&A for the year ended December 31, 2021, with the exception of those which are presented in the following table:

As at March 31, 2022	Total	Due Within 1 Year	Due in Year 2	Due in Year 3	Due in Year 4	Due in Year 5	Due After 5 Years
($ millions)							
Interest obligations on long-term debt (a)	**948**	**43**	**42**	**40**	**40**	**40**	**743**
Long-term debt[1] (a)	**885**	**-**	**25**	**-**	**-**	**-**	**860**
Total	**1,833**	**43**	**67**	**40**	**40**	**40**	**1,603**

[1] Excludes unamortized debt issuance costs.

(a) Includes the obligations associated with the issuance of $100 million of unsecured MTN Debentures during the first quarter of 2022, which is discussed further in the "Credit Facilities and Debentures" section of this MD&A.

Credit Ratings

There have been no changes to the Corporation's credit ratings from those disclosed in the MD&A for the year ended December 31, 2021, which are summarized in the following table:

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

Credit Facilities and Debentures

Credit Facilities

As at March 31, 2022, the Corporation had bank credit facilities of $160 million, comprised of a $150 million operating credit facility, which matures in April 2026, and a $10 million demand overdraft facility.

The following summary outlines the Corporation's credit facilities:

($ millions)	**March 31, 2022**	December 31, 2021
Operating credit facility	**150**	150
Demand overdraft facility	**10**	10
Draws on operating credit facility	**(15)**	(115)
Draws on overdraft facility	**-**	(1)
Credit facilities available	**145**	44

Debentures

On March 10, 2022, FBC entered into an agreement with an affiliate of a Canadian Chartered Bank to sell $100 million of unsecured MTN Debentures. The MTN Debentures bear interest at a rate of 4.16 per cent to be paid semi-annually and mature on March 14, 2052. The closing of the issuance occurred on March 14, 2022, with net proceeds being used to repay existing credit facilities.

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 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 2022 projected capital expenditures are approximately $156 million, inclusive of allowance for funds used during construction ("AFUDC") and excluding customer contributions in aid of construction ("CIAC"), 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. The 2021 capital expenditures were $135 million, inclusive of AFUDC and excluding CIAC.

Included in these 2022 project capital expenditures are more significant projects, including the DSM Expenditures Plan, and Corra Linn Dam Spillway Gates Replacement, among others, which were described in the MD&A for the year ended December 31, 2021.

FBC's disclosure around its major capital projects has not changed significantly from those disclosed in the MD&A for the year ended December 31, 2021.

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 and FHI. 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 were as follows:

	Quarter ended March 31	
($ millions)	**2022**	2021
Operating costs charged to FortisBC Pacific (a)	**2**	2
Operating costs charged to FEI (b)	**1**	1
Total related party recoveries	**3**	3

(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 related parties under common control were as follows:

	Quarter ended March 31	
($ millions)	**2022**	2021
Operating costs charged by FEI (a)	**2**	2
Operating costs charged by FHI (b)	**1**	1
Total related party costs	**3**	3

(a) FEI charged the Corporation for natural gas purchases, office rent, management services, and other labour.

(b) FHI charged the Corporation for management services and governance costs.

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, and due to parent company on the Consolidated Balance Sheets, are as follows:

	March 31, 2022		December 31, 2021	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
FPHI	**1**	**-**	1	-
Fortis (a)	**1**	**-**	1	-
FEI	**-**	**(1)**	-	(1)
FHI	**-**	**-**	-	(1)
Total due from (due to) related parties	**2**	**(1)**	2	(2)

(a) Included in accounts receivable is an amount due from Fortis related to the allocation of the Part VI.1 tax associated with preference share dividends.

FINANCIAL INSTRUMENTS

Financial Instruments Not Measured At Fair Value

The following table includes the carrying value, excluding unamortized debt issuance costs, and estimated fair value of the Corporation's long-term debt.

		As at			
		March 31, 2022		December 31, 2021	
($ millions)	Fair Value Hierarchy	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	**885**	**956**	785	979

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.

ACCOUNTING MATTERS

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 the Condensed Consolidated Interim Financial Statements.

Future Accounting Pronouncements

Any ASUs issued by FASB that are not included in this MD&A were assessed and determined to be either not applicable to the Corporation or not expected to have a material impact on the Condensed Consolidated Interim 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 now referred to as MoveUP. The first collective agreement, representing employees in specified occupations in the areas of administration and operations support, expires on June 30, 2023. The second collective agreement, representing customer service employees, expired on March 31, 2022 and negotiations are ongoing.

The collective agreement between the Corporation and Local 213 of the International Brotherhood of Electrical Workers ("IBEW") expires on January 31, 2023. The IBEW represents employees in specified occupations in the areas of generation, transmission and distribution.

BUSINESS RISK MANAGEMENT

The business risks of the Corporation remain substantially unchanged from those outlined in the Corporation's MD&A for the year ended December 31, 2021.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A, the Corporation had issued and outstanding 2,991,510 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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