



FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the quarter and six months ended June 30, 2021 and 2020
(Unaudited)

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

	June 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	\$ 2	\$ -
Accounts receivable, net	54	60
Prepaid expenses	2	2
Other assets	1	1
Regulatory assets	6	6
Total current assets	65	69
Property, plant and equipment, net	1,673	1,647
Intangible assets, net	63	63
Regulatory assets	421	411
Other assets	12	12
Goodwill	235	235
TOTAL ASSETS	\$ 2,469	\$ 2,437
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities	\$ 75	\$ 69
Accounts payable and other current liabilities	85	78
Current portion of long-term debt (note 9)	25	25
Current portion of finance lease obligations	1	1
Regulatory liabilities	2	1
Total current liabilities	188	174
Long-term debt (note 9)	779	779
Finance lease obligations	329	329
Regulatory liabilities	35	30
Deferred income tax	218	211
Other liabilities	72	74
Total liabilities	1,621	1,597
Equity		
Common shares	269	269
Additional paid-in capital	322	322
Retained earnings	257	249
Total equity	848	840
TOTAL LIABILITIES AND EQUITY	\$ 2,469	\$ 2,437

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Inc.
Condensed Consolidated Statements of Earnings (Unaudited)
For the quarter and six months ended June 30
(in millions of Canadian dollars)

	Quarter ended		Six months ended	
	2021	2020	2021	2020
Revenue (note 5)	\$ 105	\$ 88	\$ 221	\$ 199
Expenses				
Power purchase costs	21	15	61	54
Operating costs	26	19	47	40
Property and other taxes	4	4	9	8
Depreciation and amortization	17	16	33	31
Total expenses	68	54	150	133
Operating income	37	34	71	66
Other income	1	1	2	2
Finance charges (note 6)	18	18	36	36
Earnings before income taxes	20	17	37	32
Income tax expense	3	-	5	1
Net earnings	\$ 17	\$ 17	\$ 32	\$ 31

FortisBC Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the six months ended June 30
(in millions of Canadian dollars)

	Common Shares ¹	Additional Paid-in Capital	Retained Earnings	Total
As at December 31, 2019	\$ 219	\$ 322	\$ 241	\$ 782
Net earnings	-	-	31	31
Issuance of common shares	50	-	-	50
Dividends on common shares	-	-	(22)	(22)
As at June 30, 2020	269	322	250	841
As at December 31, 2020	269	322	249	840
Net earnings	-	-	32	32
Dividends on common shares	-	-	(24)	(24)
As at June 30, 2021	\$ 269	\$ 322	\$ 257	\$ 848

¹ 500 million authorized common shares with a par value of \$100 each; 2.7 million issued and outstanding at June 30, 2021 and December 31, 2020.

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the quarter and six months ended June 30
(in millions of Canadian dollars)

	Quarter ended		Six months ended	
	2021	2020	2021	2020
Operating activities				
Net earnings	\$ 17	\$ 17	\$ 32	\$ 31
Adjustments to reconcile net earnings to cash from operating activities:				
Depreciation and amortization	17	16	33	31
Equity component of allowance for funds used during construction	(1)	(1)	(1)	(1)
Accrued employee future benefits	(1)	-	(1)	-
Change in regulatory assets and liabilities	(1)	(3)	3	(4)
Change in working capital (note 8)	(8)	(13)	12	12
Cash from operating activities	23	16	78	69
Investing activities				
Property, plant and equipment additions (note 8)	(28)	(26)	(55)	(53)
Intangible asset additions	(2)	(4)	(3)	(5)
Contributions in aid of construction	2	1	4	3
Change in other assets and other liabilities	(3)	(2)	(4)	(2)
Cash used in investing activities	(31)	(31)	(58)	(57)
Financing activities				
Net proceeds from (repayment of) credit facility	19	(35)	6	(36)
Repayment of Fortis demand loans	-	-	-	(60)
Proceeds from issuance of long-term debt	-	75	-	75
Debt issuance costs	-	(1)	-	(1)
Issuance of common shares	-	-	-	50
Dividends on common shares	(12)	(11)	(24)	(22)
Cash from (used in) financing activities	7	28	(18)	6
Net change in cash	(1)	13	2	18
Cash at beginning of period	3	5	-	-
Cash at end of period	\$ 2	\$ 18	\$ 2	\$ 18

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 and six months ended June 30, 2021 and 2020**

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 183,000 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 764 MW, which occurred during the second quarter of 2021.

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 2020 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, 2020.

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 July 28, 2021, 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 June 30, 2021. 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 six months ended June 30, 2021, 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 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 the Condensed Consolidated Interim Financial Statements.

3. REGULATORY MATTERS

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. 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 other revenue and 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 expenditures program.

In February 2021, the BCUC approved a rate increase of 4.36 per cent over 2020 rates, effective January 1, 2021. As part of this filing, a 2021 average rate base of \$1,479 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.

FortisBC Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and six months ended June 30, 2021 and 2020

5. REVENUE

Disaggregation of Revenue

The following table presents the disaggregation of the Corporation's revenue by type of customer.

(\$ millions)	Quarter ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Residential	42	39	101	90
Commercial	26	20	53	45
Wholesale	11	9	26	23
Industrial	10	7	19	16
Total electricity revenue	89	75	199	174
Other contract revenue ¹	13	7	22	15
Total revenue from contracts with customers	102	82	221	189
Alternative revenue ²	(2)	6	(7)	8
Other revenue ³	5	-	7	2
Total revenue	105	88	221	199

¹ Other contract revenue includes utility customer connection fees, surplus capacity sales, 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.

6. FINANCE CHARGES

(\$ millions)	Quarter ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interest on long-term debt	10	10	20	19
Interest on short-term debt	-	-	-	1
Net interest on debt	10	10	20	20
Interest on finance leases	8	8	16	16
Total finance charges	18	18	36	36

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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 following table presents the net benefit cost for these plans.

<i>(\$ millions)</i>	Quarter ended June 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2021	2020	2021	2020
Components of net benefit cost				
Service costs	2	1	-	-
Interest costs	2	2	-	-
Expected return on plan assets	(3)	(3)	-	-
Amortization of actuarial losses	1	1	-	-
Net benefit cost	2	1	-	-

<i>(\$ millions)</i>	Six months ended June 30			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2021	2020	2021	2020
Service costs	4	3	-	-
Interest costs	4	4	-	-
Expected return on plan assets	(6)	(6)	-	-
Amortization of actuarial losses	1	1	-	-
Net benefit cost	3	2	-	-

The Corporation's estimated 2021 contributions are \$4 million (2020 - \$4 million) for defined benefit pension plans and \$1 million (2020 - \$1 million) for OPEB plans.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
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8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(\$ millions)</i>	Quarter ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Change in working capital				
Accounts receivable	3	8	6	11
Prepaid expenses	3	3	-	-
Accounts payable and other current liabilities	(14)	(24)	6	1
	(8)	(13)	12	12
Significant non-cash transactions				
Change in accrued capital expenditures	(3)	(1)	-	2
Change in regulated asset for deferred income tax	(5)	(6)	(7)	(11)
Change in regulated asset for BPPA lease costs	6	6	(3)	(3)

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

<i>(\$ millions)</i>	2021	2020
As at June 30		
Accrued capital expenditures	17	13

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			
		June 30, 2021		December 31, 2020	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt ¹	Level 2	810	985	810	1,082

¹ Includes amounts classified as current.