FORTIS BC

FORTISBC ENERGY INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended March 31, 2022

May 3, 2022

The following FortisBC Energy Inc. ("FEI" 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 three months 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, with 2020 comparatives, prepared in accordance with US GAAP.

In this MD&A, FHI refers to the Corporation's parent, FortisBC Holdings Inc., FBC refers to FortisBC Inc., FAES refers to FortisBC Alternative Energy Services Inc., ACGS refers to Aitken Creek Gas Storage ULC, 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 FHI and debenture issuances; the final investment decision associated with the pipeline expansion to the proposed Eagle Mountain Woodfibre Liquefied Natural Gas ("Woodfibre LNG") site; 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); the competitiveness of natural gas pricing when compared with alternate sources of energy; 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; the availability of natural gas supply; 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; continued energy demand; continued population growth and new housing starts; the ability to hedge certain risks including no counterparties to derivative instruments failing to meet obligations; 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; natural gas supply risk; asset breakdown, operation, maintenance and expansion risk; 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; counterparty credit 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 the 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 the largest distributor of natural gas in British Columbia ("BC"), serving approximately 1,068,200 residential, commercial, industrial, and transportation customers in more than 135 communities. The Corporation provides transmission and distribution services to its customers, and obtains natural gas and renewable gas supplies on behalf of most residential, commercial, and industrial customers. Gas supplies are sourced primarily from northeastern BC and, through the Corporation's Southern Crossing Pipeline, from Alberta.

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 FEI'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 similar approach to growth capital, a forecast approach to sustainment capital, an innovation fund recognizing the need to accelerate investment in clean energy innovation, 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.

In December 2021, the BCUC approved a January 1, 2022 delivery rate increase of 8.07 per cent over 2021 rates. This delivery rate increase includes a 2022 forecast average rate base of $5,409 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 FEI and FBC 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. FEI and FBC 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

Customer rates include both the delivery charge and the cost of natural gas, consisting of the commodity cost and the storage and transport cost. 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 natural gas revenue and cost of natural gas 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.

FEI reviews the costs of natural gas with the BCUC either quarterly or annually to ensure the rates passed on to customers are fair and reflect actual costs. FEI received approval to increase the commodity rate effective August 1, 2020, October 1, 2020, October 1, 2021, and January 1, 2022. FEI also received approval to decrease the storage and transport rate, net of the refund of the Midstream Cost Reconciliation Account ("MCRA") regulatory liability, effective January 1, 2022.

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
Gas sales *(petajoules)*	**81**	80	1
($ millions)			
Revenue	**694**	586	108
Cost of natural gas	**354**	255	99
Operation and maintenance	**65**	66	(1)
Property and other taxes	**18**	18	-
Depreciation and amortization	**76**	72	4
Total expenses	**513**	411	102
Operating income	**181**	175	6
Add: Other income	**4**	2	2
Less: Finance charges	**36**	36	-
Earnings before income taxes	**149**	141	8
Income tax expense	**31**	31	-
Net earnings	**118**	110	8

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	**8**	Net earnings for the quarter ended March 31, 2022 were $118 million compared to $110 million for the same period in 2021. The increase was primarily due to a higher investment in regulated assets as well as lower operating costs, the variances of which are retained by the utility. Both 2022 and 2021 net earnings are based on an allowed ROE of 8.75 per cent and a deemed equity component of capital structure of 38.5 per cent.

Quarter		
Item	**Increase (Decrease)** *($ millions)*	**Explanation**
Revenue	**108**	The increase in revenue was primarily due to: • a higher cost of natural gas recovered from customers, as approved by the BCUC, and • an increase in revenue approved for rate-setting purposes, resulting from higher investment in regulated assets, partially offset by • a refund of the MCRA gas storage and transport cost regulatory liability, compared to the prior year recovery of the MCRA gas storage and transport cost regulatory asset, and • a decrease in revenue associated with regulatory deferrals. Gas sales volumes were higher than the same quarter in the previous year, primarily due to higher consumption by commercial customers. The variance between revenue associated with actual consumption and revenue forecasted for rate-setting purposes is captured either in the Revenue Stabilization Adjustment Mechanism ("RSAM") deferral account or the flow-through deferral account, for which the income statement offsets are recognized in alternative revenue and other revenue, resulting in no impact on total revenue.
Cost of natural gas	**99**	The increase was primarily due to: • a higher commodity cost, approved by the BCUC, of $4.503 per gigajoule ("GJ") for the first quarter of 2022, as compared to $2.844 per GJ for the first quarter of 2021, • a higher storage and transport cost, approved by the BCUC, of $1.505 per GJ for the first quarter of 2022, as compared to $1.350 per GJ for the first quarter of 2021, and • an increase in total consumption of gas by those customers receiving bundled natural gas services from FEI, which includes both delivery service and the supply of gas commodity, partially offset by • a refund of the MCRA gas storage and transport cost regulatory liability, compared to the prior year recovery of the MCRA gas storage and transport cost regulatory asset. Customers that purchase bundled services from FEI require the Corporation to not only provide delivery service, but also provide the gas commodity, which entails managing the commodity portfolio, including the costs to procure, store and transport the gas. During the first quarter of 2022, volumes provided to customers under bundled services were higher compared to the same quarter in 2021 while volumes provided to customers that received only delivery service were comparable. The higher volumes provided to customers under bundled services drove a higher cost of natural gas in the first quarter of 2022.
Depreciation and amortization	**4**	The increase was primarily due to higher amortization of regulatory assets, as well as a higher depreciable asset base compared to the prior year.

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 (Loss)[1]
($ millions)		
March 31, 2022	694	118
December 31, 2021	590	78
September 30, 2021	222	(20)
June 30, 2021	316	14
March 31, 2021	586	110
December 31, 2020	476	78
September 30, 2020	195	(14)
June 30, 2020	248	19

[1] Net earnings (loss) attributable to controlling interest.

A summary of the past eight quarters reflects the seasonality associated with the Corporation's business. Due to the seasonal nature of natural gas consumption patterns, the natural gas transmission and distribution operations of FEI normally generate higher net earnings in the first and fourth quarters and lower net earnings in the second quarter, which are partially offset by net losses in the third quarter. As a result of the seasonality, interim net earnings are not indicative of net earnings on an annual basis.

March 2022/2021 – Net earnings were higher primarily due to a higher investment in regulated assets as well as lower operating costs, the variances of which are retained by the utility.

December 2021/2020 – Net earnings were consistent with the same period in 2020.

September 2021/2020 – Net losses were higher due to a $9 million lower income tax benefit as a result of the Corporation implementing a TLUP in the second quarter of 2020, where no similar TLUP was implemented in 2021; partially offset by a higher investment in regulated assets.

June 2021/2020 – Net earnings were lower due to a $3 million lower income tax benefit as a result of the Corporation implementing a TLUP in the second quarter of 2020, where no similar TLUP was implemented in 2021; lower favourable variances attributable to timing of operation and maintenance expenses for the quarter as compared to those allowed in rates, net of amounts shared with customers; and the recognition of a non-recurring income tax recovery not subject to rate-setting in 2020; partially offset by a higher investment in regulated assets.

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
Accounts receivable, net	**43**	The increase was primarily due to: • higher tariff-based trade receivables, as a result of increased customer rates, • higher gas cost mitigation receivables, and • higher cash collateral paid for natural gas contracts.
Inventories	**(44)**	The decrease was primarily due to the seasonal drawdown of natural gas in storage during the winter months, partially offset by an increase in the weighted average cost of gas in storage.

Balance Sheet Account	**Increase (Decrease)** *($ millions)*	**Explanation**
Property, plant and equipment, net	**53**	The increase was primarily due to capital expenditures of $126 million incurred during the quarter, and $2 million in equity allowance for funds used during construction ("AFUDC"), less: • depreciation expense, excluding net salvage provision, of $48 million, • changes in accrued capital expenditures of $13 million, • contributions in aid of construction of $9 million received, and • costs of removal of $5 million incurred, which is included as part of the net salvage provision in regulatory liabilities.
Credit facility	**(200)**	The decrease was primarily a result of net repayments from seasonal operating cash flows as well as with proceeds received from a $150 million equity injection from the Corporation's parent company, FHI, during the first quarter of 2022.
Accounts payable and other current liabilities	**19**	The increase was primarily due to: • higher income taxes payable, and • higher property tax and carbon tax payable, partially offset by • the seasonal decrease in credit balances related to customer payment plan arrangements, and • lower capital accruals.
Regulatory liabilities (current and long-term)	**53**	The increase was primarily due to: • a higher MCRA regulatory liability due to higher mitigation activities partially offset by higher midstream costs incurred compared to those refunded in customer rates, • a higher RSAM regulatory liability due to variances in gas use for residential and commercial customers, and • an increase in the net salvage provision.
Common shares	**150**	The increase was due to a $150 million FEI equity issuance during the first quarter of 2022, the proceeds of which were used to repay credit facilities in support of the equity component of FEI'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 primarily on natural gas consumption. 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; pre-development capital costs; 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 ("DSM") and natural gas for transportation programs under the Greenhouse Gas Reductions Regulations. Funding requirements are expected to be financed from a combination of cash flow from operations, borrowings under the credit facility, equity injections from FHI, and long-term debenture issuances in accordance with the deemed regulatory capital structure approved by the BCUC of 38.5 per cent equity and 61.5 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	**258**	221	37
Investing activities	**(137)**	(115)	(22)
Financing activities	**(106)**	(71)	(35)
Net change in cash	**15**	35	(20)

Operating Activities

Cash from operating activities was $37 million higher compared to the same period in 2021, primarily due to changes in regulatory assets and liabilities, primarily as a result of changes in the MCRA and RSAM deferral accounts, higher cash from working capital, primarily due to changes in accounts payable, and higher net earnings, after non-cash adjustments.

Investing Activities

Cash used in investing activities was $22 million higher in 2022 compared to the same period in 2021 primarily due to higher capital expenditures, partially offset by higher customer contributions in aid of construction ("CIAC").

Financing Activities

Cash used in financing activities was $35 million higher compared to the same period in 2021. During the quarter ended March 31, 2022, net proceeds from a $150 million issuance of common shares and cash flows from operations were used to repay existing credit facilities, compared to the same period in 2021, where a net proceeds from a $100 million issuance of common shares and cash flows from operations were used to repay a lower balance of existing credit facilities.

During the quarter ended March 31, 2022, FEI paid common share dividends of $57 million (2021 - $55 million) to its parent company, FHI.

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)							
Gas purchase obligations (a)	**4,801**	**776**	**328**	**248**	**242**	**233**	**2,974**

(a) The Corporation enters into contracts to purchase natural gas, renewable gas, and natural gas transportation and storage services from various suppliers. These contracts are used to ensure that there is an adequate supply of natural gas to meet the needs of customers and to minimize exposure to market price fluctuations. The gas purchase obligations are based on gas commodity indices that vary with market prices. The amounts disclosed reflect index prices that were in effect at March 31, 2022. The renewable gas supply obligations disclosed reflect the contracted price per GJ between the Corporation and the suppliers.

Included in the above, during the first quarter of 2022, FEI signed a long-term Biomethane purchase agreement ("BPA") to acquire renewable natural gas. The 20-year agreement allows FEI to purchase renewable natural gas from a portfolio of landfill sites, up to a maximum annual volume of 8 PJs. The BCUC approved the BPA in March 2022.

In addition to the above, on April 2, 2022, the Corporation signed a long-term supply agreement which allows FEI to acquire renewable natural gas over 20 years up to a maximum annual volume of approximately 1.3 petajoules. The agreement is subject to the completion of certain conditions, including BCUC approval.

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 table below:

Rating Agency	Credit Rating	Type of Rating	Outlook
DBRS Morningstar	A	Unsecured Debentures	Stable
Moody's	A3	Unsecured Debentures	Stable

Credit Facilities and Debentures

Credit Facilities

As at March 31, 2022, the Corporation had a $700 million syndicated credit facility available, which matures in July 2026, and a $55 million uncommitted letter of credit facility which matures in March 2023.

The following summary outlines the Corporation's credit facilities:

($ millions)	**March 31, 2022**	December 31, 2021
Credit facility	**700**	700
Letter of credit facility	**55**	55
Draws on credit facility	**(42)**	(242)
Letters of credit outstanding	**(42)**	(42)
Credit facilities available	**671**	471

Debentures

On April 9, 2020, the Corporation filed a short form base shelf prospectus to establish a MTN Debentures Program and entered into a Dealers Agreement with certain affiliates of a group of Canadian Chartered Banks. The Corporation may, from time to time until the shelf prospectus expires on May 9, 2022, issue MTN Debentures in an aggregate principal amount of up to $800 million. The establishment of the MTN Debenture Program has been approved by the BCUC. As at March 31, 2022, $450 million remains available under the MTN Debenture Program.

On April 12, 2021, FEI entered into an agreement to sell $150 million of MTN Debentures Series 34. The MTN Debentures bear interest at a rate of 2.42 per cent to be paid semi-annually and mature on July 18, 2031. The closing of the issuance occurred on April 14, 2021, 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 ("CPCN") 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 $618 million, inclusive of AFUDC and excluding customer CIAC, and are necessary to provide service, public and employee safety, and reliability of supply of natural gas 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 $475 million, inclusive of AFUDC and excluding CIAC.

Included in these 2022 projected capital expenditures are more significant projects, including the DSM Expenditures Plan, Inland Gas Upgrade, Pattullo Gas Line Replacement, Okanagan Capacity Upgrade, Tilbury LNG Storage Expansion, Transmission Integrity Management Capabilities, Tilbury Phase 1B Expansion Project, and Advanced Metering Infrastructure Project, among others, which were described in the MD&A for the year ended December 31, 2021.

FEI'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. With respect to other capital projects, in April 2022 Woodfibre LNG Limited ("Woodfibre LNG") issued a Notice to Proceed to its prime contractor for the proposed LNG site in Squamish, BC, however FEI's proposed Eagle Mountain Woodfibre Gas Pipeline project remains contingent on Woodfibre LNG making a final decision to proceed with construction of its LNG export facility.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with its parent, FHI, ultimate parent, Fortis, and other related companies under common control, including FBC and ACGS, in financing transactions and to provide or receive services and materials. The following transactions were measured at the exchange amounts unless otherwise indicated.

Related Party Recoveries

The amounts charged to the related parties under common control were as follows:

	Quarter ended March 31	
($ millions)	**2022**	2021
Operation and maintenance expense charged to FBC (a)	**2**	2
Total related party recoveries	**2**	2

(a) The Corporation charged FBC for natural gas sales, office rent, management services, and other labour.

Related Party Costs

The amounts charged by the Corporation's parent and other related parties under common control were as follows:

	Quarter ended March 31	
($ millions)	**2022**	2021
Operation and maintenance expense charged by FBC (a)	**1**	1
Operation and maintenance expense charged by FHI (b)	**3**	3
Gas storage and purchases charged by ACGS (c)	**13**	8
Total related party costs	**17**	12

(a) FBC charged the Corporation for electricity purchases, management services, and other labour.

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

(c) ACGS charged the Corporation for the lease of natural gas storage capacity and natural gas purchases.

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 on the Consolidated Balance Sheets, were as follows:

	March 31, 2022		December 31, 2021	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
FBC	**1**	**-**	1	-
FHI	**-**	**(1)**	-	(2)
ACGS	**-**	**(1)**	-	(5)
Total due from (due to) related parties	**1**	**(2)**	1	(7)

FINANCIAL INSTRUMENTS

Derivative Instruments

There were no material changes with respect to the nature and purpose, methodologies for fair value determination, and carrying values of the Corporation's natural gas contract derivatives from that disclosed in the MD&A for the year ended December 31, 2021. Additional details are provided in the notes to the Condensed Consolidated Interim Financial Statements.

As at March 31, 2022, natural gas contract derivatives were not designated as hedges and any unrealized gains or losses associated with changes in the fair value of the derivatives were deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the BCUC, and as shown in the following table:

($ millions)	**March 31, 2022**	December 31, 2021
Unrealized net loss recorded to current regulatory assets	**(7)**	-

Cash inflows and outflows associated with the settlement of all derivative instruments are included in operating cash flows on the Corporation's Consolidated Statements of Cash Flows.

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	**3,145**	**3,382**	3,145	3,817

ACCOUNTING MATTERS

New Accounting Policies

FEI 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 March 31, 2024. The IBEW represents employees in specified occupations in the areas of 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 357,212,009 common shares, all of which are owned by FHI, a directly wholly-owned subsidiary of Fortis.

ADDITIONAL INFORMATION

Additional information about FEI, 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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