FORTIS BC

FORTISBC INC.

MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended December 31, 2020

February 11, 2021

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 2020 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 Annual Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2020 and 2019, 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., WELP refers to the Waneta Expansion Limited Partnership which Fortis owned a 51 per cent of during a part of 2019, FHI refers to FortisBC Holdings Inc., and Fortis refers to the Corporation's ultimate parent, Fortis Inc. During April 2019, Fortis completed the sale of its 51 per cent interest in WELP to parties not related to Fortis.

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 expectation that cash inflows from customers that are delayed or not received due to the Coronavirus Disease 2019 ("COVID-19") pandemic will be financed as described in the "Cash Flow Requirements and Liquidity" section of this MD&A; 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; the Corporation's estimated contractual obligations; the estimated completion dates of the Corra Lin Dam Spillway Gates Replacement and Upper Bonnington Old Unit Refurbishment projects; and the expectation that certain impacts of the COVID-19 pandemic will be mitigated through the use of regulatory deferral mechanisms.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include but are not limited to: absence of the COVID-19 pandemic impacts; receipt of applicable regulatory approvals and requested rate orders; absence of administrative monetary penalties; the ability to continue to report under US GAAP beyond the Canadian securities regulators exemption to the end of 2023 or earlier; absence of asset breakdown; absence of environmental damage and health and safety issues; absence of climate change impacts; absence of adverse weather conditions and natural disasters; ability to maintain and obtain applicable permits; the adequacy of the Corporation's existing insurance arrangements; no adverse effect of the Indigenous peoples' settlement process on the Corporation; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefit costs; the ability of the Corporation to attract and retain a skilled workforce; absence of information technology infrastructure failure; absence of cyber-security failure; continued electricity demand; 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; and no weather related demand loss or significant and sustained loss of precipitation over the headwaters of the Kootenay River system.

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: COVID-19 pandemic risk; regulatory approval and rate orders risk (including the risk of imposition of administrative monetary penalties); continued reporting in accordance with US GAAP risk; asset breakdown, operation, maintenance and expansion risk; environment, health and safety matters risk; climate change risk; weather and natural disasters risk; permits risk; underinsured and uninsured losses; risks related to Indigenous

rights and engagement; labour relations risk; employee future benefits risk; human resources risk; information technology infrastructure risk; cyber-security risk; interest rates risk; impact of changes in economic conditions risk; capital resources and liquidity risk; competitiveness and commodity price risk; power purchase and capacity sale contracts risk; electricity supply risks; 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.

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 182,000 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 746 MW.

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 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 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 expenditure program.

Pursuant to the MRP Decision, in November 2019, the BCUC approved a rate increase of 1.0 per cent over 2019 rates, on an interim and refundable basis, effective January 1, 2020. In November 2020, the BCUC approved a rate increase of 4.36 percent over 2020 interim rates, on an interim and refundable basis, effective January 1, 2021.

Both interim rates will become permanent as determined by the BCUC following its final determination on the Annual Review for 2020 and 2021 Rates. The interim rate increases include a 2020 forecasted average rate base of $1,412 million and a 2021 forecasted average rate base of $1,479 million.

Allowed Return on Equity and Capital Structure

In January 2021, the BCUC announced that a Generic Cost of Capital ("GCOC") Proceeding will be initiated in the spring of 2021, which will include a review of the deemed common equity component of total capital structure and the allowed ROE on common equity for regulated utilities in BC effective January 1, 2022.

COVID-19 Customer Recovery Fund Deferral Account

In response to the impact of the global COVID-19 pandemic on British Columbians, FBC applied for and received interim approval from the BCUC in April 2020, with a final decision issued by the BCUC in June 2020, to provide the following deferral and relief offerings to its customers through the COVID-19 Customer Recovery Fund:

i. three-month bill payment deferral from April 1 to June 30 to residential customers and to small commercial customers who have been directly impacted financially as a result of the COVID-19 pandemic;

ii. bill relief in the form of bill credits for three months from April 1 to June 30 to small commercial customers that have closed their businesses due to the COVID-19 pandemic; and

iii. establishment of a rate base deferral account for the COVID-19 Customer Recovery Fund to record and track unrecovered revenue resulting from customers being unable to pay their bills over time, any bill payment deferrals provided to customers and subsequent payments of those deferred amounts, and any bill credits provided to customers resulting from the COVID-19 pandemic.

The COVID-19 Customer Recovery Fund deferral account captures the payment deferral arrangements, bill credits, and otherwise uncollectible revenues from the Corporation's customers, which could otherwise have an impact on net earnings.

In addition to amounts that are captured in the COVID-19 Customer Recovery Fund deferral account, the Corporation has other regulatory mechanisms, which are in place during the term of the MRP, that include deferral accounts that capture revenue shortfalls and flow-through treatment for incremental costs that qualify as significant and beyond the control of the Corporation.

The method of recovery of the COVID-19 Customer Recovery Fund deferral account will be the subject of a future rate filing once the extent of the financial impact on customers due to the COVID-19 pandemic is known. However, for those customers provided relief in the form of three-month bill payment deferrals, repayment plans began in the third quarter of 2020. Cash inflows from customers that are delayed or not received due to the COVID-19 pandemic are expected to be financed as described in the "Cash Flow Requirements and Liquidity" section of this MD&A.

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 years ended December 31, 2020 and 2019.

As part of the Performance Based Ratemaking Plan for the years 2014 to 2019 ("PBR"), the Corporation had a flow-through deferral account that captured variances from regulated forecast items, excluding formulaic operation and maintenance costs, that do not have separately approved deferral mechanisms, and flowed those variances through customer rates in the subsequent year.

As part of the approved MRP for the years 2020 to 2024, certain regulatory deferral mechanisms previously in place under the PBR, including those regulatory mechanisms that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation, continue to apply in 2020 and beyond while 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			Year		
Periods Ended December 31	**2020**	2019	Variance	**2020**	2019	Variance
Electricity sales *(GWh)*	**894**	888	6	**3,291**	3,326	(35)
($ millions)						
Revenue	**114**	109	5	**412**	404	8
Power purchase costs	**38**	37	1	**120**	121	(1)
Operating costs	**29**	24	5	**91**	81	10
Property and other taxes	**5**	5	-	**17**	17	-
Depreciation and amortization	**15**	16	(1)	**61**	62	(1)
Total expenses	**87**	82	5	**289**	281	8
Operating income	**27**	27	-	**123**	123	-
Add: Other income	**2**	2	-	**5**	4	1
Less: Finance charges	**18**	18	-	**72**	72	-
Earnings before income taxes	**11**	11	-	**56**	55	1
Income tax (recovery) expense	**(1)**	-	(1)	**3**	5	(2)
Net earnings	**12**	11	1	**53**	50	3

The following table outlines net earnings and the significant variances in the Consolidated Results of Operations for the quarter ended December 31, 2020 as compared to December 31, 2019:

Quarter		
Item	**Increase (Decrease)** *($ millions)*	**Explanation**
Net earnings	**1**	The increase was primarily due to a higher investment in regulated assets during 2020 and higher favourable variances attributable to timing of operating costs incurred, as compared to operating costs allowed in rates, net of amounts shared with customers. Both 2020 and 2019 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	**5**	The increase in revenue was primarily due to: • an increase in electricity sales volumes, • an increase in revenues approved for rate-setting purposes resulting from higher investment in regulated assets, and • an increase in revenues associated with third party contract work, partially offset by • a decrease in revenue associated with regulatory deferrals, including flow-through mechanisms and revenue surpluses and deficiencies. Electricity sales volumes were higher primarily due to higher average residential consumption, in part due to the impact of the COVID-19 pandemic resulting in provincial stay at home orders during the quarter, partially offset by warmer weather conditions in the fourth quarter of 2020 that impacted heating loads. The higher residential loads were partially offset by lower industrial customer load during the fourth quarter of 2020, in part due to impact of the COVID-19 pandemic. Variances between revenues 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 revenues, resulting in no net impact on total revenues compared to what is approved in rates.
Operating costs	**5**	The increase in operating costs was primarily due to an increase in costs associated with third party contract work during the quarter.

The following table outlines net earnings and the significant variances in the Consolidated Results of Operations for the year ended December 31, 2020 as compared to December 31, 2019:

Year		
Item	**Increase (Decrease)** *($ millions)*	**Explanation**
Net earnings	**3**	The increase was primarily due to a higher investment in regulated assets during 2020.
Revenue	**8**	The increase in revenue was primarily due to: • an increase in revenues approved for rate-setting purposes resulting from higher investment in regulated assets • an increase in revenue associated with regulatory deferrals, including flow-through mechanisms and revenue surpluses and deficiencies , and • an increase in revenues associated with third party contract work, partially offset by • a decrease in surplus power sales, and • a decrease in electricity sales volume. Electricity sales volumes were lower primarily due to decreased consumption by industrial, commercial and wholesale customers, partially offset by higher consumption by residential customers, in part due to the impact of the COVID-19 pandemic resulting in provincial stay at home orders during the year. Variances between revenues associated with actual consumption and 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 revenues, resulting in no net impact on total revenues compared to what is approved in rates.
Operating costs	**10**	The increase was primarily due to an increase in costs associated with third party contract work during the quarter, as well as inflationary increases in operations and higher information systems costs.
Income tax expense	**(2)**	The decrease in income tax expense was primarily due to higher deductible temporary differences associated with property, plant, and equipment and lower taxable temporary differences associated with certain deferral accounts, partially offset by a higher earning before tax.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended March 31, 2019 through December 31, 2020. 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)		
December 31, 2020	114	12
September 30, 2020	99	10
June 30, 2020	88	17
March 31, 2020	111	14
December 31, 2019	109	11
September 30, 2019	95	10
June 30, 2019	87	15
March 31, 2019	113	14

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 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, interim net earnings are not indicative of net earnings on an annual basis.

December 2020/2019 – Net earnings increased primarily due to a higher investment in regulated assets during 2020 and higher favourable variances attributable to timing of operating costs incurred, as compared to operating costs allowed in rates, net of amounts shared with customers.

September 2020/2019 - Net earnings were consistent with the same period in 2019 as the earnings from a higher investment in regulated assets during 2020 were offset by a lower favourable variance attributable to timing of operating costs incurred as compared to operating costs allowed in rates.

June 2020/2019 - Net earnings were higher primarily due to higher investment in regulated assets and higher favourable variances from the allowed ROE under the MRP, net of amounts shared with customers, as compared to the sharing of variances in operating costs during the same period in 2019 under the PBR plan.

March 2020/2019 – Net earnings were consistent with the same period in 2019.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheets between December 31, 2020 and December 31, 2019:

Balance Sheet Account	**Increase (Decrease)** *($ millions)*	**Explanation**
Regulatory assets (current and long-term)	**31**	The increase was primarily due to an increase in unrecognized actuarial losses and past service costs for pensions and other post-employment benefits ("OPEB"), 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 all deferred as regulatory assets. Additionally, an increase in Demand Side Management expenditures and additions to the COVID-19 Customer Recovery Fund deferral account, with the offset recognized as an allowance against trade receivables, were recognized. These increases were partially offset by amortization of regulatory assets.
Property, plant and equipment, net	**69**	The increase was primarily due to capital expenditures of $125 million incurred during 2020, which includes sustainment and growth capital, as well as the Corra Linn Dam Spillway Gates Replacement and Upper Bonnington Old Unit Refurbishment projects, a $2 million increase in accrued capital expenditures, and $1 million in equity AFUDC, partially offset by: • depreciation expense, excluding net salvage provision, of $38 million, • net adjustments in finance leases and ARO, the offset of which has been recognized in regulatory assets, • costs of removal of $10 million incurred, which are recognized against the net salvage provision in regulatory liabilities, and • contributions in aid of construction of $8 million.
Accounts payable and other current liabilities	**11**	The increase was primarily due to higher trade payables resulting from timing of payments for power purchases and capital expenditures.
Due to parent company	**(60)**	The decrease was due to the repayment of Fortis demand loans during the first quarter of 2020.
Long-term debt (current and long-term)	**75**	The increase was due to the issuance of $75 million of unsecured MTN Debentures during the second quarter of 2020. The proceeds were used primarily to repay existing credit facilities in support of the debt component of FBC's capital expenditure program.
Deferred income taxes	**19**	The increase was primarily due to deductible temporary differences associated with property, plant and equipment and taxable net deductible temporary differences associated with certain regulatory deferral accounts.
Common shares	**50**	The increase was due to a $50 million FBC equity issuance during the first quarter of 2020, the proceeds of which were used to repay Fortis demand loans. Equity issuances also support the equity 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/or 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 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.

Due to the economic condition of certain of the Corporation's customers, the overall demand for electricity and recovery of revenues could be affected by the COVID-19 pandemic as described in the Business Risk Management section of this MD&A and the "Capital Resources and Liquidity" risk described in this MD&A. As a result of the COVID-19 pandemic, there could be higher than normal working capital deficiencies in the short-term. If required, the Corporation would seek additional liquidity from a number of sources, including equity injections from FortisBC Pacific, accessing the debt capital markets and increasing the size of the committed credit facilities.

Summary of Consolidated Cash Flows

Years Ended December 31	2020	2019	Variance
($ millions)			
Cash flows provided by (used for)			
Operating activities	**112**	92	20
Investing activities	**(134)**	(103)	(31)
Financing activities	**22**	11	11
Net change in cash	**-**	-	-

Operating Activities

Cash provided by operating activities was $20 million higher compared to the same period in 2019. The increase was primarily due to higher net earnings as well as changes in working capital relating to higher trade accounts payable, which were a result of timing of power purchases and debenture interest payments, partially offset by changes in regulatory assets and liabilities.

Investing Activities

Cash used for investing activities was $31 million higher compared to the same period in 2019 primarily due to higher capital expenditures.

Financing Activities

Cash provided by financing activities was $11 million higher compared to the same period in 2019, primarily driven by a $75 million debt issuance in the second quarter of 2020 and proceeds from a $50 million issuance of common shares in the first quarter of 2020, partially offset by a $60 million repayment of Fortis demand loans in the first quarter of 2020 which was borrowed during the fourth quarter of 2019.

During 2020, FBC paid common share dividends of $45 million (December 31, 2019 - $45 million) to its parent company, FortisBC Pacific.

Contractual Obligations

The following table sets forth the Corporation's estimated contractual obligations due in the years indicated:

As at December 31, 2020	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)							
Power purchase obligations (a)	2,872	102	94	84	82	81	2,429
Finance lease obligations (b)	1,222	32	33	33	34	34	1,056
Interest obligations on long-term debt	870	40	39	39	36	36	680
Long-term debt [1]	810	25	-	25	-	-	760
Other (c)	8	6	1	1	-	-	-
Total	**5,782**	**205**	**167**	**182**	**152**	**151**	**4,925**

[1] Excludes unamortized debt issuance costs.

(a) Power purchase obligations of FBC include:

- Waneta Expansion Capacity Agreement ("WECA"): In 2010, FBC entered into an agreement to purchase capacity from the Waneta Expansion, a 335 MW hydroelectric generating facility adjacent to the existing Waneta Plant on the Pend d'Oreille River in BC. The WECA, which was accepted by the BCUC in May 2012, allows FBC to purchase capacity over 40 years, beginning April 1, 2015. Up until April 16, 2019, the Waneta Expansion was owned by a limited partnership, the limited partners of which were FBC's ultimate parent, Fortis, which owned a 51 per cent interest, and a wholly-owned subsidiary of each of Columbia Power Corporation ("CPC") and Columbia Basin Trust ("CBT"). During January 2019, Fortis announced the sale of its 51 per cent interest to CPC and CBT. The transaction closed April 16, 2019.

- BCH Power Purchase Agreement ("BCH PPA"): In 2013, FBC entered into the BCH PPA to purchase up to 200 MW of capacity and 1,752 GWh per year of associated energy for a 20-year term beginning October 1, 2013. The BCH PPA was approved by the BCUC in May 2014 and was effective July 1, 2014. The capacity and energy to be purchased under this agreement do not relate to a specific plant. The BCH PPA meets the exemption for normal purchases and as such is not required to be recorded at fair value as a derivative.

- Capacity and Energy Purchase and Sale Agreement ("CEPSA"): In 2015, FBC entered into the CEPSA which allows FBC to purchase all of its market energy requirements from Powerex which was accepted by the BCUC in April 2015. As at December 31, 2020, the total power purchase obligations outstanding under the CEPSA were approximately $20 million through to the fourth quarter of 2022. The energy purchases under the CEPSA do not relate to specific plants and the output being purchased does not constitute a significant portion of the output of a specific plant.

- Brilliant Expansion Capacity and Energy Purchase Agreement: In 2017, FortisBC renewed an agreement to purchase capacity and energy from CPC, acting on behalf of the Brilliant Expansion Power Corporation, from January 2018 through to December 2027. The agreement was accepted by the BCUC in October 2017.

(b) Finance lease obligations, which are inclusive of principal payments and imputed interest, are as follows:

- In 1996 an order was granted by the BCUC approving the 60-year BPPA for the sale of the output of the Brilliant hydroelectric plant located near Castlegar, BC. The Brilliant plant is owned by the Brilliant Power Corporation ("BPC"), a corporation owned equally by the CPC and the CBT. FBC operates and maintains the Brilliant plant for the BPC in return for a management fee. In exchange for the specified take-or-pay amounts of power, the BPPA requires semi-annual payments based on a return on capital, which is composed of the original plant capital charge and periodic upgrade capital charges, which are both subject to fixed annual escalators, as well as sustaining capital charges. The BPPA includes a market related price adjustment after 30 years of the 60-year term. FBC has accounted for this arrangement as a finance lease asset and obligation in its financial statements and, as a result of adopting ASC 842 recognizes the payments, as approved for setting customer rates, within depreciation and finance charges.

- In 2003, the Corporation began operating the Brilliant Terminal Station ("BTS") under an agreement, the term of which expires in 2056. The agreement provides that FBC pay a charge related to the recovery of the capital cost of the BTS. FBC has accounted for this arrangement as a finance lease asset and obligation in its financial statements and, as a result of adopting ASC 842 recognizes the payments, as approved for setting customer rates, within depreciation and finance charges.

(c) Included in other contractual obligations are building leases, defined benefit pension plan funding obligations, and an asset retirement obligation.

In addition to the items in the table above, the Corporation has issued commitment letters to customers who may meet the criteria to obtain energy efficiency funding under the DSM Program approved by the BCUC. As at December 31, 2020, the Corporation had issued $2 million (December 31, 2019 - $2 million) of commitment letters to these customers.

Off-Balance Sheet Arrangements

As at December 31, 2020, the Corporation had no material off-balance sheet arrangements, with the exception of letters of credit outstanding of $nil (December 31, 2019 - $2 million primarily to support the funding of one of the Corporation's pension plans and a wheeling agreement).

Capital Structure

The Corporation's principal business of regulated electricity generation, transmission and distribution requires ongoing access to capital in order to allow the Corporation to fund the maintenance, replacement and expansion of infrastructure. The Corporation maintains a capital structure in line with the deemed regulatory capital structure approved by the BCUC at 40 per cent equity and 60 per cent debt. This capital structure excludes the financing of goodwill and other non-regulated items that do not impact the deemed capital structure. As part of its 2016 decision, the BCUC determined that the common equity component of capital structure and ROE for FBC will remain in effect until otherwise determined by the Commission. The BCUC is reviewing the cost of capital for regulated utilities in BCUC through a GCOC Proceeding, which could affect FBC's capital structure and allowed ROE.

Credit Ratings

Debentures issued by the Corporation are rated by DBRS Morningstar and Moody's Investors Service ("Moody's"). The ratings assigned to the debentures issued by the Corporation are reviewed by these agencies on an ongoing basis and are summarized in the table below:

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

During 2020, DBRS Morningstar and Moody's issued updated credit rating reports confirming the Corporation's debenture rating and outlook.

Credit Facilities and Debentures

Credit Facilities

As at December 31, 2020, the Corporation had bank credit facilities of $160 million, comprised of a $150 million operating credit facility and a $10 million demand overdraft facility. The $150 million operating credit facility matures in April 2024.

The following summary outlines the Corporation's credit facilities:

($ millions)	**December 31, 2020**	December 31, 2019
Operating credit facility	**150**	150
Demand overdraft facility	**10**	10
Draws on operating credit facility	**(69)**	(62)
Draws on overdraft facility	**-**	(3)
Letters of credit outstanding	**-**	(2)
Credit facilities available	**91**	93

In addition to the above, during the fourth quarter of 2019 the Corporation borrowed $60 million from its ultimate parent, Fortis. These demand loans were unsecured, due on demand, and carried interest equivalent to what the Corporation would pay when drawing on its operating credit facility. The proceeds from the demand loans were used to pay down the Corporation's credit facilities. During the first quarter of 2020, the Fortis demand loans were repaid using funds received from the issuance of $50 million in common shares and through cash from operations.

Debentures

On May 6, 2020, FBC entered into an agreement with a Canadian Chartered bank to sell $75 million of unsecured MTN Debentures Series 5. The MTN Debentures bear interest at a rate of 3.12 per cent to be paid semi-annually and mature on May 11, 2050. The closing of the issuance occurred on May 11, 2020, 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 2021 projected capital expenditures are approximately $153 million, inclusive of allowance for funds used during construction and excluding customer contributions in aid of construction, 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.

While the Corporation intends to execute on its capital expenditure program while considering current COVID-19 pandemic safety restrictions in place, any new or additional restrictions would increase the risk of completing the 2021 capital work as forecast.

Included in these projected capital expenditures are more significant projects further described below.

Energy Transition to Low Carbon Future

In September 2019, FBC and FEI established a 30BY30 Target ("30BY30") to reduce its customers' Greenhouse Gas ("GHG") emissions by 30 per cent by the year 2030. The plan to achieve 30BY30 includes investment in low and zero carbon vehicles and infrastructure in the transportation sector, and energy efficiency programs and developing innovative energy solutions for homes and businesses as described in this section of the MD&A.

Demand Side Management ("DSM") Expenditures Plan

In March 2019, the BCUC issued its decision and accepted FBC's DSM Expenditures Plan to incur approximately $44 million of expenditures from 2019 through 2022 and include such expenditures as rate base additions. This plan delivers a cost-effective portfolio of DSM programs and activities which align with the Corporation's 30BY30 Target, meets the requirements of the Demand-Side Measures Regulations, and responds to government policy encouraging an increase in DSM program incentives and support.

Corra Linn Dam Spillway Gates Replacement

In 2017, the BCUC approved a CPCN application for the construction and operation of 14 replacement spillway gates and upgrades to the associated structures at the Corra Linn Dam in order to align with industry standards, meet current regulation and minimize the risks to public and employee safety. Construction commenced in 2017 with an estimated completion date of 2022 and total project costs of approximately $68 million.

Upper Bonnington Old Unit Refurbishment

In 2017, the BCUC approved a capital expenditure application for the refurbishment of Upper Bonnington generating units in order to extend their life and reduce safety and environmental risks associated with the potential failures of the aged equipment. Construction commenced in 2017 with an estimated completion date of 2021 and total project costs of approximately $34 million.

BUSINESS RISK MANAGEMENT

The Corporation is subject to a variety of risks and uncertainties that may have a material adverse effect on the Corporation's results of operations and financial position.

COVID-19 Pandemic

Certain risks and uncertainties of the Corporation, which may be relevant as a result of the COVID-19 pandemic, are outlined in the Business Risk Management section of this MD&A. Among the risks the Corporation is monitoring are the "Impact of Changes in Economic Conditions" business risk, which states that an extended period of economic decline, which in the case of the COVID-19 pandemic would be characterized by closure of businesses and disruptions to workplaces, could result in a reduction of demand for electricity and could have an adverse effect on the Corporation.

The impact of the COVID-19 pandemic on the Corporation's operational and financial performance is expected to evolve through the duration of the pandemic. While the following potential impacts to the Corporation may not materialize or change, they are being considered and monitored. At the time of filing this MD&A, potential areas that could be impacted include, but are not limited to, availability of personnel, electricity loads and revenues, customer retention, the timing of capital expenditures, supply chain, the amount and timing of operating and maintenance expenses, application of regulatory deferral mechanisms and the collectability of receivables from customers that are dependent on the economic impact of the pandemic.

Certain of these potential impacts are expected to be mitigated through the use of regulatory deferral mechanisms, including those that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation. The nature of the Corporation's regulatory deferral mechanisms allow for recovery through customer rates in subsequent years.

The duration and extent of the pandemic will continue to inform the assessment of the financial impacts on the Corporation's operations, financial condition, and liquidity. At the time of filing this MD&A, there is uncertainty around both the duration and the extent of the virus' impact and therefore it is unclear as to whether the COVID-19 pandemic will have a material adverse effect on the Corporation.

Regulatory Approval and Rate Orders

The regulated operations of the Corporation are subject to the uncertainties faced by regulated companies. These uncertainties include the approval by the BCUC of customer rates that permit a reasonable opportunity to recover on a timely basis the estimated costs of providing services, including a fair return on and of rate base. The ability of the Corporation to recover the actual costs of providing services and to earn the approved rates of return is impacted by achieving the forecasts established in the rate-setting process. The cost for upgrading existing facilities and adding new facilities requires the approval of the BCUC for inclusion in the rate base. There is no assurance that capital projects perceived as required by the management of the Corporation will be approved or that conditions to such approval will not be imposed.

Through the regulatory process, the BCUC approves the ROE that the Corporation is allowed to earn and the deemed capital structure. Fair regulatory treatment that allows the Corporation a reasonable opportunity to earn a fair risk adjusted rate of return comparable to that available on alternative, similar risk investments is essential for maintaining service quality as well as on-going capital attraction and growth. There can be no assurance that the rate orders issued by the BCUC will permit the Corporation to recover all costs actually incurred and to earn the expected or fair rate of return. The BCUC is reviewing the cost of capital for regulated utilities in BCUC through a GCOC Proceeding, which could affect FBC's capital structure and allowed ROE. The results of the GCOC Proceeding could materially impact the Corporation's earnings.

Rate applications that reflect cost of service and establish revenue requirements are subject to either a public hearing process which may be oral or written, or a negotiated settlement. The BCUC approved a PBR rate-setting methodology for the Corporation for a term of 2014 through 2019. Rates during this term were determined through a review process which occurred on an annual basis. The BCUC approved a rate -setting methodology for the Corporation for a term of 2020 through 2024 under the MRP. Rates during this term will also be determined through a review process which will occur on an annual basis. There can be no assurance that the rate orders issued will permit the Corporation to recover all costs actually incurred and to earn the expected rate of return.

A failure to obtain rates that recover the costs of providing service and provide a reasonable opportunity to earn an appropriate ROE and capital structure as applied for may adversely affect the business carried on by the Corporation, the undertaking or timing of proposed upgrades or expansion projects, ratings assigned by rating

agencies, the issue and sale of securities, and other matters which may, in turn, have a material adverse effect on the Corporation's results of operations and financial position.

There is legislation in BC which enables the BCUC to impose administrative monetary penalties on the Corporation, upon finding contravention of a BCUC order, rule, or standard. The penalty amount varies depending on the nature of the violation and it is not recoverable from customers.

Continued Reporting in Accordance with US GAAP

In December 2017, the Ontario Securities Commission ("OSC") approved the extension of the Corporation's exemptive relief order which permits the Corporation to continue reporting in accordance with US GAAP, until the earliest of: (i) January 1, 2024; (ii) the first day of the financial year that commences after the Corporation ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the International Accounting Standards Board ("IASB") for the mandatory application of a standard within International Financial Reporting Standards ("IFRS") specific to entities with activities subject to rate regulation.

In January 2021, the IASB issued an Exposure Draft which is expected to result in a permanent mandatory standard specific to entities with activities subject to rate regulation. If OSC relief does not continue as detailed above, the Corporation would then be required to become a United States Securities and Exchange Commission registrant in order to continue reporting under US GAAP, otherwise the Corporation would be required to adopt IFRS.

The ultimate impact of a standard based on the IASB Exposure Draft is not yet known.

Asset Breakdown, Operation, Maintenance and Expansion

The Corporation's assets require ongoing maintenance, replacement and expansion. Accordingly, to ensure the continued performance of the physical assets, the Corporation determines expenditures that should be made to maintain, replace and expand the assets. The Corporation could experience service disruptions and increased costs if it is unable to maintain, replace or expand its asset base. The inability to recover, through approved rates, the costs of capital expenditures that the Corporation believes are necessary to maintain, replace, expand and remove its assets, the failure by the Corporation to properly implement or complete approved capital expenditure programs or the occurrence of significant unforeseen equipment failures could have a material adverse effect on the Corporation's results of operations and financial position.

The Corporation continually updates its capital expenditure programs and assesses current and future operating, maintenance, replacement, expansion and removal expenses that will be incurred in the ongoing operation of its business. Management's analysis is based on assumptions as to costs of services and equipment, regulatory requirements, revenue requirement approvals, and other matters, which involve some degree of uncertainty. It is uncertain whether capital expenditures will, in all cases, receive regulatory approval for recovery in future customer rates. The inability to recover these capital expenditures could have a material adverse effect on the Corporation's results of operations and financial position.

Environment, Health and Safety Matters

The Corporation is subject to numerous laws, regulations and guidelines governing the management, transportation and disposal of hazardous substances and other waste materials and otherwise relating to the protection of the environment and health and safety, for which the Corporation incurs compliance costs. The process of obtaining environmental permits and approvals, including any necessary environmental assessment, can be lengthy, contentious and expensive. In addition, an inability to acquire any necessary environmental approvals, especially those required for major projects needed to increase system capacity, could limit the Corporation's future growth opportunities. Potential environmental damage and costs could arise due to a variety of events, including severe weather and other natural disasters, human error or misconduct, or equipment failure. However, there can be no assurance that such costs will be recoverable through rates and, if substantial, unrecovered costs could have a material adverse effect on the Corporation's results of operations and financial position.

The Corporation is exposed to environmental risks that owners and operators of properties in BC generally face. These risks include the responsibility of any current or previous owner or operator of a contaminated site for remediation of the site, whether or not such person actually caused the contamination. In addition, environmental and safety laws make owners, operators and persons in charge of management and control of facilities subject to prosecution or administrative action for breaches of environmental and safety laws, including the failure to obtain certificates of approval. It is not possible to predict with absolute certainty the position that a regulatory authority will take regarding matters of non-compliance with environmental and safety laws.

Changes in environmental, health and safety laws could also lead to significant increases in costs to the Corporation.

Although most of the Corporation's generating and transmission facilities have been in place for many years with no apparent adverse environmental impact, environmental assessments and approvals may be required in the ordinary course of business for existing and future facilities.

Extreme climatic factors could potentially cause government authorities to adjust water flows on the Kootenay River, on which the Corporation's dams and related facilities are located, in order to protect the environment. This adjustment could affect the amount of water available for generation at the Corporation's plants or at plants operated by parties contracted to supply energy to the Corporation.

The trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment, including the generation and disposal of wastes, the use and handling of chemical substances, environmental management for sensitive species and their habitat and conducting environmental impact assessments and remediation. It is possible that other developments may lead to increasingly strict environmental and safety laws, regulations and enforcement policies and claims for damages to property or persons resulting from the Corporation's operations, any one of which could result in substantial costs or liabilities to the Corporation. Any regulatory changes that impose additional environmental restrictions or requirements on the Corporation or its customers could adversely affect the Corporation through increased operating and capital costs.

Scientists and public health experts in Canada, the United States and other countries are studying the possibility that exposure to electro-magnetic fields from power lines, household appliances and other electricity sources may cause health problems. If it were to be concluded that electro-magnetic fields present a health hazard, litigation could result and the Corporation could be required to take mitigation measures on its facilities. The costs of litigation, damages awarded and mitigation measures could be material.

Spills and leaks can occur in the operation of electricity generation and transmission facilities, including, primarily the release of substances such as oil into water or onto land. In addition, historical spills may result in the accumulation of hydrocarbons and polychlorinated biphenyls ("PCB") contaminants in land primarily at substation sites. The Corporation responds to spills and leaks and takes remedial steps in accordance with environmental regulations and standards and sound industry practice; however, there can be no assurance that the Corporation will not be obligated to incur further expenses in connection with changes in environmental regulations and standards or as a result of historical contamination.

Electricity transmission and distribution facilities have the potential to cause fires as a result of equipment failure, trees falling on a transmission or distribution line or lightning strikes to wooden poles. Risks associated with fire damage are related to weather, the extent of forestation, habitation, third party facilities located near the land on which the transmission facilities are situated and third party claims for fire-fighting costs and other damages. Such claims could have a material adverse effect on the Corporation's results of operations and financial position.

Electricity transmission and distribution has inherent potential risks and there can be no assurance that substantial costs and liabilities will not be incurred. Potential environmental damage and costs could materialize due to some type of severe weather event or major equipment failure and there can be no assurance that such costs would be recoverable. Unrecovered costs could have a material adverse effect on the Corporation's results of operations and financial position.

While the Corporation maintains insurance, the insurance is subject to coverage limits as well as time sensitive claims discovery and reporting provisions which could result in delays between the occurrence of an insured loss and recovery through insurance proceeds. In addition, there can be no assurance that the possible types of liabilities that may be incurred by the Corporation will be covered by insurance. See "Underinsured and Uninsured Losses" below.

Climate Change

In addition to the seasonality of the Corporation's business, climate change may affect the temperature variability in the Corporation's service territory and cause changes in the consumption pattern of electricity by the Corporation's customers, which in turn could have an impact on customer rates.

Climate change may also have the effect of increasing the severity and frequency of weather-related events that could affect the Corporation's operations and system reliability, explained further under "Weather and

Natural Disasters" below. Responding to these changes in weather events could lead to increased costs associated with the strengthening of infrastructure to ensure system reliability and resiliency. An increase in the severity and frequency of weather-related events could impact future operating, maintenance, replacement, expansion and removal costs that will be incurred in the ongoing operation of its business.

Weather and Natural Disasters

The facilities of the Corporation could be exposed to the effects of severe weather conditions and other natural events, some of which could be caused by climate change. A major natural disaster, such as an earthquake, could severely damage the Corporation's electricity generation, transmission and distribution systems. Although the Corporation's facilities have been constructed, operated and maintained to withstand severe weather, there is no assurance that they will successfully do so in all circumstances. Furthermore, many of these facilities are located in remote areas which make it more difficult to perform maintenance and repairs if such assets are damaged by weather conditions or other natural events. The Corporation operates facilities in remote and mountainous terrain with a risk of loss or damage from forest fires, floods, washouts, landslides, avalanches and similar natural events.

The Corporation has limited insurance against storm damage and other natural disasters. In the event of a large uninsured loss caused by severe weather conditions, changes in climate, or other natural disasters, application would be made to the BCUC for the recovery of these costs through higher rates to offset any loss. However, there can be no assurance that the BCUC would approve any such application. Losses resulting from repair costs and lost revenues could substantially exceed insurance coverage and any increased rates. Furthermore, the Corporation could be subject to claims from its customers for damages caused by the failure to transmit or distribute electricity to them in accordance with the Corporation's contractual obligations. Thus, any major damage to the Corporation's facilities could result in lost revenues, repair costs and customer claims that are substantial in amount, and could, therefore, have a material adverse effect on the Corporation's results of operations and financial position.

Permits

The acquisition, ownership and operation of electricity businesses and assets require numerous permits, approvals and certificates from federal, provincial and local government agencies and Indigenous Peoples. For various reasons, including increased engagement requirements and expectations, the Corporation may not be able to obtain or maintain all required regulatory approvals. The external environment has become more complex with heightened expectations from permitting agencies, local municipalities and Indigenous Peoples to be able to review and provide feedback on projects. Increased engagement is, in many cases, driven by policy responses to climate change, but the resulting increases in cost and review timelines could negatively impact the Corporation's ability to meet project budgets and schedules. If there is a delay in obtaining any required regulatory approval or if the Corporation fails to maintain or obtain any required approval or fails to comply with any applicable law, regulation or condition of an approval, the Corporation's ability to properly implement or complete approved capital expenditure programs could become limited and the operation of its assets and the distribution of electricity could be prevented or become subject to additional costs, any of which could have a material adverse effect on the Corporation's results of operations and financial position.

The Corporation's ability to generate electricity from its facilities on the Kootenay River and to receive its entitlement of capacity and energy under the second amended and restated Canal Plant Agreement (the "Canal Plant Agreement") depends upon the maintenance of its water licences issued under the *Water Act* (British Columbia). In addition, water flows in the Kootenay River are governed under the terms of the Columbia River Treaty between Canada and the United States as well as the International Joint Commission's order for Kootenay Lake. Government authorities in Canada and the United States have the power under the treaty and the International Joint Commission order to regulate water flows to protect environmental values in a manner that could adversely affect the amount of water available for the generation of power.

Underinsured and Uninsured Losses

The Corporation maintains insurance coverage with respect to potential liabilities and the accidental loss of value of certain of its assets, in amounts and with such insurers as is considered appropriate, taking into account all relevant factors, including the practices of owners of similar assets and operations. It is anticipated that such insurance coverage will be maintained. However, there can be no assurance that the Corporation will be able to obtain or maintain adequate insurance in the future at rates it considers reasonable. Further, there can be no assurance that available insurance will cover all losses or liabilities that might arise in the conduct of the Corporation's business. The occurrence of a significant uninsured claim or a claim in excess of the insurance coverage limits maintained by the Corporation or a claim that falls within a significant self-insured retention could have a material adverse effect on the Corporation's results of operations and financial position.

In the event of an uninsured loss or liability, the Corporation would apply to the BCUC to recover the loss (or liability) through an increased tariff. However, there can be no assurance that the BCUC would approve any such application, in whole or in part. Additionally, delays between the occurrence of an uninsured loss (or liability) and recovery through an increased tariff could result in variability of results between periods. Any major damage to the Corporation's facilities could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Corporation's results of operations and financial position.

Indigenous Rights and Indigenous Engagement

The Corporation provides service to customers on Indigenous Peoples lands and maintains generation, transmission and distribution facilities on lands that are subject to land claims by various Indigenous Peoples. There are various treaty negotiation processes involving Indigenous Peoples and the Governments of BC and Canada that are underway, but the basis upon which settlements might be reached in the Corporation's service area is not clear. Furthermore, not all Indigenous Peoples are participating in the processes. To date, the policy of the Government of BC has been to endeavour to structure settlements without prejudicing existing rights held by third parties such as the Corporation. However, there can be no certainty that the settlement processes will not have a material adverse effect on the Corporation's results of operations and financial position.

Before issuing approvals for the addition of new facilities, the BCUC will consider whether the Crown has a duty to consult Indigenous Peoples and to accommodate, if necessary, and if so whether the consultation and accommodation by the Crown have been adequate. If engagement and consultation with Indigenous groups are not addressed upfront, this may affect the timing, cost and likelihood of regulatory approval of certain of the Corporation's capital projects and result in higher costs to implement projects in the longer term.

The Province's *Declaration on the Rights of Indigenous Peoples Act* ("*DRIPA*") sets out a process by which the Province will review its laws to ensure they are consistent with the United Nations Declaration on the Rights of Indigenous Peoples. This review may result in amendments to provincial legislation which may affect the Corporation. *DRIPA* also empowers the Government of BC to enter into agreements with Indigenous governing bodies to provide for joint-decision making or to require consent of an Indigenous governing body before certain decisions are made.

The BCUC released its final report as part of its Indigenous Utilities Regulation Inquiry, with a number of recommendations that may enable the development of utilities controlled by Indigenous Peoples. As part of the report, the BCUC recommended that when considering a CPCN application, the economic development needs of Indigenous Peoples be considered, and that Indigenous Peoples may have the opportunity to acquire existing assets of incumbent utilities. If accepted by the BC Government, these recommendations could impact timing associated with obtaining CPCN approvals and the level of investment in utility assets.

Labour Relations

The Corporation employs members of labour unions that have entered into collective bargaining agreements with the Corporation. The provisions of such collective bargaining agreements affect the flexibility and efficiency of the business carried on by the Corporation. There can be no assurance that current relations will continue in future negotiations or that the terms under the present collective bargaining agreements will be renewed.

The inability to maintain, or to renew, the collective bargaining agreements on acceptable terms could result in increased labour costs or service interruptions arising from labour disputes, that are not provided for in approved rates and that could have a material adverse effect on the Corporation's results of operations and financial position.

Employee Future Benefits

The Corporation maintains defined benefit pension plans and supplemental pension arrangements. There is no certainty that the plan assets will be able to earn the assumed rate of returns. Market driven changes impacting the performance of the plan assets may result in material variations in actual return on plan assets from the assumed return on the assets causing material changes in net benefit costs. Net benefit cost is impacted by, among other things, the discount rate, changes in the expected mortality rates of plan members, the amortization of experience and actuarial gains or losses and expected return on plan assets. Market driven changes impacting other assumptions, including the assumed discount rate, may also result in future contributions to pension plans that differ significantly from current estimates as well as causing material changes in net benefit cost.

There is also measurement uncertainty associated with net benefit cost, future funding requirements, the net accrued benefit asset and projected benefit obligation due to measurement uncertainty inherent in the actuarial valuation process.

Net benefit cost variances from forecast for rate-setting purposes are recovered through future rates using regulatory deferral accounts approved by the BCUC. There can be no assurance that such deferral mechanisms will exist in the future as they are dependent on future regulatory decisions and orders. An inability to flow through these costs could have a material adverse effect on the Corporation's results of operations and financial position.

Human Resources

The ability of the Corporation to deliver service in a cost-effective manner is dependent on the ability of the Corporation to attract, develop and retain skilled workforces. Like other utilities across Canada, the Corporation is faced with demographic challenges relating to such skilled workforces. The inability to attract, develop and retain skilled workforces could have a material adverse effect on the Corporation.

Information Technology Infrastructure

The ability of the Corporation to operate effectively is dependent upon managing and maintaining information systems and infrastructure that support the operation of distribution, transmission and generation facilities; provide customers with billing and consumption information; and support the financial and general operating aspects of the business. The reliability of the communication infrastructure and supporting systems are also necessary to provide important safety information. System failures could have a material adverse effect on the Corporation.

Cyber-Security

The Corporation operates critical energy infrastructure in its service territory and, as a result, is exposed to the risk of cyber-security violations. Unauthorized access to corporate and information technology systems due to hacking, viruses and other causes could result in service disruptions and system failures. In addition, in the normal course of operation, the Corporation requires access to confidential customer data, including personal and credit information, which could be exposed in the event of a security breach. A security breach could have a material adverse effect on the Corporation's results of operations and financial position.

Interest Rates

The Corporation is exposed to interest rate risks associated with floating rate debt and refinancing of its long-term debt. Regulated interest rate variances from forecast for rate-setting purposes are recovered through future rates using a regulatory deferral account approved by the BCUC. There can be no assurance that such deferral mechanisms will exist in the future as they are dependent on future regulatory decisions and orders. An inability to flow through these costs could have a material adverse effect on the Corporation's results of operations and financial position.

Impact of Changes in Economic Conditions

A general and extended decline in BC's economy or in that of the Corporation's service area in particular, would be expected to have the effect of reducing demand for electricity over time. Electricity sales are influenced by economic factors such as changes in employment levels, personal disposable income, energy prices, housing starts and customer growth. In addition, electricity demand by some of the Corporation's industrial customers could exhibit variations in demand or load in such circumstances.

Regulated electricity revenue variances from forecast for rate-setting purposes are recovered through future rates using regulatory deferral accounts approved by the BCUC. There can be no assurance that such deferral mechanisms will exist in the future as they are dependent on future regulatory decisions and orders. An inability to flow through these variances could have a material adverse effect on the Corporation's results of operations and financial position.

A severe and prolonged downturn in economic conditions could have a material adverse effect on the Corporation despite regulatory measures available for compensating for reduced demand which could have a material adverse effect on the Corporation.

A general and extended decline in BC's economy, such as what could occur with the COVID-19 pandemic, could lead to reductions in energy demand over time. The COVID-19 pandemic could materially affect the overall demand for energy supply, or revenues, for certain industrial and commercial customers for which the demand for their products or services have been impacted, or who have certain restrictions in place.

Capital Resources and Liquidity

The Corporation's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. The Corporation's ability to arrange sufficient and cost-effective financing is subject to numerous factors, including the regulatory environment in BC, regulatory decisions regarding capital structure and ROE, the results of operations and financial position of the Corporation, conditions in the capital and bank credit markets, ratings assigned by rating agencies and general economic conditions. Funds generated from operations, after payment of expected expenses (including interest payments on any outstanding debt), may not be sufficient to fund the repayment of all outstanding liabilities when due and anticipated capital expenditures. There can be no assurance that sufficient capital will be available on acceptable terms to fund capital expenditures and to repay existing debt.

Generally, the Corporation is subject to financial risk associated with changes in the credit ratings assigned by credit rating agencies. Credit ratings impact the level of credit risk spreads on new long-term debt issues and on the Corporation's credit facilities. A change in the credit ratings could potentially affect access to various sources of capital and increase or decrease the Corporation's finance charges. Certain of the Corporation's agreements could require additional credit collateral, such as letters of credit, should there be a deterioration in the Corporation's credit ratings or creditworthiness. Global financial crises have placed scrutiny on rating agencies and rating agency criteria that may result in changes to credit rating practices and policies.

Volatility in the global financial and capital markets may increase the cost of and affect the timing of issuance of long-term capital by the Corporation.

Competitiveness and Commodity Price Risk

While the Corporation currently meets the majority of its current customer supply requirements from its own generation and long-term power purchase contracts, a portion of the customer load is supplied from the market in the form of short-term and spot market power purchases. The commodity price associated with the cost of purchased power is affected by changes in world oil prices, natural gas prices and water levels on a regional basis. Purchase power cost variances from forecast for rate-setting purposes are recovered through future rates using a regulatory deferral account approved by the BCUC. There can be no assurance that such deferral mechanisms will exist in the future as they are dependent on future regulatory decisions and orders. An inability to flow through these costs could have a material effect on the Corporation's results of operations and financial position. If the Corporation's price of electricity becomes uncompetitive with other electricity providers or the price of other forms of energy, the Corporation's ability to recover its cost of service may be negatively affected.

The Corporation's indirect customers are directly served by the Corporation's wholesale customers, who themselves are municipal utilities. Those utilities may be able to obtain alternate sources of energy supply which would result in decreased demand, higher rates and, in an extreme case, could ultimately lead to an inability to fully recover the Corporation's cost of service in rates charged to customers.

Power Purchase and Capacity Sale Contracts

The Corporation has entered into power purchase contracts and resale contracts for excess capacity. The Corporation may not be able to secure extensions of power purchase contracts at their expiration dates or, if the agreements are not extended, an alternate supply of similarly-priced electricity. In addition, the Corporation may not be able to secure additional capacity resale contracts. The Corporation is also exposed to risk in the event of non-performance by counterparties to the various power purchase and resale contracts.

Electricity Supply Risk

Fluctuations in the amount of electricity used by customers can vary significantly in response to seasonal changes in weather. Cool summers may reduce air-conditioning demand, while warm winters may reduce electric heating load. Electricity revenue variances from forecast for rate-setting purposes are recovered through future rates using regulatory deferral accounts approved by the BCUC. There can be no assurance that such deferral mechanisms will exist in the future as they are dependent on future regulatory decisions and orders. An inability to flow through these revenue variances could have a material adverse effect on the Corporation's results of operations and financial position.

Prolonged adverse weather conditions could lead to a significant and sustained loss of precipitation over the headwaters of the Kootenay River system, which could reduce the Corporation's entitlement to capacity and energy under the Canal Plant Agreement.

ACCOUNTING MATTERS

New Accounting Policies

Standard	Effective Date	Description	Effect on FBC
Measurement of Credit Losses on Financial Instruments	January 1, 2020	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. Accounts receivable are written-off in the period in which the receivable is deemed uncollectible.

Future Accounting Pronouncements

FBC considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). Any ASUs issued by FASB, but not yet adopted by FBC, that are not included in this MD&A were assessed and determined to be either not applicable to the Corporation or are not expected to have a material impact on the Consolidated Financial Statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's Consolidated Financial Statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates and judgments are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates and judgments are reviewed periodically and, as adjustments become necessary, are recognized in the period in which they become known. The Corporation's critical accounting estimates are discussed below.

Regulation

Generally, the accounting policies of the Corporation's regulated operations are subject to examination and approval by the regulatory authority, the BCUC. These accounting policies may differ from those used by entities not subject to rate regulation. The timing of the recognition of certain assets, liabilities, revenues and expenses, as a result of regulation, may differ from that otherwise expected using US GAAP for entities not subject to rate regulation. Regulatory assets and regulatory liabilities arise as a result of the rate-setting process and have been recognized based on previous, existing or expected regulatory orders or decisions. Certain estimates are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. The final amounts approved by the regulatory authority for deferral as regulatory assets and regulatory liabilities and the approved recovery or settlement periods may differ from those originally expected. Any resulting adjustments to original estimates are recognized in earnings in the period in which they become known. In the event that a regulatory decision is received after the balance sheet date but before the consolidated financial statements are issued, the facts and circumstances are reviewed to determine whether it is a recognized subsequent event. As at December 31, 2020, the Corporation recognized $417 million in current and long-term regulatory assets (December 31, 2019 - $386 million) and $31 million in current and long-term regulatory liabilities (December 31, 2019 - $34 million).

Depreciation, Amortization and Removal Costs

Depreciation and amortization are estimates based primarily on the useful life of assets. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical life of the assets. As at December 31, 2020, the Corporation's property, plant and equipment and intangible assets were $1,710 million, or approximately 70 per cent of total assets, compared to $1,636 million, or approximately 70 per cent of total assets as at December 31, 2019. Changes in depreciation and amortization rates may have a significant impact on the Corporation's consolidated depreciation and amortization expense.

As approved by the BCUC, the net salvage provision is collected as a component of depreciation on an accrual basis, with actual removal costs incurred drawing down the accrual balance. Removal costs are the direct costs incurred by the Corporation in taking assets out of service.

As part of the customer rate-setting process, appropriate depreciation, amortization and net salvage provision rates are approved by the BCUC. The rates are reviewed on an ongoing basis to ensure they continue to be appropriate. From time to time, independent third-party depreciation studies are performed and based on the results of these studies, the impact of any over-or-under collection, as a result of actual experience differing from that expected and provided for in previous rates, is generally reflected in future rates and expenses.

Assessment for Impairment of Goodwill

The Corporation is required to perform, at least on an annual basis, an impairment test for goodwill, and any impairment provision has to be charged to earnings. In addition, the Corporation also performs an impairment test if any event occurs or if circumstances change that would indicate that the fair value was below its carrying value. No such event or change in circumstances occurred during 2020 or 2019.

As at December 31, 2020 goodwill totaled $235 million (December 31, 2019 - $235 million).

During 2020, the Corporation performed an annual assessment of goodwill and concluded that it is more likely than not that the fair value of the reporting unit was greater than the carrying value and that goodwill was not impaired.

The effects of the COVID-19 pandemic could be representative of a deterioration in general economic conditions, which could require an entity to assess whether it is a triggering event that requires testing goodwill for impairment at the reporting unit level. As at December 31, 2020, FBC management qualitatively evaluated how the COVID-19 pandemic could affect its long-term assumptions and cash flows and determined that it is more likely than not that the fair value of the reporting unit is greater than its carrying value and therefore no impairment testing was required.

Employee Future Benefits

The Corporation's defined benefit pension plans and supplemental pension arrangements and OPEB plan are subject to judgments utilized in the actuarial determination of the net benefit cost and related obligation. The main assumptions utilized by management in determining net benefit cost and obligation are the discount rate for the projected benefit obligation and the expected long-term rate of return on plan assets.

The assumed long-term rate of return on the defined benefit pension plan assets, for the purpose of determining pension net benefit cost for 2020, was 5.60 per cent which is a decrease from the 6.00 per cent that was assumed in 2019. As two of the Corporation's defined benefit pension plans have excess interest indexing provisions where a portion of investment returns are allocated to provide for indexing of pension benefits, the projected benefit obligations for these two plans may vary based on the expected long-term rate of return on plan assets.

The assumed discount rate, used to measure the projected pension benefit obligations on the measurement date of December 31, 2020, and to determine the pension net benefit cost for 2021, is 2.75 per cent. This is a decrease from the assumed discount rate of 3.00 per cent used to measure the projected benefit obligations as at December 31, 2019, and to determine the pension net benefit cost for 2020.

The long-term rate of return is based on the expected average return of the assets over a long period given the relative asset mix. The discount rate is determined with reference to the current market rate of interest on high quality debt instruments with cash flows that match the time and amount of expected benefit payments.

The Corporation expects net benefit cost for 2021 related to its defined benefit pension plans, prior to regulatory adjustments, to be $3 million, which is comparable with 2020.

The following table provides the sensitivities associated with a 100 basis point change in the expected long-term rate of return on pension plan assets and the discount rate on 2020 net benefit pension cost, and the related projected benefit obligations recognized in the Corporation's consolidated financial statements:

Increase (Decrease) *($ millions)*	**Net Benefit Cost**	**Projected Benefit Obligation**
1% increase in the expected rate of return	**-**	**26**
1% decrease in the expected rate of return	**(1)**	**(24)**
1% increase in the discount rate	**(3)**	**(46)**
1% decrease in the discount rate	**6**	**60**

The above table reflects the changes before the effect of any regulatory deferral mechanism approved by the BCUC. The Corporation currently has in place BCUC approved mechanisms to defer variations in pension net benefit costs from forecast net benefit costs, used to set customer rates, as a regulatory asset or liability.

Other significant assumptions applied in measuring the pension net benefit cost and/or the projected benefit obligation include the average rate of compensation increase, average remaining service life of the active employee group, and employee and retiree mortality rates.

The Corporation's OPEB plan is also subject to judgments utilized in the actuarial determination of the OPEB net benefit cost and related projected benefit obligation. Except for the assumption of the expected long-term rate of return on plan assets, the above assumptions, along with health care cost trends, were also utilized by management in determining OPEB plan net benefit cost and projected benefit obligation. The Corporation currently has in place a BCUC approved mechanism to defer variations in OPEB net benefit costs from forecast OPEB net benefit costs, used to set customer rates, as a regulatory asset or liability.

As at December 31, 2020, the Corporation had a pension projected benefit net liability of $34 million (December 31, 2019 - $37 million) and an OPEB projected benefit liability of $28 million (December 31, 2019 - $23 million). The net decrease in the projected pension benefit liability during 2020 was primarily a result of a higher than expected return on plan assets, partially offset by the 0.25 per cent decrease in the discount rate used to measure the projected benefit liability. The increase in the OPEB projected benefit liability was a result of the change in assumed discount rate and results from the actuarial valuation measured as at December 31, 2019 reflected at year end. During 2020, the Corporation recorded pension and OPEB net benefit cost, inclusive of regulatory adjustments, of $4 million (December 31, 2019 - $6 million).

Asset Retirement Obligations ("AROs")

AROs are legal obligations associated with the retirement of long-lived assets. A liability is recorded in the period in which the obligation can be reasonably estimated at the present value of the estimated fair value of the future costs. The measurement of the fair value of AROs requires making reasonable estimates concerning the method of settlement and settlement dates associated with the legally obligated asset retirement costs. There are also uncertainties in estimating future asset-retirement costs due to potential external events, such as changing legislation or regulations and advances in remediation technologies. FBC has recorded an ARO associated with the removal of PCB contaminated oil from its electrical equipment. It is possible that volumes of contaminated assets, inflation assumptions, cost estimates to perform the work and the assumed pattern of annual cash flows may differ significantly from the Corporation's current assumptions. In addition, in order to remove certain PCB-contaminated oil, the ability to take maintenance outages in critical facilities may impact the timing of expenditures. The ARO may change from period to period because of the changes in the estimation of these uncertainties.

Excluding the ARO pertaining to PCBs, the nature, amount and timing of costs associated with land and other environmental remediation and/or removal of assets, cannot be reasonably estimated due to the nature of their operation; and applicable licences, permits and laws are reasonably expected to be renewed or extended indefinitely to maintain the integrity of the related assets and to ensure the continued provision of service to customers. In the event that environmental issues are identified, or the applicable licences, permits, laws or agreements are terminated, AROs will be recorded at that time provided the costs can be reasonably estimated.

Revenue Recognition

The Corporation recognizes revenue on an accrual basis. Recording revenue on an accrual basis requires use of estimates and assumptions. Customer bills are issued throughout the month based on meter readings or estimates that establish electricity consumption by customers since the last meter reading. The unbilled revenue accrual for the period is based on estimated electricity sales to customers for the period since the last meter reading at the approved rates. The development of the sales estimates requires analysis of consumption on a historical basis in relation to key inputs, such as the current price of electricity, population growth, economic activity, weather conditions and system losses. The estimation process for accrued unbilled electricity consumption will result in adjustments to electricity revenue in the periods they become known when actual results differ from the estimates. As at December 31, 2020, the amount of accrued unbilled revenue recorded in accounts receivable was approximately $27 million (December 31, 2019 - $24 million) on annual electricity revenues of $358 million (December 31, 2019 - $362 million).

The effects of the COVID-19 pandemic did not affect how the Corporation recognized revenue for the year ended December 31, 2020, however, as approved by the BCUC, FBC has offered bill relief in the form of bill credits for three months to small commercial customers that have closed their businesses. Accordingly, FBC has assessed the requirement of contract collectibility when recognizing revenue from contracts with customers and has determined no changes to revenue recognition are required. The assessment of revenue recognition considered the application of the Corporation's flow-through deferral account, that currently captures the variances in the forecast versus actual customer revenue; other existing regulatory deferral mechanisms; and the COVID-19 Customer Recovery Fund deferral account, which was approved by the BCUC during the second quarter of 2020 and captures uncollectible revenues associated with the COVID-19 pandemic.

Income Taxes

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences between the carrying value of assets and liabilities in the consolidated financial statements and their tax values. A deferred income tax asset or liability is determined for each temporary difference based on enacted income tax rates and laws in effect when the temporary differences are expected to be recovered or settled. Deferred income tax assets are assessed for the likelihood that they will be recovered from future taxable income. To the extent recovery is not considered more likely than not, a valuation allowance is recognized against earnings in the period when the allowance is created or revised. Estimates of the provision for current income taxes, deferred income tax assets and liabilities, and any related valuation allowance, might vary from actual amounts incurred.

FINANCIAL INSTRUMENTS

Financial Instruments Not Measured At Fair Value

For long-term debt, 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.

The following table includes the carrying value and estimated fair value of the Corporation's secured and unsecured long-term debt:

		December 31, 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**	**1,082**	735	950

[1] Carrying value excludes unamortized debt issuance costs.

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.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth information derived from audited financial statements. These results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Years Ended December 31	2020	2019	2018
($ millions)			
Revenue	**412**	404	391
Net earnings	**53**	50	50
Total assets	**2,437**	2,326	2,238
Long-term debt, excluding current portion	**779**	729	729
Dividends on common shares	**45**	45	44

2020/2019 – Revenue increased $8 million and net earnings increased $3 million over 2019. For a discussion of the increase in revenues and net earnings, refer to the "Consolidated Results of Operations" section of this MD&A. The increase in total assets was mainly due to capital expenditures, which included sustainment capital as well as major project expenditures discussed further under "Projected Capital Expenditures". The increase in long-term debt was due to the issuance of $75 million of unsecured MTN Debentures during the second quarter of 2020, less the reclassification to current liabilities of a $25 million unsecured Series I debenture repayable in 2021.

2019/2018 – Revenue increased $13 million over 2018 and net earnings were consistent. The increase in revenue was primarily due to higher revenue approved for rate-setting purposes resulting from higher forecasted customer loads, and an increase in revenue associated with third party contract work, partially offset by a decrease in surplus power sales and $6 million in revenue surplus deferred as a result of the BCUC approval to not increase FBC's 2019 customer rates, and instead defer the revenue surplus for the year to be refunded to customers in future rates. The increase in total assets was mainly due to capital expenditures as well as an increase in regulatory assets, primarily associated with regulatory asset offsets relating to the BPPA finance lease, deferred income tax liabilities, and unrecognized actuarial losses and past service costs for pensions and OPEB.

From 2018 to 2020, dividends were paid to assist in maintaining the BCUC approved capital structure of 40 per cent equity.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with its parent, FortisBC Pacific, its ultimate parent, Fortis, and other related companies under common control, including FEI, FHI and WELP, to provide or receive services, materials, and power purchases under the WECA. 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 for the years ended December 31 were as follows:

($ millions)	2020	2019
Operating costs charged to FortisBC Pacific (a)	**7**	7
Operating costs charged to FEI (b)	**5**	8
Total related party recoveries	**12**	15

(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 Fortis and other related parties under common control for the years ended December 31 were as follows:

($ millions)	**2020**	2019
Operating costs charged by Fortis (a)	**-**	2
Operating costs charged by FEI (b)	**5**	7
Operating costs charged by FHI (c)	**5**	1
Power purchase costs charged by WELP (d)	**-**	17
Total related party costs	**10**	27

(a) The Corporation was charged by Fortis for corporate management services, and other compensation during 2019.

(b) The Corporation was charged by FEI for natural gas purchases, office rent, management services, and other labour.

(c) The Corporation was charged by FHI for management services and board of director costs, as well as Fortis corporate management services and other compensation during 2020.

(d) The Corporation was charged by WELP for purchasing capacity pursuant to the WECA. During January 2019, Fortis announced the sale of its 51 per cent interest to parties not related to Fortis. The transaction closed April 16, 2019, after which time WELP ceased to be a related party to the Corporation.

Balance Sheet Amounts

The amounts due from related parties, included in accounts receivable, 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 as at December 31:

	2020		2019	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
Due to parent company (a)	**-**	**-**	-	(60)
Accounts receivable or accounts payable and other current liabilities:				
FEI	**-**	**(2)**	-	-
FHI	**-**	**-**	-	(1)
Total due to related parties	**-**	**(2)**	-	(61)

(a) During the fourth quarter of 2019, the Corporation entered into demand loans with its ultimate parent, Fortis. These demand loans were unsecured, due on demand, and bear interest equivalent to draws on its operating credit facility. During the first quarter of 2020, the Fortis demand loans were repaid using funds received from the issuance of $50 million in common shares and through cash from operations.

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. During the fourth quarter of 2020, the BC Labour Board issued a decision in favour of amalgamating one of the FBC collective agreements with that of FEI. This amalgamated agreement represents employees in specified occupations in the areas of administration and operations support and expires on June 30, 2023. The second collective agreement, representing customer service employees, expires on March 31, 2022.

The collective agreement between the Corporation and Local 213 of the International Brotherhood of Electrical Workers ("IBEW") expired on January 31, 2021 and is currently under negotiation. IBEW represents employees in specified occupations in the areas of generation, transmission and distribution.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A, the Corporation had issued and outstanding 2,691,510 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.

For further information, please contact:

Ian Lorimer
Vice President, Finance and Chief Financial Officer
Tel: (250) 469-8013
Email: ian.lorimer@fortisbc.com

FortisBC Inc.
Suite 100, 1975 Springfield Road
Kelowna, BC V1Y 7V7

Website: www.fortisbc.com