

FORTISBC INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended March 31, 2025

May 6, 2025

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 2025 and comparative periods contained in the following MD&A has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and is presented in Canadian dollars. The MD&A should be read in conjunction with the Corporation's Unaudited Condensed Consolidated Interim Financial Statements and notes thereto for the quarter ended March 31, 2025 prepared in accordance with US GAAP and the Corporation's Annual Audited Consolidated Financial Statements and notes thereto together with the MD&A for the year ended December 31, 2024, with 2023 comparatives, prepared in accordance with US GAAP.

In this MD&A, FortisBC Pacific refers to the Corporation's parent, FortisBC Pacific Holdings Inc., FEI refers to FortisBC Energy Inc., FHI refers to FortisBC Holdings Inc., and Fortis refers to the Corporation's ultimate parent, Fortis Inc.

FORWARD-LOOKING STATEMENT

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Any capitalized terms in this Forward-Looking Statement section that are not otherwise defined in this section are as defined in this MD&A.

The forward-looking information in this MD&A includes, but is not limited to, the expectation that the British Columbia Utilities Commission ("BCUC") will issue its decision in mid-2025 with respect to FBC and FEI's application regarding the recovery of equity issuance costs; statements regarding the Corporation's expected level of capital expenditures, including forecasted project costs and the potential impact of new or revised tariffs on forecast and actual capital expenditures, 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; expected expenditures as rate base additions resulting from the Corporation's Demand Side Management ("DSM") Expenditures Plan including the timing of such expenditures; statements that the immediate impact of the Global Minimum Tax Act ("GMTA") may be mitigated by transitional safe harbours provided under the GMTA; and the expectation that any applicable ASU issued by the FASB that are not mentioned in this MD&A will not have a material impact on the disclosure to the Corporation's consolidated financial statements.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include but are not limited to: receipt of applicable regulatory approvals and requested rate orders (including absence of administrative monetary penalties); absence of significant climate change impacts; absence of adverse weather conditions and natural disasters; absence of environmental, health and safety issues; the ability to maintain, replace or expand the Corporation's assets at a cost that is not impacted by the potential of new or revised tariffs; absence of asset breakdown; no weather related demand loss or significant and sustained loss of precipitation over the headwaters of the Kootenay River system; the ability to obtain and maintain applicable

permits; that the Indigenous engagement process will not delay or otherwise impact the Corporation's ability to obtain government or regulatory approvals; the adequacy of the Corporation's existing insurance arrangements; the ability to arrange sufficient and cost effective financing (including absence of adverse rating actions by credit rating agencies); absence of significant interest costs; continued electricity demand; that counterparties agree to renew power supply contracts; the ability of the Corporation to attract and retain a skilled workforce; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefit costs; absence of significant information technology infrastructure failure; absence of cybersecurity failure; absence of pandemic and public health crises impacts; the ability to continue to report under US GAAP beyond the Canadian securities regulators exemption to the end of 2027 or earlier; and the absence of damages, fines, or penalties arising from legal, administrative and other proceedings.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory approval and rate orders risk (including the risk of imposition of administrative monetary penalties); competitiveness and commodity price risk; climate change risk; weather and natural disasters risk; environment, health and safety matters risk; asset breakdown, operation, maintenance and expansion risk; electricity supply risks; permits risk; risks related to Indigenous rights and engagement; underinsured and uninsured losses; capital resources and liquidity risk; interest costs risk; impact of changes in economic conditions risk; power purchase and capacity sale contracts risk; human resources risk; labour relations risk; employee future benefits risk; information technology infrastructure risk; cybersecurity risk; pandemic and public health crises risk; continued reporting in accordance with US GAAP risk; legal, administrative and other proceedings risk; and other risks described in the Corporation's most recent Annual Information Form ("AIF"). For additional information with respect to these risk factors, reference should be made to the "Business Risk Management" section of the Corporation's MD&A and AIF for the year ended December 31, 2024.

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 196,400 customers directly and indirectly. The Corporation's business includes four hydroelectric generating plants, approximately 7,350 kilometers of transmission and distribution power lines, and a historical peak demand of 835 megawatts.

The Corporation is regulated by the 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

Recovery of Equity Issuance Costs

As part of the Stage 1 Generic Cost of Capital ("GCOC") Decision made in September 2023, the BCUC accepted that any reasonable and prudently incurred costs of issuing equity can be considered for recovery, over and above the approved costs of capital. In December 2024, FBC and FEI submitted an application outlining a methodology to determine the actual incurred equity issuance costs, to recognize those costs in a deferral account, and to collect those costs from customers through a future rate-setting process. The regulatory process will continue during 2025, with a decision expected mid-year.

Rate Framework for 2025 to 2027 ("Rate Framework")

In March 2025, the BCUC issued its decision on FBC and FEI's application requesting approval of a Rate Framework for the years 2025 to 2027. The Rate Framework builds upon the 2020-2024 Multi-Year Rate Plan ("MRP") and for FBC includes, amongst other items, updates to depreciation and capitalized overhead rates, a revised level of operation and maintenance expense per customer indexed for inflation less a fixed productivity adjustment factor, a forecast approach to growth, sustainment and other capital, an updated set of service quality indicators designed to ensure the Corporation maintains service levels, and a continued 50/50 sharing between customers and the Corporation of variances from the allowed return on equity ("ROE"). The Rate Framework also includes a continuation of the main deferral mechanisms that were in place under the MRP.

In November 2024, the BCUC approved a 2025 rate increase of 5.65 percent over 2024 rates, on an interim and refundable basis, and a 2025 forecast average rate base of \$1,794 million. FBC intends to file annual review materials in mid-2025 to set permanent rates.

Customer Rates and Deferral Mechanisms

The Corporation's customer rates are based on estimates and forecasts. In order to manage the volatility in rates arising from variances from forecast associated with these costs, a number of regulatory deferral accounts are in place.

Variances from regulated forecasts used to set rates for electricity revenue and power purchase costs are flowed back to customers in future rates through approved regulatory deferral mechanisms and therefore these variances do not have an impact on net earnings for the quarters ended March 31, 2025 and 2024.

Under the MRP for 2020-2024 and the Rate Framework for 2025-2027, the BCUC has approved certain regulatory deferral mechanisms, including those that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation. These deferral mechanisms capture variances from regulated forecasts and flow them through customer rates in subsequent years. Variances from the allowed ROE, including most components of operating and maintenance costs, as well as variances in the utility's regulated rate base amounts, are shared.

CONSOLIDATED RESULTS OF OPERATIONS

Quarter ended March 31	2025	2024	Variance
Electricity sales (<i>gigawatt hours</i>)	1,016	976	40
<i>(\$ millions)</i>			
Revenue	148	141	7
Power purchase costs	53	49	4
Operating costs	26	24	2
Property and other taxes	5	5	-
Depreciation and amortization	20	22	(2)
Total expenses	104	100	4
Operating income	44	41	3
Add: Other income	1	1	-
Less: Finance charges	20	20	-
Earnings before income taxes	25	22	3
Income tax expense	4	3	1
Net earnings	21	19	2

The following table outlines net earnings and the significant variances in the Consolidated Results of Operations for the quarter ended March 31, 2025 as compared to March 31, 2024:

Quarter		
Item	Increase (Decrease) (\$ millions)	Explanation
Net earnings	2	<p>Net earnings for the quarter ended March 31, 2025 were \$21 million compared to \$19 million for the same period in 2024.</p> <p>The increase was primarily due to a higher investment in regulated assets, and due to higher favourable variances primarily attributable to the timing of operating costs incurred, as compared to those allowed in rates, net of amounts shared with customers, as compared to the same period in 2024.</p> <p>Both 2025 and 2024 net earnings are based on an allowed ROE of 9.65 percent and a deemed equity component of capital structure of 41 percent.</p>
Revenue	7	<p>The increase in revenue was primarily due to:</p> <ul style="list-style-type: none"> • an increase in electricity sales volumes, • an increase in revenue approved for rate-setting purposes, and • an increase in revenue associated with third-party contract work, partially offset by • a decrease in revenue associated with regulatory deferrals, • an increase in amortization of certain regulatory deferrals through revenue, and • a decrease in surplus power sales. <p>Electricity sales volumes were higher than the same quarter in the previous year primarily due to increased consumption by residential customers due to comparatively colder weather in the quarter, and higher consumption by industrial customers.</p> <p>Variances between revenue associated with actual consumption and revenue forecasted for rate-setting purposes are captured in a regulatory deferral flow-through account, for which the income statement offset is recognized in alternative revenue, resulting in no net impact on total revenue compared to what is approved in rates in the current year.</p>
Power purchase costs	4	<p>The increase was primarily due to higher volumes of power purchased driven by the increase in electricity sales.</p>

SUMMARY OF QUARTERLY RESULTS

The following table sets forth quarterly information for each of the eight quarters ended June 30, 2023 through March 31, 2025. 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
<i>(\$ millions)</i>		
March 31, 2025	148	21
December 31, 2024	145	18
September 30, 2024	125	13
June 30, 2024	116	20
March 31, 2024	141	19
December 31, 2023	142	15
September 30, 2023	124	15
June 30, 2023	110	18

A summary of the past eight quarters reflects the seasonality associated with the Corporation's business. FBC's operations generally produce higher net earnings in the second quarter due to the timing of power purchases, with lower net earnings in the third quarter and higher net earnings in the first and fourth quarters due to increase in customer load as a result of cooler weather. Certain expenses such as depreciation, interest and operating expenses remain more evenly distributed throughout the fiscal year. As a result of the seasonality, interim net earnings are not indicative of net earnings on an annual basis.

March 2025/2024 – Net earnings increased primarily due to a higher investment in regulated assets, and due to higher favourable variances primarily attributable to the timing of operating costs incurred, as compared to those allowed in rates, net of amounts shared with customers.

December 2024/2023 – Net earnings increased primarily due to a higher investment in regulated assets, and due to higher favourable variances attributable to operating costs incurred, as compared to those allowed in rates, net of amounts shared with customers.

September 2024/2023 – Net earnings decreased primarily due to the timing of recognizing the impacts of the GCOC Stage 1 Decision in the comparative period, which included an effective date of January 1, 2023 and resulted in recognizing the year-to-date net impact of the change in cost of capital during the third quarter. For FBC, this resulted in an additional \$3 million of earnings in the comparative quarter compared to the third quarter of 2024. This decrease was partially offset by a higher investment in regulated assets.

June 2024/2023 – Net earnings increased primarily due to a change in cost of capital resulting from the GCOC Stage 1 Decision, the impact of which was \$1 million in the quarter. The increase was also due to higher favourable variances attributable to timing of operating costs for the quarter, as compared to those allowed in rates, net of amounts shared with customers, and a higher investment in regulated assets.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheets between March 31, 2025 and December 31, 2024:

Balance Sheet Account	Increase (Decrease) (\$ millions)	Explanation
Property, plant and equipment	12	<p>The increase was primarily due to capital expenditures of \$33 million, partially offset by:</p> <ul style="list-style-type: none"> • depreciation expense, excluding net salvage provision, of \$13 million, • changes in accrued capital expenditures of \$4 million, • contributions in aid of construction of \$2 million, • costs of removal of \$1 million incurred, which are recognized against the net salvage provision in regulatory liabilities, and • \$1 million of net adjustments in finance leases, the offset of which has been recognized in regulatory assets.
Regulatory assets (current and long-term)	13	<p>The increase was primarily due to changes in the Brilliant Power Purchase Agreement ("BPPA") asset and obligation under finance lease and an increase in regulated deferred income tax liabilities, the offsets of which were both deferred as regulatory assets.</p>

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Requirements and Liquidity

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

It is expected that operating expenses, interest costs, and other working capital will generally be paid out of operating cash flows, with varying levels of residual cash available for capital expenditures and dividend payments. Cash flow is also required to fund capital expenditure programs; regulated deferral accounts, and those regulatory mechanisms that capture revenue shortfalls and incremental costs incurred beyond the control of the Corporation; and investments in Demand Side Management ("DSM"). 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 41 percent equity and 59 percent 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.

Summary of Consolidated Cash Flows

Three months ended March 31	2025	2024	Variance
<i>(\$ millions)</i>			
Cash flows from (used in)			
Operating activities	45	36	9
Investing activities	(34)	(28)	(6)
Financing activities	(12)	(5)	(7)
Net change in cash	(1)	3	(4)

Operating Activities

Cash from operating activities was \$9 million higher compared to the same period in 2024 primarily due to changes in regulatory assets and liabilities and changes in working capital.

Investing Activities

Cash used in investing activities was \$6 million higher than the same period in 2024 primarily due to higher capital expenditures.

Financing Activities

Cash used in financing activities was \$7 million higher compared to the same period in 2024 primarily due to lower net proceeds from credit facilities.

During the three months ended March 31, 2025, FBC paid common share dividends of \$15 million (2024 - \$13 million) to its parent company, FortisBC Pacific.

Contractual Obligations

The Corporation's contractual obligations have not materially changed from those disclosed in the MD&A for the year ended December 31, 2024.

Credit Ratings

There have been no changes to the Corporation's credit ratings from those disclosed in the MD&A for the year ended December 31, 2024, which are summarized in the table below:

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

In January 2025, Moody's issued an updated credit rating report, and in March 2025, Morningstar DBRS issued an updated credit rating report, both confirming the Corporation's debenture rating and outlook.

Credit Facilities

As at March 31, 2025, the Corporation had a \$200 million operating credit facility in place which matures in April 2028 and a \$10 million demand overdraft facility.

The following summary outlines the Corporation's credit facilities:

<i>(\$ millions)</i>	March 31, 2025	December 31, 2024
Operating credit facility	200	200
Demand overdraft facility	10	10
Draws on operating credit facility	(36)	(33)
Letters of credit outstanding	-	-
Credit facilities available	174	177

PROJECTED CAPITAL EXPENDITURES

The Corporation continually updates its capital expenditure programs and assesses current and future operating, maintenance, replacement, expansion and removal expenditures that will be incurred in the ongoing operation of its business.

The initial approval from the BCUC to proceed with capital projects can occur through a number of processes, including revenue requirement applications and Certificate of Public Convenience and Necessity applications. Once the projects are approved, the regulatory process allows for capital project costs to be reviewed by the BCUC subsequent to the capital project being completed and in service to confirm that all costs are recoverable in customer rates.

The 2025 projected capital expenditures are approximately \$187 million, inclusive of allowance for funds used during construction ("AFUDC") and excluding customer contributions in aid of construction ("CIAC"), and are necessary to provide service, public and employee safety, and reliability of supply of electricity to the Corporation's customer base. In addition to the rate base amounts approved in annual regulatory decisions, multi-year projects under construction earn a regulated return. The 2025 projected capital expenditures are dependent on several factors, including the potential impact of new or revised tariffs. The 2024 capital expenditures were \$132 million, inclusive of AFUDC and excluding CIAC.

FBC's disclosure around its significant capital projects has not changed materially from those disclosed in the MD&A for the year ended December 31, 2024.

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 and FHI. The following transactions were measured at the exchange amount unless otherwise indicated.

Related Party Recoveries

The amounts charged to related parties were as follows:

(\$ millions)	Quarter ended March 31	
	2025	2024
Operating costs charged to FortisBC Pacific (a)	4	3
Operating costs charged to FEI (b)	2	2
Total related party recoveries	6	5

(a) The Corporation charged its parent, FortisBC Pacific, for management services, labour, and materials.

(b) The Corporation charged FEI for electricity sales, management services, and other labour.

Related Party Costs

The amounts charged by related parties were as follows:

(\$ millions)	Quarter ended March 31	
	2025	2024
Operating costs charged by FEI (a)	3	3
Operating costs charged by FHI (b)	1	1
Total related party costs	4	4

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

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

Balance Sheet Amounts

The amounts due from related parties, included in accounts receivable and other current assets, and the amounts due to related parties, included in accounts payable and other current liabilities, were as follows:

(\$ millions)	March 31, 2025		December 31, 2024	
	Amount Due From	Amount Due To	Amount Due From	Amount Due To
FortisBC Pacific	1	-	1	-
FEI	-	(2)	-	(1)
FHI	-	-	-	(1)
Total due from (due to) related parties	1	(2)	1	(2)

FINANCIAL INSTRUMENTS

Financial Instruments Not Measured at Fair Value

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

		As at			
		March 31, 2025		December 31, 2024	
(\$ millions)	Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	960	961	960	946

Power purchase contracts that have been designated as normal purchase or normal sale contracts are not reported at fair value under the accounting rules for derivatives. They are accounted for on an accrual basis.

ACCOUNTING MATTERS

New Accounting Policies

Improvements to Income Tax Disclosures

Accounting Standards Update ("ASU") No. 2023-09, *Improvements to Income Tax Disclosures*, issued in December 2023, is effective for the Corporation January 1, 2025 on a prospective basis, with retrospective application and early adoption permitted. Principally, it requires additional disclosure of income tax information by jurisdiction to reflect an entity's exposure to potential changes in tax legislation, and associated risks and opportunities. The Corporation does not expect the ASU to materially impact its disclosures.

FBC considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). During the three months ended March 31, 2025, there were no other ASUs issued by FASB that have a material impact on the Condensed Consolidated Interim Financial Statements.

Future Accounting Pronouncements

The following updates have been issued by FASB, but have not yet been adopted by the Corporation. Any ASUs issued by FASB that are not included in the Condensed Consolidated Interim Financial Statements were assessed and determined to be either not applicable to the Corporation or not expected to have a material impact on the Condensed Consolidated Interim Financial Statements.

Disaggregation of Income Statement Expenses

ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for the Corporation's December 31, 2027 annual financial statements, and for interim periods beginning in 2028 on a prospective basis, with retrospective application and early adoption permitted. The ASU requires entities to disclose disaggregated information about five expense categories underlying its income statement line items. The Corporation is assessing the impact of adoption of this ASU on the disclosures to its consolidated financial statements.

OTHER DEVELOPMENTS

Collective Agreements

There are two collective agreements between the Corporation and Local 378 of the Canadian Office and Professional Employees Union now referred to as MoveUP. The first collective agreement, representing employees in specified occupations in the areas of administration and operations support, was ratified in October 2024 and expires on June 30, 2028. The second collective agreement, representing customer service employees, was ratified during June 2023 and expires on March 31, 2027.

The collective agreement between the Corporation and Local 213 of the International Brotherhood of Electrical Workers (“IBEW”) expired on January 31, 2023 and is currently under negotiation. The IBEW represents employees in specified occupations in the areas of generation, transmission and distribution.

BUSINESS RISK MANAGEMENT

The business risks of the Corporation remain substantially unchanged from those outlined in the Corporation’s MD&A for the year ended December 31, 2024.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A, the Corporation had issued and outstanding 3,691,510 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.sedarplus.ca. The information contained on, or accessible through, either of these websites is not incorporated by reference into this document.

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