FortisBC Energy Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the quarter ended March 31, 2025 and 2024
(Unaudited)

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

ASSETS	Note		March 31, 2025		December 31, 2024
Current assets					
Cash		$	45	$	13
Accounts receivable and other current assets, net	9		366		325
Inventories			25		46
Prepaid expenses			5		13
Regulatory assets	9		250		226
Total current assets			691		623
Property, plant and equipment, net			6,948		6,884
Intangible assets, net			128		129
Regulatory assets			1,467		1,494
Other assets	9		38		39
Goodwill			913		913
TOTAL ASSETS		$	10,185	$	10,082
LIABILITIES AND EQUITY					
Current liabilities					
Credit facilities	10	$	140	$	518
Accounts payable and other current liabilities	9		899		787
Regulatory liabilities			70		70
Total current liabilities			1,109		1,375
Long-term debt	9		3,274		3,274
Regulatory liabilities			374		347
Deferred income tax			888		848
Other liabilities	9		158		168
Total liabilities			5,803		6,012
Equity					
Common shares [1]			2,541		2,316
Additional paid-in capital			1,245		1,245
Retained earnings			587		500
Shareholder's equity			4,373		4,061
Non-controlling interests			9		9
Total equity			4,382		4,070
TOTAL LIABILITIES AND EQUITY		$	10,185	$	10,082

1 500 million authorized common shares with no par value; 418.5 million issued and outstanding at March 31, 2025 (December 31, 2024 – 405.8 million).

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Earnings (Unaudited)
For the quarter ended March 31
(in millions of Canadian dollars)

	Note	**Quarter ended**	
		2025	2024
Revenue	5	**$ 640**	$ 556
Expenses			
Cost of natural gas		**220**	160
Operation and maintenance		**83**	73
Property and other taxes		**22**	21
Depreciation and amortization		**89**	84
Total expenses		**414**	338
Operating income		**226**	218
Other income		**11**	8
Finance charges	6	**40**	39
Earnings before income taxes		**197**	187
Income tax expense		**43**	43
Net earnings		**$ 154**	$ 144

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars, except share numbers)

	Common Shares *(#millions)*	**Common Shares**	**Additional Paid-in Capital**	**Non - Controlling Interests**	**Retained Earnings**	**Total**
As at December 31, 2023	391.6	$ 2,041	$ 1,245	$ 9	$ 515	$ 3,810
Net earnings	-	-	-	-	144	144
Dividends on common shares	-	-	-	-	(125)	(125)
As at March 31, 2024	391.6	$ 2,041	$ 1,245	$ 9	$ 534	$ 3,829
As at December 31, 2024	**405.8**	**$ 2,316**	**$ 1,245**	**$ 9**	**$ 500**	**$ 4,070**
Net earnings	**-**	**-**	**-**	**-**	**154**	**154**
Issuance of common shares	**12.7**	**225**	**-**	**-**	**-**	**225**
Dividends on common shares	**-**	**-**	**-**	**-**	**(67)**	**(67)**
As at March 31, 2025	**418.5**	**$ 2,541**	**$ 1,245**	**$ 9**	**$ 587**	**$ 4,382**

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the quarter ended March 31
(in millions of Canadian dollars)

	Note	Quarter ended 2025	2024
Operating activities			
Net earnings		**$ 154**	$ 144
Adjustments to reconcile net earnings to cash from operating activities:			
Depreciation and amortization		**89**	84
Accrued employee future benefits		**(2)**	(4)
Equity component of allowance for funds used during construction		**(7)**	(4)
Deferred income tax, net of regulatory		**29**	6
Change in regulatory assets and liabilities		**34**	(14)
Change in working capital	8	**191**	(62)
Cash from operating activities		**488**	150
Investing activities			
Property, plant and equipment additions	8	**(332)**	(197)
Intangible asset additions		**(3)**	(2)
Contributions in aid of construction		**127**	1
Change in other assets and other liabilities		**(28)**	(33)
Cash used in investing activities		**(236)**	(231)
Financing activities			
Proceeds from credit facility	2	**577**	404
Repayment of credit facility	2	**(955)**	(190)
Issuance of common shares		**225**	-
Dividends on common shares		**(67)**	(125)
Cash (used in) from financing activities		**(220)**	89
Net change in cash		**32**	8
Cash at beginning of period		**13**	1
Cash at end of period		**$ 45**	$ 9

Supplementary Information to Consolidated Statements of Cash Flows (note 8).

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

1. DESCRIPTION OF THE BUSINESS

FortisBC Energy Inc. ("FEI" or the "Corporation") is a wholly-owned subsidiary of FortisBC Holdings Inc. ("FHI"), which is a wholly-owned subsidiary of Fortis Inc. ("Fortis"). Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

FEI is a regulated gas utility and is the largest distributor of natural gas in British Columbia ("BC"), serving approximately 1,101,200 residential, commercial, industrial, and transportation customers through approximately 51,700 kilometers of natural gas pipelines. The Corporation provides transmission and distribution services to its customers, and obtains natural gas and renewable gas supplies on behalf of most residential, commercial, and industrial customers. Gas supplies are sourced primarily from northeastern BC and, through the Corporation's Southern Crossing Pipeline, from Alberta.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These Condensed Consolidated Interim Financial Statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for Condensed Consolidated Interim Financial Statements and are presented in Canadian dollars unless otherwise specified. As a result, these Condensed Consolidated Interim Financial Statements do not include all of the information and disclosures required in annual financial statements and should be read in conjunction with the Corporation's 2024 Annual Audited Consolidated Financial Statements ("Annual Financial Statements"). In management's opinion, the Condensed Consolidated Interim Financial Statements include all adjustments that are necessary to present fairly the consolidated financial position, results of operations, and cash flows of the Corporation. Prior year comparatives in the Condensed Consolidated Statements of Cash Flows have been recast to align with current year presentation.

The accounting policies and methods of application used in the preparation of these Condensed Consolidated Interim Financial Statements are consistent with the accounting policies used in FEI's Annual Financial Statements as at and for the year ended December 31, 2024.

The Condensed Consolidated Interim Financial Statements include the accounts of the Corporation and its subsidiaries and its 85 per cent interest in the Mt. Hayes Storage Limited Partnership ("MHLP"). The Corporation consolidates 100 per cent of its subsidiaries and recognizes 15 per cent of the MHLP as non-controlling interests. All intercompany transactions and balances have been eliminated upon consolidation.

An evaluation of subsequent events through May 6, 2025, the date these Condensed Consolidated Interim Financial Statements were issued, was completed to determine whether any circumstances warranted recognition or disclosure of events or transactions in the Condensed Consolidated Interim Financial Statements as at March 31, 2025. No subsequent events have been identified for disclosure in these Condensed Consolidated Interim Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

FEI 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.

3. REGULATORY MATTERS

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

In March 2025, the BCUC issued its decision on FEI and FBC'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 FEI 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 similar approach to growth capital, a forecast approach to sustainment and other capital, continued collection of an innovation fund recognizing the need to accelerate investment in clean energy innovation, 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 delivery rate increase of 7.75 percent over 2024 rates, on an interim and refundable basis, and a 2025 forecast average rate base of $6,470 million. FEI intends to file annual review materials in mid-2025 to set permanent delivery rates.

4. SEASONALITY OF OPERATIONS

Interim results fluctuate due to the seasonal demands for natural gas, the movements of natural gas prices, and the timing and recognition of regulatory decisions. FEI's operations normally generate higher net earnings in the first and fourth quarters of the fiscal year and lower net earnings in the second quarter, which are partially offset by net losses in the third quarter. These fluctuations in quarterly net earnings are generally the result of changes in revenue from customer load as a result of weather, while 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.

5. REVENUE

Disaggregation of Revenue

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

	Quarter ended March 31	
($ millions)	**2025**	2024
Residential	**387**	327
Commercial	**210**	174
Industrial	**51**	34
Transportation	**22**	21
Total revenue from contracts with customers	**670**	556
Alternative revenue (a)	**(47)**	(3)
Other revenue (b)	**17**	3
Total revenue	**640**	556

(a) Alternative revenue includes the Earnings Sharing Mechanism, which recognizes the 50/50 sharing of variances from the allowed ROE, the Revenue Stabilization Adjustment Mechanism, and flow-through variances related to industrial and other customer revenue.

(b) Other revenue is primarily comprised of other flow-through and regulatory deferral adjustments resulting from cost recovery variances in regulated forecasts used to set gas delivery rates.

6. FINANCE CHARGES

	Quarter ended March 31	
($ millions)	**2025**	2024
Interest on long-term debt	**38**	38
Interest on short-term debt	**5**	3
Debt component of allowance for funds used during construction	**(3)**	(2)
Total finance charges	**40**	39

7. EMPLOYEE FUTURE BENEFITS

The Corporation is a sponsor of pension plans for eligible employees. The plans include registered defined benefit pension plans and supplemental unfunded arrangements. In addition to pensions, the Corporation provides other post-employment benefits ("OPEB") for certain of its retired employees. The following table presents the net benefit cost for these plans.

	Quarter ended March 31			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
($ millions)	**2025**	2024	**2025**	2024
Components of net benefit cost				
Service costs	**6**	5	**1**	1
Interest costs	**11**	10	**1**	1
Expected return on plan assets	**(14)**	(14)	**-**	-
Amortization of actuarial gains	**-**	-	**(1)**	(1)
Regulatory adjustment	**(1)**	-	**1**	-
Net benefit cost	**2**	1	**2**	1

The Corporation's estimated 2025 contributions are $16 million (estimated 2024 contributions - $15 million) for defined benefit pension plans and $4 million (estimated 2024 contributions - $3 million) for OPEB plans.

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter ended March 31	
($ millions)	**2025**	2024
Change in working capital		
Accounts receivable and other current assets	**(13)**	(38)
Inventories	**21**	42
Prepaid expenses	**8**	2
Accounts payable and other current liabilities	**175**	(68)
Total change in working capital	**191**	(62)

($ millions)	**2025**	2024
Non-cash investing activities as at March 31		
Accrued capital expenditures	**127**	101

9. FINANCIAL INSTRUMENTS

The Corporation has natural gas contracts subject to regulatory deferral, all of which are Level 2 of the fair value hierarchy. Under the hierarchy, fair value of Level 2 financial instruments is determined using pricing inputs that are observable in the marketplace.

Recurring Fair Value Measures

The following table presents the fair value of assets and liabilities that are accounted for at fair value on a recurring basis. Contracts that are "in the money" are included in accounts receivable and other current assets or in long-term other assets, and "out of the money" are included in accounts payable and other current liabilities or in long-term other liabilities.

	As at	
($ millions)	**March 31, 2025**	December 31, 2024
Assets		
Current	**2**	1
Long-term	**2**	1
Total assets	**4**	2
Liabilities		
Current	**(56)**	(74)
Long-term	**(21)**	(28)
Total liabilities	**(77)**	(102)
Total liabilities, net	**(73)**	(100)

Natural gas contracts held by FEI are not designated as hedges and any unrealized gains and losses arising from changes in fair value of these contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the BCUC, as shown in the following table.

	As at	
($ millions)	**March 31, 2025**	December 31, 2024
Unrealized net loss recorded to current regulatory assets	**73**	100

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

The Corporation has elected gross presentation for its derivative contracts under master netting agreements and collateral positions which are netted where the intent and legal right to offset exists. The following table presents the potential offset of counterparty netting.

9. FINANCIAL INSTRUMENTS (continued)

($ millions)	Gross Amount Recognized on Balance Sheet	Counterparty Netting of Natural Gas Contracts	Cash Collateral Posted	Net Amount
As at March 31, 2025				
Accounts receivable and other current assets	**2**	**(2)**	**15**	**15**
Other assets	**2**	**(2)**	**-**	**-**
Accounts payable and other current liabilities	**(56)**	**2**	**-**	**(54)**
Other long-term liabilities	**(21)**	**2**	**-**	**(19)**
As at December 31, 2024				
Accounts receivable and other current assets	1	-	15	16
Other assets	1	(1)	-	-
Accounts payable and other current liabilities	(74)	-	-	(74)
Other long-term liabilities	(28)	1	-	(27)

Volume of Derivative Activity

The Corporation had various natural gas derivative contracts subject to regulatory deferral that will settle on various expiration dates through 2030. The volumes related to these natural gas derivatives are outlined below.

	As at	
(petajoules)	**March 31, 2025**	December 31, 2024
Natural gas physically-settled supply contracts	**148**	105
Natural gas financially-settled commodity swaps	**110**	116

Financial Instruments Not Measured At Fair Value

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

		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	**3,295**	**3,283**	3,295	3,252

10. GUARANTEES

The Corporation had letters of credit outstanding at March 31, 2025 totaling $39 million (December 31, 2024 - $39 million) which are primarily to support the funding of one of the Corporation's pension plans and have been applied against FEI's $55 million uncommitted letter of credit facility.