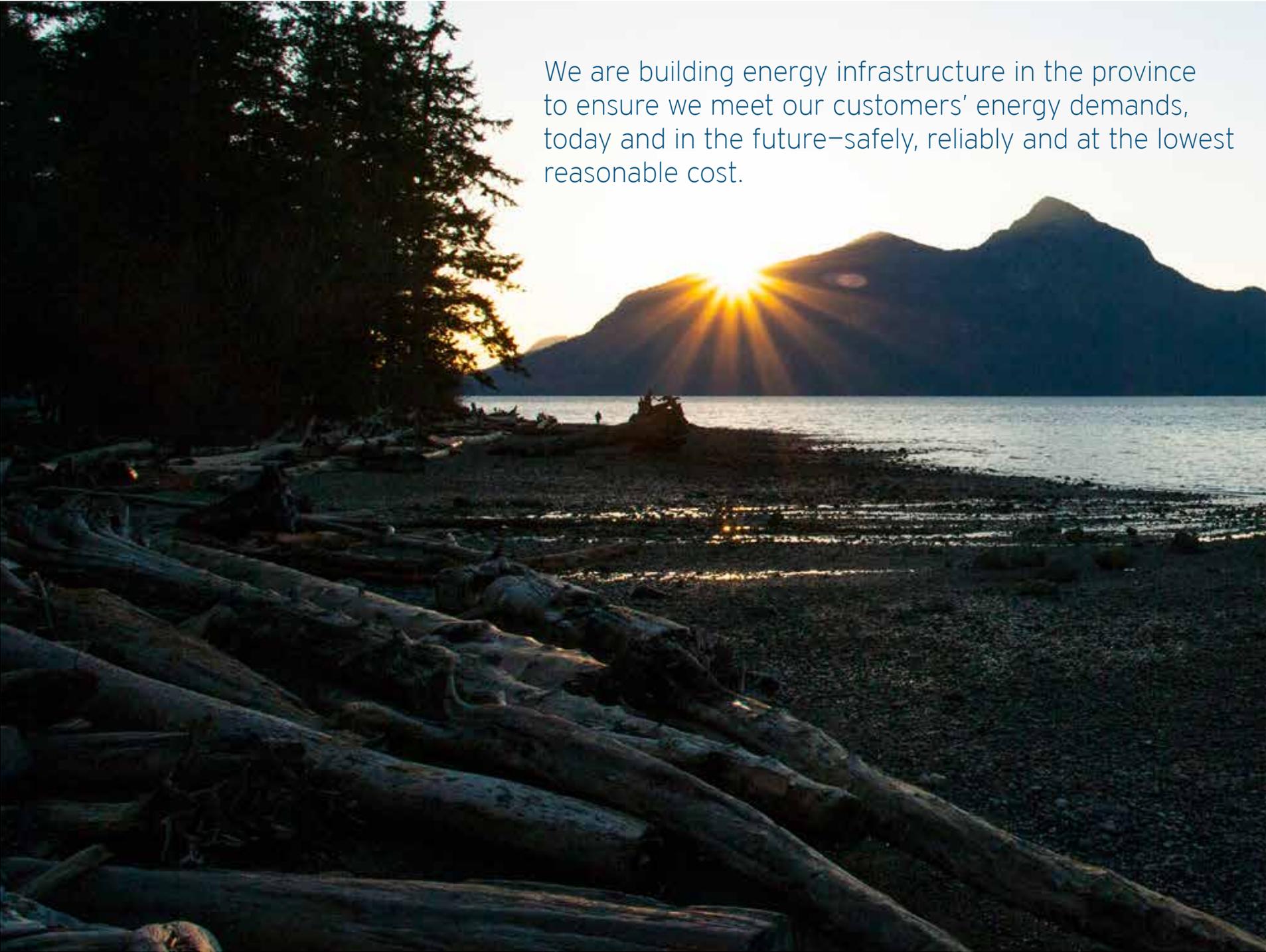
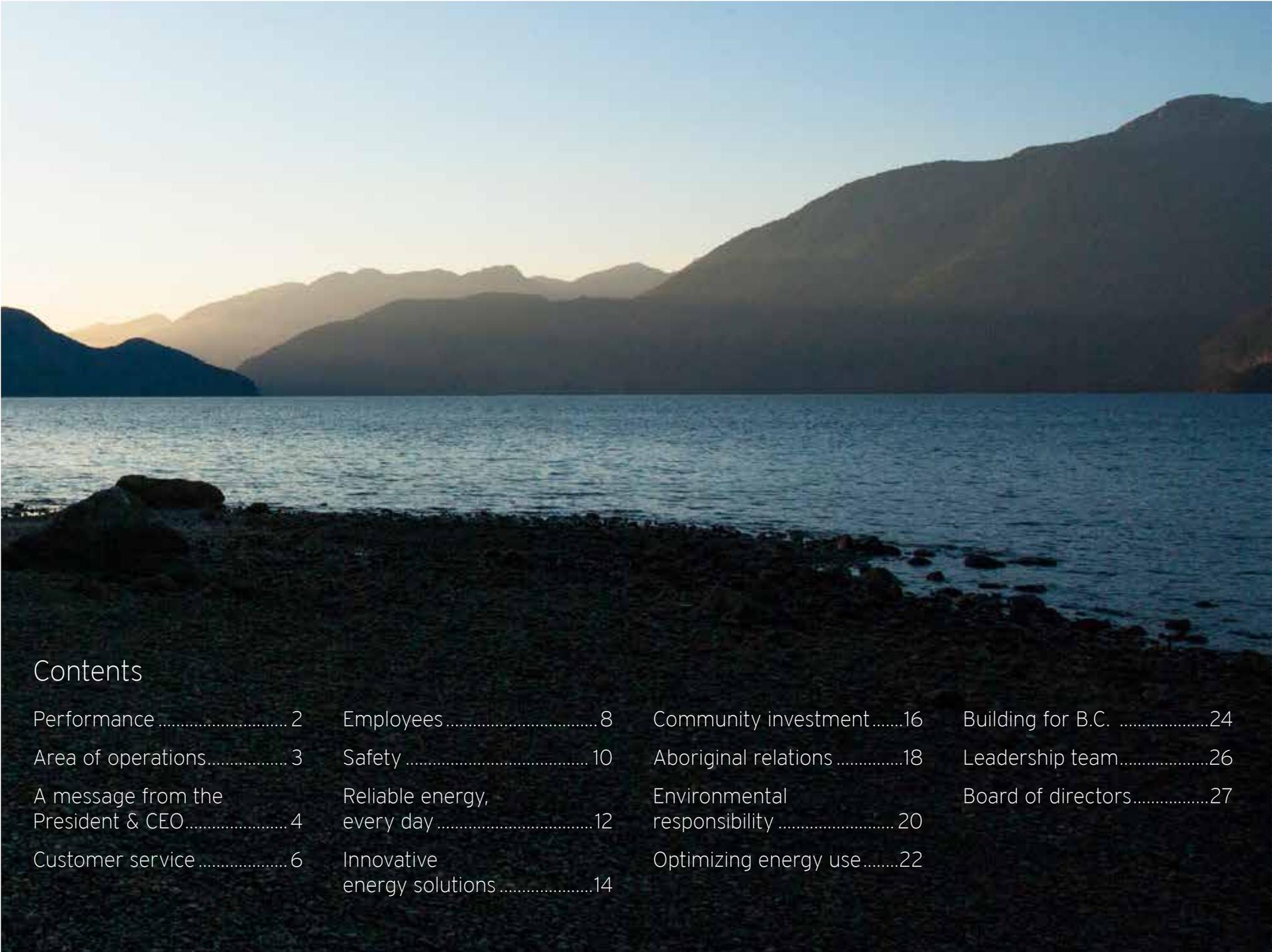


Building energy
solutions for B.C. Corporate report 2014



A scenic landscape photograph capturing a sunset over a body of water. The sun is positioned low on the horizon, creating a bright glow and lens flare effects. In the background, dark silhouettes of mountains rise against the sky. The foreground is dominated by large, weathered logs of driftwood scattered across a dark, pebbly beach. The overall mood is serene and natural.

We are building energy infrastructure in the province to ensure we meet our customers' energy demands, today and in the future—safely, reliably and at the lowest reasonable cost.



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Performance

Looking back at 2014

We deliver approximately 21 per cent of the total energy consumed in British Columbia, which is the most energy delivered by any utility in the province. Whether delivering electricity, natural gas or propane, our more than 2,260 employees serve approximately 1.1 million customers in 135 communities.

FortisBC owns and operates approximately 47,500 kilometres of natural gas transmission and distribution pipelines and approximately 7,200 kilometres of

transmission and distribution power lines. Under our regulated utility operations, we also own and operate two liquefied natural gas (LNG) storage facilities and four hydroelectric generating plants.

FortisBC Inc. and FortisBC Energy Inc. do business as FortisBC. We are indirectly wholly owned by our parent company Fortis Inc., a leader in the North American electric and gas utility business. Through its subsidiaries, Fortis Inc. serves more than three million natural gas and electricity customers.

Performance

FortisBC Energy Inc. Natural gas & piped propane	2013	2014
Peak day demand (TJ)	1,341	1,324
Gas volumes (PJ)	200	195
Customer satisfaction index	83%	85%

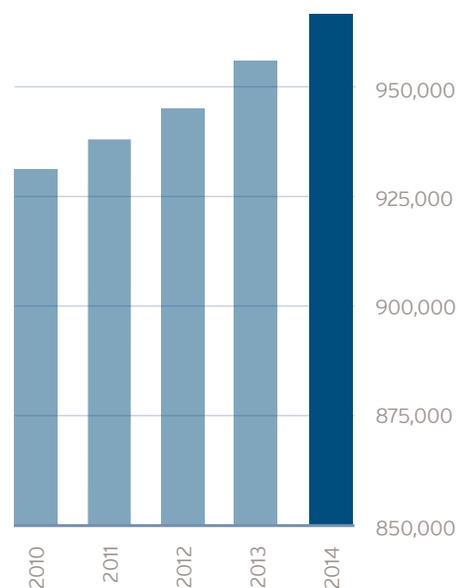
FortisBC Inc. Electricity	2013	2014
Generating capacity (MW)	223	225
Peak demand each year (MW)	699	684
Energy		
Walden (GWh)	30	33
Regulated (GWh)	3,211	3,180
Customer satisfaction index	80%	81%

Financial highlights (in millions of dollars)

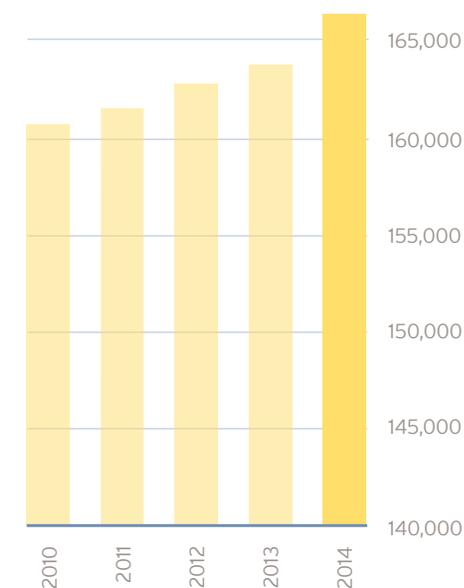
FortisBC Energy Inc. Natural gas & piped propane	2013 ¹	2014 ²	FortisBC Inc. Electricity	2013	2014
Net earnings	\$135	\$141	Net earnings	\$50	\$45
Revenues	\$1,428	\$1,489	Revenues	\$309	\$325
Operating expenses	\$294	\$284	Operating expenses	\$77	\$82
Capital expenditures ³	\$215	\$332	Capital expenditures ³	\$70	\$93
			Acquisition	\$55	-

¹2013 results reflect the retroactive adjustment of amalgamation. ²2014 results reflect the amalgamation of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc., FortisBC Energy (Whistler) Inc. and Terasen Gas Holdings Inc. which occurred December 31, 2014. ³Capital expenditures before contributions in aid of construction and including cost of removal.

FortisBC gas customers^{4,5} (Approximately 967,000 in 2014)



FortisBC electricity customers⁶ (Approximately 166,400 in 2014)



⁴Includes piped propane customers. ⁵With the implementation of the Customer Care Enhancement Project on January 1, 2012, the definition of customer changed, thereby reducing gas customers by approximately 18,000 customers effective January 1, 2012. All comparative periods have been restated to reflect this change. ⁶Includes direct and indirect customers.

Area of operations

Yukon

Northwest Territories

- Natural gas service area
- Electric service area
- Combined natural gas & electric service area
- Propane service area
- FortisBC pipeline
- - Spectra Energy pipeline
- FortisBC electric transmission lines

British Columbia

Alberta

PACIFIC OCEAN

United States



A message from the President & CEO



Michael Mulcahy

FortisBC employees came together in 2014, delivering on our promise of *Building Energy Solutions for B.C.* while keeping a solid focus on our mission of bringing value to customers through safe, reliable service at the lowest reasonable cost.

In September, the BC Utilities Commission (BCUC) provided its decision for a six-year performance-based rate-making framework for both our electric and gas operations. This decision provides certainty and enables continued focus on our operations through to 2019, rather than the intense annual regulatory process we have been required to undertake in recent years.

Despite operating most of the year without the clarity of having a BCUC decision in place, we saw strong financial performance with combined electric and gas 2014 earnings of \$186 million. Under our new regulatory framework, savings from operating and capital expenditure efficiencies will be shared with our customers.

In 2014, we made prudent safety and reliability enhancements to our systems, resulting in \$93 million in capital expenditures for our electric operations and \$332 million for our gas operations.

FortisBC took advantage of the transformational change in the world around us—in terms of technology, service expectations and energy choices—in order to rethink our business from our customers' perspective. We reduced processes and applied technology to provide more effective service and to make it easier for customers to do business with us.

We began installing advanced meters for electricity customers in the Southern Interior, which will deliver savings for customers and provide enhanced service options, such as more control over monitoring energy use.

In 2014, service reliability dipped below recent levels, in part due to an increase in capital work requiring higher-than-average planned outages.

Overall, customer satisfaction for our electric and natural gas operations was consistent with recent years. For our natural gas customers, we received BCUC approval to amalgamate our gas utilities and commence a three-year phased-in common rate beginning in January 2015. This decision will eliminate regional rate differences and see significant rate decreases for customers on Vancouver Island, on the Sunshine Coast and in Whistler.

We also streamlined customers' experiences for new service installations and meter exchanges, and completed the regionalization of our gas operations to better facilitate local decision-making, thereby enhancing customer service.

Public and employee safety is always our top priority. We actively focus on safe work planning as a prevention strategy, and we strive towards a goal of zero preventable employee incidents. In 2014, our public safety efforts included inspecting and maintaining our system regularly, participating in 11 emergency exercises and producing a number of public awareness campaigns to support energy safety at home and around our infrastructure. We saw a notable decrease in third-party contacts with our natural gas system, reinforcing the benefits of the Call Before You Dig public awareness efforts.

In October, we broke ground on our \$400 million Tilbury LNG facility expansion to meet growing market demand, most notably from B.C.'s transportation sector. To date, B.C. has more than 400 natural gas vehicles, using either LNG or CNG (compressed natural gas) on the road—more than any other province in Canada. In 2014, we saw market expansion into the marine sector with the November announcement of two Seaspan Ferries vessels, with an in-service date of 2016, and an accompanying supply agreement of up to 200,000 gigajoules per year.

FortisBC is in a unique position to leverage our existing infrastructure. For example, our proposed LNG and system expansion projects will deliver a rate benefit for all of our natural gas utility customers from the additional volumes of gas moving through our pipeline system.

FortisBC started construction of its Tilbury LNG facility expansion. From left to right: Michael Mulcahy, President and CEO, FortisBC, Barry V. Perry, President and CEO, Fortis Inc., Christy Clark, Premier of British Columbia and John Walker, Executive Vice President, Western Canadian Operations, Fortis Inc.



Work also continued on a proposed natural gas pipeline project to meet the service requirements of a proposed small-scale LNG facility near Squamish. In November, we filed our application with the B.C. Environmental Assessment Office.

FortisBC also received BCUC approval for a Power Purchase Agreement that ensures our customers will have access to a power source that is cost-effective and reliable for years to come.

With the privilege of serving approximately 135 British Columbia communities, FortisBC is committed to working closely with local governments

and Aboriginal communities throughout our service territory. We contribute to the local property tax base and invest in energy-efficiency programs for homeowners, small businesses, industry and governments alike. FortisBC also makes community investments and supports employees' volunteer efforts with community groups and non-profit organizations

because we believe in giving back to the communities where we live and work.

2014 was also a year that saw some significant leadership changes at Fortis Inc. and FortisBC. First, I would like to acknowledge Mr. Stan Marshall, who retired as President and CEO of Fortis Inc. and as Chairman of the FortisBC Board of Directors. Mr. David Podmore has now been appointed Chair of the FortisBC Board.

I would also like to recognize Mr. John Walker, who left his role as President and CEO of FortisBC to take on a new role as Executive Vice President, Western Canadian Operations, Fortis Inc. We also saw changes to the FortisBC executive team with the retirement of Mr. Tom Loski, Vice President of Customer Service, following a career of more than 30 years of service.

We could not have achieved our success without the contributions of our employees. I thank them for their tremendous hard work during this year of significant change and count on them to continue *Building Energy Solutions for B.C.* to meet our customers' evolving needs.

Michael Mulcahy
President and CEO
FortisBC

Customer service



We strive to deliver quality service at the lowest reasonable cost.

An authorized FortisBC contractor checks an advanced meter. The first installations took place in 2014, and FortisBC will replace approximately 130,000 electricity meters in B.C.'s Southern Interior.

Our vision to serve customers

Building effective energy solutions means putting our customers first. We realize our vision of bringing value to customers through delivering service at the lowest reasonable cost. Our five core values are safety, respect and integrity, teamwork, prudent risk management, and accountability. These values provide our employees with guidance as they deliver service to our customers each day.

In 2014, FortisBC was awarded Call Center World Class Certification by the Service Quality Measurement Group. The certification was a recognition of three years of call centre quality in the top five per cent.

Common rates

Committed to achieving fair and equitable rates for our customers across our service territory, our amalgamation application resulted in a BCUC decision allowing us to eliminate historical rate differences beginning in 2015. Our natural gas customers' rates will be phased in over a three-year period.

Starting in January 2015, customers on Vancouver Island, on the Sunshine Coast, in Powell River and in Whistler will see an immediate cost savings, with a decrease of approximately 13 per cent on their bill. They will also benefit from expanded service offerings in 2015, including renewable natural gas and the Customer Choice program. Due to historical rate differences, the community of Fort Nelson will continue to maintain a separate rate structure from common rates.

Finding better online solutions

An enhanced Account Online was unveiled in the fall. While this is new for our electricity customers, our gas customers will also see enhanced functions and features compared to their previous version. Account Online allows our customers to better manage their energy bills and consumption in one place, providing easy and convenient access whenever and wherever they need it. Guided by customer suggestions, we also improved our online search function on fortisbc.com.

A new framework for driving value

In 2014, we received a decision from the BCUC for a six-year performance-based rate-making framework. This decision reinforces our continuous focus on improving service levels. It also provides a stable platform for the next five years, with an ongoing focus on safety, customer service and productivity. Under this new framework, savings from operating and capital expenditure efficiencies are shared with our customers through their rates.

Streamlining for better service

By reviewing several processes and procedures, from customer service to operations, we created further efficiencies for customers in 2014.

Our construction crews are now equipped to better address local inquiries and to ensure new natural gas customers are connected more quickly. Changes to meter exchange

appointments for existing customers have resulted in more successful appointments and a reduction in technician driving time, allowing for more time spent with customers. We've also reduced the time before a new meter is installed, as well as the time and effort a customer must spend to sign up for natural gas. We believe service and meter replacements should be as easy as possible, and we seek continual improvements to meet that goal.

Better choices for natural gas

In 2011, we were the first utility in North America to offer renewable natural gas—a carbon-neutral energy source generated from renewable resources such as agricultural and landfill waste—a direct response to customer requests for this type of product. In 2014, we took the next step for those who wanted choice in their green commitment. Customers are now able to sign up for a five, 10, 25, 50 or 100 per cent blend of renewable natural gas to conventional natural gas. This is an expansion of FortisBC's previous program, which limited customers to a 10 per cent blend.

In order to provide customer access to licensed natural gas contractors and to ensure access to energy-efficient natural gas appliances, our contractor program became the improved and expanded Trade Ally Network. Customers can now choose from more than 400 Trade Ally Network contractors across the province.

Notable numbers

All gas and electric customers who have gone paperless by the end of 2014:

226,913



When new blends of renewable natural gas became available, Vancouver FROGBOX, a reusable moving box company and an existing renewable natural gas subscriber, jumped at the chance to increase its blend to 50 per cent. "Anywhere we can improve operations, minimize our impact and have it make sense on the bottom line, it's a good move."

Mathieson McCrae, General Manager, Vancouver FROGBOX

A close-up photograph of a male worker wearing a white hard hat, safety glasses, and yellow gloves. He is focused on a large, red industrial valve. The valve has a central vertical pipe with a textured, possibly welded or machined surface. The worker's hands are positioned to adjust or inspect the valve. The background is slightly blurred, showing green foliage and a fence, suggesting an outdoor industrial setting.

Employees

Our employees' commitment to delivering energy safely and reliably is fundamental to our company's core values.

An upgrade to a valve station at Noons Creek, Port Moody, is one example of how we ensure that the appropriate infrastructure is in place to serve our customers' energy needs over the long term.



"While we've been involved with LNG since 1971, it's great to be on the forefront of a major energy opportunity here in B.C. Our customers are demanding LNG, and we're prepared to supply it." Jim Cox, Tilbury LNG Facility Operations Manager.

Developing our employees

In 2014, we continued to provide an environment where our employees could improve their skills. Our commitment to employee development is driven from a culture dedicated to serving our customers effectively and efficiently. Our training and development programs not only ensure that customers are well served but also that our employees can grow their careers with us over the long term.

Teamwork to ensure service restoration

Following damage to our natural gas system from a motor vehicle incident, more than 1,200 customers in the Lumby area were left without natural gas service. Recognizing the significance of this event, we drew resources from across our service territory. Fifty-six technicians dispatched from around the province worked from morning to night to relight our customers' appliances. In the first 24 hours they were able to visit every customer's home.

Following widespread electricity outages caused by the first major snowfall of the season in the Okanagan, employees on the ground worked to restore approximately 10,000 customers as quickly and safely as possible.

Orchestrated action from various groups across our organization during these and other emergencies keeps the public safe. Our trained and ready crews work tirelessly to restore service to minimize the inconvenience to our customers.

Pursuing common goals

The company ratified two labour agreements in 2014. The 290 customer service employees represented by the Canadian Office & Professional Employees Union Local 378 ratified their collective agreement, providing certainty and stability to our employees and customers. Six months before their previous agreement expired, FortisBC gas employees who were represented by the International Brotherhood of Electrical Workers (IBEW) Local 213 voted in favour of a new collective agreement. The results from binding arbitration formed the basis of a new collective agreement for electric employees represented by the IBEW Local 213.

Across our operations, employees spent North American Occupational Safety and Health Week in May demonstrating their commitment to health and safety by taking part in a number of educational activities in their areas.

Notable numbers

Business, leadership and technical courses offered to employees:

365

Participants trained:

3,558

Employees celebrating a service milestone with the company:

306

"We want to send a big thank you to FortisBC for all their hard work. We understand what has been going on and we were extremely pleased last night when our power came back on at 11 p.m., which meant the crew was working long hours throughout the night."
Customers Doug and Maureen in Princeton, following electricity outages in the Interior.

Safety

Working with energy sources means following safety protocols and procedures. We work to ensure everyone stays safe.

Employees ensure they perform maintenance in the safest possible manner on our electrical and natural gas infrastructure.



Jody Drope, Vice President, Human Resources and Environment, Health and Safety with FortisBC, addresses participants gathered in our call centre in Burnaby to mark the Great British Columbia ShakeOut Earthquake Drill.

Working together for safety

As a leading energy provider, FortisBC works with organizations to ensure safety preparedness is top of mind for our more than 1.1 million customers across British Columbia.

In October, FortisBC hosted members from ShakeOut to participate in the largest earthquake drill in Canada's history. The Great British Columbia ShakeOut Earthquake Drill allowed employees from across our organization to join thousands of other British Columbians and millions of others worldwide to practice how to *Drop, Cover, and Hold On*.

We participated in 11 emergency exercises in 2014, including a joint emergency exercise with Teck's Trail Operations that included local RCMP, fire department and municipal officials. Another exercise focused on safety at our Tilbury LNG facility and included employees from various roles within our organization.

Our participation with the Cooperative Safety program, a regional approach to increasing awareness of electrical and gas safety among the public and industry in the Southern Interior, continued our drive for public safety awareness.

Our Coastal Gas Transmission Pipeline team was honoured in October for their achievement of working four decades without a lost-time incident. This was a significant achievement, given it was a team accomplishment and because these jobs include activities spanning more than 300 kilometres of high-pressure natural gas lines.

FortisBC was also nominated for the Canadian Gas Association's 2014 Public Safety Award for a public outreach and information campaign to create awareness around instances where our underground natural gas infrastructure may intersect with municipal utilities.

Attention to public safety

In July, sizable wildfires within our service territory burned across B.C. As a precaution, the FortisBC Emergency Operations Centre was activated. We worked with local and provincial emergency authorities to assess the situation and manage any potential threats to the public, to our employees and to our electric and gas infrastructure.

We see collaboration as a way to enhance safety. In 2014, we announced that BC Crime Stoppers is now sharing anonymous information related to energy theft directly with FortisBC to help prevent theft and ensure public safety around our infrastructure. Some of the side effects of energy theft include major safety risks to the general public and our employees, as well as increased customer costs.

Call Before You Dig

Our ongoing Call Before You Dig campaign is a significant component to preventing contacts with our gas line infrastructure. From 2007 to 2014, we decreased third-party damages to our pipelines by 52 per cent. This was thanks in large part to promoting Call Before You Dig, one of our most crucial and effective campaigns to protect underground utilities. For the first time ever, we received more than 100,000 BC One Call requests, demonstrating that this communication is essential to public safety and damage prevention.

Notable numbers

Decrease in third-party damage to our pipelines between 2007 and 2014:

52%

Students who participated in the *Energy is Awesome* educational presentation:

1,600

Increase in BC One Call requests over 2013:

16.9%

BC One Call requests in 2014:

107,509

"WorkSafeBC is committed to safe and healthy workplaces for every worker in B.C. We have been pleased to participate with FortisBC, municipalities, and other organizations in the Southern Interior over the past several years to raise awareness of safety surrounding electricity and natural gas."
Al Johnson, Vice President, Prevention Services, WorkSafeBC



Reliable energy, every day

We deliver the energy our more than 1.1 million customers rely on every day, safely and reliably.

Crews hoist a six-inch natural gas line for installation beneath the Muskwa River, replacing a portion of the existing pipe, ensuring a safe and reliable supply of natural gas for Fort Nelson.

Ensuring reliable service

Meeting the needs of British Columbians through reliable energy service is at the core of everything we do. We achieve this by making sure we build, maintain and upgrade the necessary infrastructure.

Our Tilbury LNG facility in Delta has been operating safely for the past 43 years, and our Mt. Hayes facility on Vancouver Island has been in operation since 2011. In November, during a cold weather snap, when we knew the demand for natural gas would increase abruptly, we used LNG from both facilities to maintain supply levels on Vancouver Island and in the Lower Mainland. This guaranteed that customers had the natural gas needed to keep their homes warm and their businesses thriving.

In operation since the 1970s, the Muskwa River pipeline crossing, serving customers in Fort Nelson, was scheduled for replacement in 2014. Our crews worked to install a new pipeline, ensuring a safe and reliable supply of natural gas for the community.

Throughout the year, storms impacting our electrical distribution and transmission systems resulted in widespread outages, which took longer than normal to restore due to operational restrictions related to high fire hazard ratings throughout the service area. An increase in the number of planned outages to customers in 2014 resulted from a higher-than-normal capital infrastructure plan for the year.



To celebrate the Waneta Hydroelectric Expansion Project to date, Trail-raised opera singer Marie Civitarese was invited to record a performance inside the Waneta facility, taking advantage of the acoustics.

To improve field customer service, safety and productivity, we adjusted teams and relocated natural gas operations activities, expanding new regional sites in Burnaby, Prince George, Kamloops, Kelowna, Cranbrook, Langford and Nanaimo.

Building capacity in our system

Construction of the \$900-million Waneta Hydroelectric Expansion Project continued in 2014, with completion scheduled for spring 2015. The project, which is a partnership between Fortis Inc., Columbia Power Corporation and the Columbia Basin Trust, will benefit FortisBC customers through a long-term capacity purchase agreement.

Ensuring our customers continue to have access to a long-term power source that is cost effective and reliable, we received approval from the BCUC in 2014 following a renewed agreement with BC Hydro in 2013.

Effective planning for the future

As part of our natural gas and electric long-term resource planning, FortisBC met with more than 20 municipal administrators and community energy experts in three Interior communities to better understand our planning environment and customers' energy needs.

The gas utilities' 2014 long-term resource plan was submitted to the BCUC in March and accepted by the Commission in December. FortisBC will use it to ensure we have the appropriate resources in place to serve our customers' energy needs over the next 20 years. The electric long-term resource plan will be filed in 2016.

Notable numbers

Regulatory filings submitted:

59

Responses to regulatory information requests:

4,050

Capital program investment:

\$425 million

Annual property taxes paid by FortisBC to B.C. communities:

\$74 million



Innovative energy solutions

Our customers are looking for new and innovative energy solutions. Investing in innovation helps us meet these changing energy needs, now and into the future.

Kelowna's Glenmore Landfill is one of the producers of renewable natural gas that feeds into our existing distribution system. Employees like FortisBC's Barry Kleven, Interior Compression Operations Manager, provide their expertise to bring this carbon-neutral energy to our customers.

Building LNG for B.C.

In October, we broke ground on the construction of our Tilbury LNG facility expansion project. The expansion, set for completion in 2016, will provide LNG to the transportation market, to remote communities and to the marketplace.

To meet immediate needs for the increased demand for LNG province-wide, we built a truck load-out component for our Mt. Hayes facility, adding capacity of 3,200 gigajoules daily, equivalent to three tanker truck loads. This increases the amount of LNG we can deliver province-wide and allows us to more quickly serve Vancouver Island customers who use LNG for transportation.

Meeting our service requirements

As a utility, we have a duty to examine every avenue to provide service for customers. In 2012, we were approached by Woodfibre LNG Ltd., who were looking to locate a small-scale LNG export facility near Squamish. While this plan still requires provincial regulatory approval, it would provide Woodfibre LNG with gas service. After much planning, meeting with local residents and opening a project office in Squamish, we applied for environmental certification through the B.C. Environmental Assessment Office for a 52-kilometre pipeline expansion, twinning much of our existing pipeline.

FortisBC received governmental regulatory support for an additional potential \$400 million expansion of the Tilbury LNG facility which will result in more liquefaction capacity, providing that finalized customer agreements are in place.

Environmental and safety regulatory conditions still need to be met prior to the project proceeding.

The additional volumes of natural gas moving through our pipeline system, as a result of increased natural gas demand from projects like these, will result in better year-round use of our infrastructure and help keep natural gas delivery rates stable for all customers.

Natural gas for transportation

In 2014, BC Transit announced 25 CNG buses in Kamloops, bringing the total of their fleet to 50. Waste Management added a total of approximately 60 CNG vehicles. Ledcor Industries also announced it is significantly expanding its natural gas fleet with 200 more vehicles to be used in Western Canada. Seaspan Ferries and BC Ferries also announced the construction of LNG ferries, some of the first marine vessels of their kind in Canada. Seaspan signed a supply agreement with FortisBC for up to 200,000 gigajoules of LNG per

year. Fleet operators using natural gas for transportation are able to pass savings from improvements in operating costs onto their customers.

We also provided an incentive to Vancouver Community College to build maintenance facilities for natural gas vehicles, ensuring a new generation of trained workers will be ready to serve this growing industry.

System-wide innovation for electricity customers

FortisBC moved forward with our advanced meter installations in 2014. Upon completion, we will replace approximately 130,000 electricity meters in B.C.'s Southern Interior. This system-wide upgrade will allow our control centre to immediately pinpoint power outages, and it will mean fewer bill estimates for our customers. Customers will also have the ability to select their own billing date and will have more control over monitoring their energy use.

Notable numbers

LNG and CNG fleet incentives for customers announced to date:

\$28 million

Vehicles funded by our incentives:

400

Equivalent number of passenger cars taken off the road each year as a result of natural gas for transportation incentives:

8,000



FortisBC's existing Tilbury LNG facility in Delta has been serving British Columbia since 1971.

Community investment

Volunteering and investing throughout the province builds connections in the communities in which we live and work.



Employees, friends and families teamed up to help out at Kangaroo Creek Farm in Lake Country to make sure the farm was freshened up after the winter.

Employee-driven commitment

Our employees have the opportunity to support their communities in many different ways. Employees who volunteer for an organization can apply for a company donation of up to \$300 per year. The company will also match 50 per cent of any automatic payroll deductions an employee has designated for the United Way or for employee-run charity Warm Hearts.

In March, more than 140 employees and their friends and families hopped into action at the Kangaroo Creek Farm for FortisBC's Community Giving Day in the Okanagan community of Lake Country. As wallabies and kangaroos wandered around, volunteers raked leaves, painted fences and planted flowers to help freshen up the farm after the winter.

FortisBC employees also donated more than 100 pairs of new and gently worn shoes to collection boxes located in our Kelowna and Surrey offices as part of a shoe drive. The charity Soles4Souls provides work-appropriate footwear for those re-entering the job market.

Our employee-run charitable foundation Warm Hearts donated \$10,000 to the Kelowna General Hospital to help create a hybrid operating room within a new heart and surgical centre under construction. In December, the charity held an annual gift drive to brighten spirits of those in need during the holidays. In the past 20 years, Warm Hearts has donated more than \$835,000 to charitable organizations in the company's service areas.



The REnew program helps individuals develop new skills for the growing field of energy-efficiency retrofits, particularly in northern communities, and equips them for entry-level positions in this important and expanding industry.

Renewing opportunities for British Columbians

Thirteen members of 2014's REnew (Residential Energy Efficiency Works) class graduated in Kelowna after learning the hands-on job skills needed to work in the energy-efficient construction sector. Students learned about the fundamentals of energy efficiency, installation of energy-saving technologies, first aid and fall protection. The program is jointly funded by FortisBC and BC Hydro.



During the 2014 Olympic Winter Games in Sochi, Russia, FortisBC's parent company was proud to be a part of the community that made lighting the 2010 Olympic cauldron in downtown Vancouver possible. The flame was lit each evening Canada won a gold medal during the Games.

Notable numbers

Total of \$300 donations by the company to a charitable organization supported by employees:

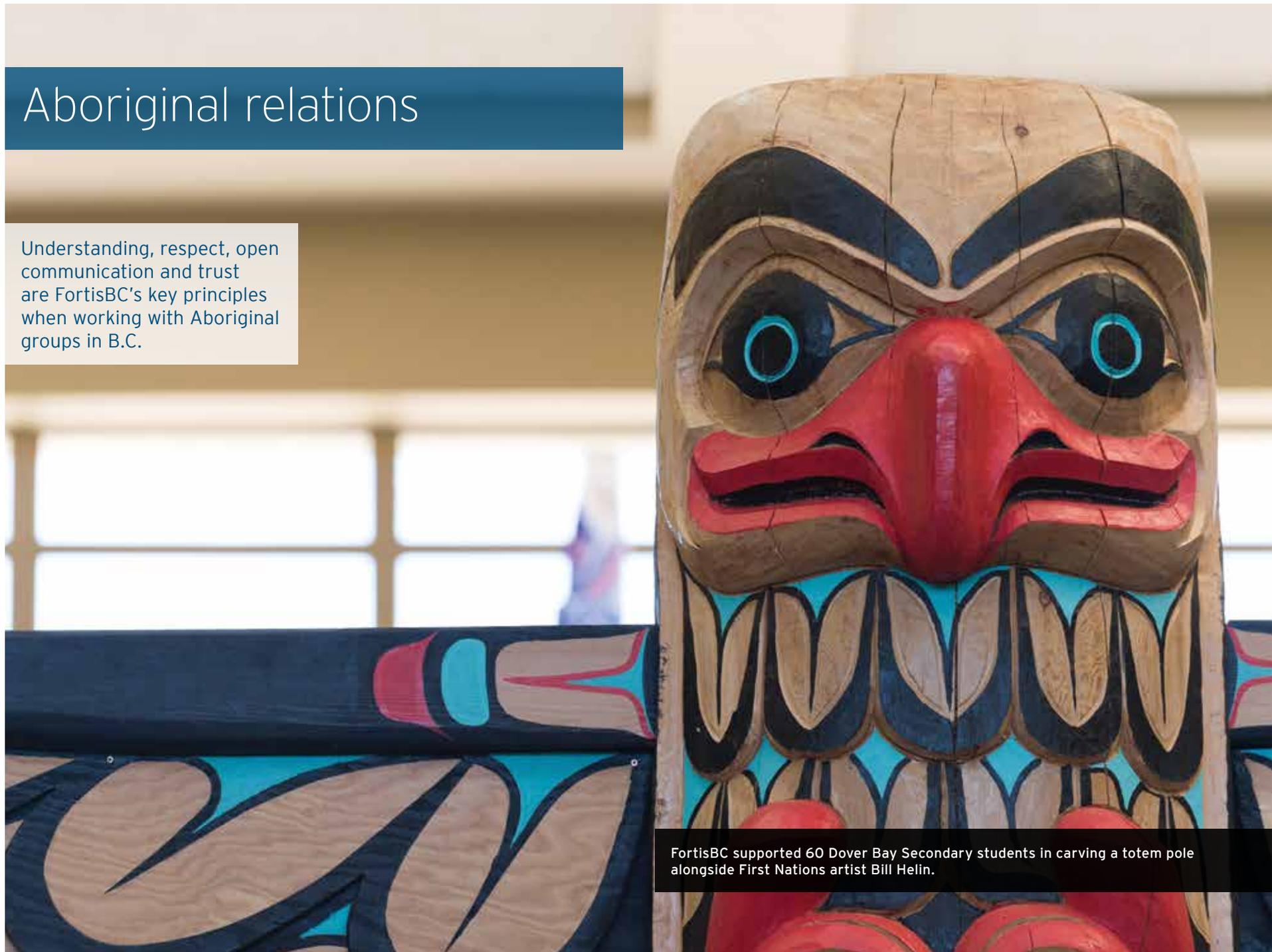
\$83,400

Total employee donations to community groups and non-profit organizations for 2014 more than:

\$66,000

Aboriginal relations

Understanding, respect, open communication and trust are FortisBC's key principles when working with Aboriginal groups in B.C.



FortisBC supported 60 Dover Bay Secondary students in carving a totem pole alongside First Nations artist Bill Helin.

When students of the Lower Similkameen Indian Band School trek outside to research plants and animals, they bring their laptops. FortisBC donated 10 refurbished laptops to the school.



Collaborating on projects

FortisBC is committed to building effective Aboriginal relationships and ensuring we have the structure, resources and skills necessary to maintain these relationships. In order to meet this commitment, we are guided by principles of fairness and mutual understanding.

In 2014, we worked closely with the Fort Nelson First Nation to identify any environmental impacts before the construction of the new Muskwa River pipeline. After the project was complete, the First Nation managed the restoration of the construction site by planting local vegetation with assistance from FortisBC.

To create success for everyone involved in projects, we work to understand the needs of the communities and people involved, not for only today but also for the future.

For the proposed Eagle Mountain-Woodfibre Gas Pipeline project, we are actively engaged with the Squamish Nation, Tsleil-Waututh Nation, Kwikwetlem First Nation and Musqueam Indian Band. For the Tilbury LNG facility expansion, we are working with the Tsawwassen First Nation and Musqueam Indian Band.

Supporting youth and tradition

In Nanaimo, we supported a totem pole carving by Dover Bay Secondary School students. Guided by Tsimshian First Nation artist Bill Helin, 60 students carved a 280-year-old cedar log into a four-metre tall totem pole. The pole was dedicated at the school with a traditional Coast Salish ceremony and speeches from students and the community.

In the summer, FortisBC supported the construction of a white pine sturgeon-nosed canoe for the Lower Kootenay River at Creston. Master canoe builder Wayne Louie led local youth and the community in harvesting material from the land and constructing the canoe at a traditional tipi camp open to the public.

Notable numbers

Number of Aboriginal communities we provide service to:

56

Environmental responsibility

FortisBC operates in an environmentally and socially responsible manner to preserve nature for future generations.

FortisBC provided a community investment so volunteers could plant native species like dogwoods, roses and willows for Ducks Unlimited Canada's restoration of the Osoyoos oxbows.

Building responsibly

During construction of new projects, we identify potential impacts on the environment.

For the proposed Lower Mainland system upgrades currently under regulatory review and the Tilbury LNG facility expansion project currently underway, we undertook preliminary environmental and archaeological assessments. These identified sensitive ecosystems and helped adapt routing or construction practices as necessary to ensure impacts will be minimized and remediated.

By working with the City of Vancouver, we developed a solution to safely maintain green space in Queen Elizabeth Park while ensuring our pipeline corridor remained free of invasive vegetation. Trees in proximity to our right of way were removed using a tree spade excavator and replanted in another area of the park, where they will be able to flourish.

A similar solution was found in North Vancouver where we worked with local planners to select a tree species that could be planted near our natural gas right of way while maintaining a distance that is safe for system operation. Crews installed root barriers along the right of way to prevent interference with our underground infrastructure. Also, the species of tree that was selected has a limited canopy size, which allows for helicopter surveys of the right of way during safety inspections.

Protecting natural habitats

When environmental non-profit organization Ducks Unlimited Canada recently completed its restoration of the Osoyoos oxbows, a crescent-shaped section of wetland, FortisBC provided a community investment so volunteers could plant native species like dogwoods, roses and willows. The newly planted vegetation will provide animals such as the endangered yellow-breasted chat, a songbird, with a critical nesting habitat.

Our environmental management team works with local authorities to assess and prevent the spread of non-North American invasive species such as zebra and quagga mussels. These species of freshwater mussels grow at a rapid rate, killing off local marine life, degrading water quality, damaging boats and posing a threat to our hydroelectric dams. We conducted an impact assessment on two of our dams in 2014 and are working on a solution to stem the mussels' spread while ensuring the protection of native wildlife.



Claire de la Salle, left, Program Manager with Friends of Kootenay Lake, and Sheila Street, right, Environmental Program Lead with FortisBC, take samples as part of the Zebra/Quagga Mussel Early Detection program.

Practicing responsibility in the office

Our Surrey Operations facility was relamped with efficient light-emitting diode (LED) lights controlled by motion sensors, and 2014 was the first full year of operation. To date, this has saved 270,000 kilowatt hours of electricity. We also implemented an office compost program, which kept almost six tonnes of compostable material from landfills for the year.



Working with the City of Vancouver to safely relocate trees helped maintain the green space in Queen Elizabeth Park.

"We are very excited to see the restoration of the Osoyoos oxbows. This land was historically a very important piece of habitat, but after years of heavy agricultural use, it lost much of its habitat function. The vegetation and wildlife are returning."

Brad Arner, Manager of Provincial Operations for Ducks Unlimited Canada in B.C.

Optimizing energy use

We work to ensure our customers have the tools and incentives they need to conserve energy and make the right energy choices.

Sarah, a renewable natural gas customer from North Vancouver, believes that making wise energy choices benefits not only the household budget but the environment as well.

Expanding programs for those who can benefit most

In collaboration with the B.C. government and BC Hydro, we substantially increased the number of eligible customers for energy saving kits and the Energy Conservation Assistance program from 180,000 in previous years to 325,000 in 2014. We also made it easier to deliver these programs to non-profit housing providers and Aboriginal groups. Participants can benefit from up to \$400 of energy savings annually when these programs are combined.

FortisBC and BC Hydro also launched the new Home Energy Rebate Offer, giving homeowners access to rebates for a variety of energy-efficiency upgrades that could reduce energy bills by up to 30 per cent.

For Kelowna's Brookside Senior Citizens Housing Society, which manages a 43-unit housing complex, PowerSense assessed existing tenant refrigerators in the building and found that a majority were more than 20 years old. Replacing them with new fridges saved Brookside between \$50 and \$200 per fridge each year through improved efficiency from the new appliances.

Adding up the savings

UBC's Okanagan campus was able to take advantage of incentives for purchasing energy-efficient materials as part of campus construction and renovation projects. Since 2005, the campus saved more than seven million kilowatt hours of electricity each year by participating in PowerSense programs. The programs have resulted in about \$465,000 in energy savings annually.

The Salvation Army's Buchanan Lodge received a \$13,320 rebate through FortisBC's efficient boiler program. Their natural gas use dropped by about 40 per cent with the new high-efficiency boilers—and these savings are going directly back into the care and comfort of their residents.

The Nelson Civic Arena's ice rink participated in a FortisBC-funded pilot to test a new ice resurfacing technology, which removes impurities from ice without having to heat the water. With the new technology, the arena cut its annual natural gas use by 120 gigajoules—the equivalent of taking 29 cars off the road—and cut its electricity consumption by an estimated 7,800 kilowatt hours.

Retirement Concepts, a family-owned business with 20 retirement homes and four hotels in B.C., had FortisBC

help analyze the natural gas usage at its most energy-inefficient buildings. Over the course of multi-year upgrades, we provided rebates worth more than \$120,000 to install efficient boilers.

Greening business

FortisBC and the Business Improvement Areas of British Columbia teamed up for the second year in a row to promote energy conservation during "Turn Down The Heat Week" in February. By wearing sweaters at work, 224 businesses in 23 Business Improvement Areas supported the initiative. Additionally, they collected more than 5,000 sweaters to donate to those in need. To show support for the cause, Mayor Kerry Cook proclaimed February 1 to 8, 2014 as Turn Down The Heat Week in the city of Williams Lake.

Wildlife in the spotlight

With funding from FortisBC, the Prince George Airport replaced its boilers with energy-efficient models, helping it save more than \$30,000. Beyond reducing its energy consumption, the airport used some of the money saved on energy costs to support a summer intern who monitored "camera traps" that track animal activities on the airport's property to ensure safety.

Notable numbers

Estimated megawatt hours of electricity saved by customers through efficiency programs:

14,100

Estimated gigajoules of natural gas saved by customers through efficiency programs:

650,000

The "camera trap" program at the Prince George Airport, funded by energy savings from FortisBC programs, tracks a variety of wildlife, including bears, moose and coyotes to ensure airport safety.



Kelowna's 36-metre Tree of Hope at the Landmark 6 building has been a community holiday tradition for the past 16 years. In 2014, FortisBC PowerSense provided an incentive to replace all 25,000 bulbs with energy-efficient LEDs.

Building for B.C.



Developing our infrastructure to ensure that the dynamic needs of our customers are met is an essential ingredient to our success in the future.

Rolf Lyster, FortisBC Director of Gas Plant Operations, left, guides Delta Mayor Lois Jackson, Premier Christy Clark and John Walker, Executive Vice President, Western Canadian Operations, Fortis Inc. on a tour of the existing Tilbury LNG plant.

Serving our customers

In 2014, FortisBC took advantage of the transformational change around us to rethink what good service means for our customers. We're building more than facilities and infrastructure upgrades; we're building a resilient business. Customers are evolving and looking for new and innovative energy solutions, and we have accepted the challenge to provide those solutions.

We broke ground on the Tilbury LNG project to take advantage of an opportunity to develop the LNG

We anticipate a decision from the B.C. Environmental Assessment Office on our proposed Eagle Mountain-Woodfibre Gas Pipeline project in 2015 to serve the planned small-scale LNG processing and export facility near Squamish.

The introduction of a three-year phased-in approach to a common natural gas rate across the province will take place in 2015, resulting in equal rates for most gas customers, no matter where they live. The transition to common rates will be complete by 2018.



By utilizing and expanding existing infrastructure to deliver natural gas to customers, we are helping to keep rates stable and we are changing the way British Columbians energize the world around them.

sector in B.C., and we will continue to expand on that opportunity in 2015. The project will employ more than 160 full-time workers over the course of the two-year project, and the expanded facility will employ a number of full-time workers. The project will also allow us to meet increasing demand for LNG from transportation customers, industrial customers and remote communities. The first full year of the Tilbury LNG facility expansion will take place in 2015, with completion estimated for 2016.

If the proposed Eagle Mountain-Woodfibre Gas Pipeline project is approved, we will need to upgrade our existing compressor stations in Port Mellon (pictured) and in Coquitlam and build a new compressor station in the Squamish area.

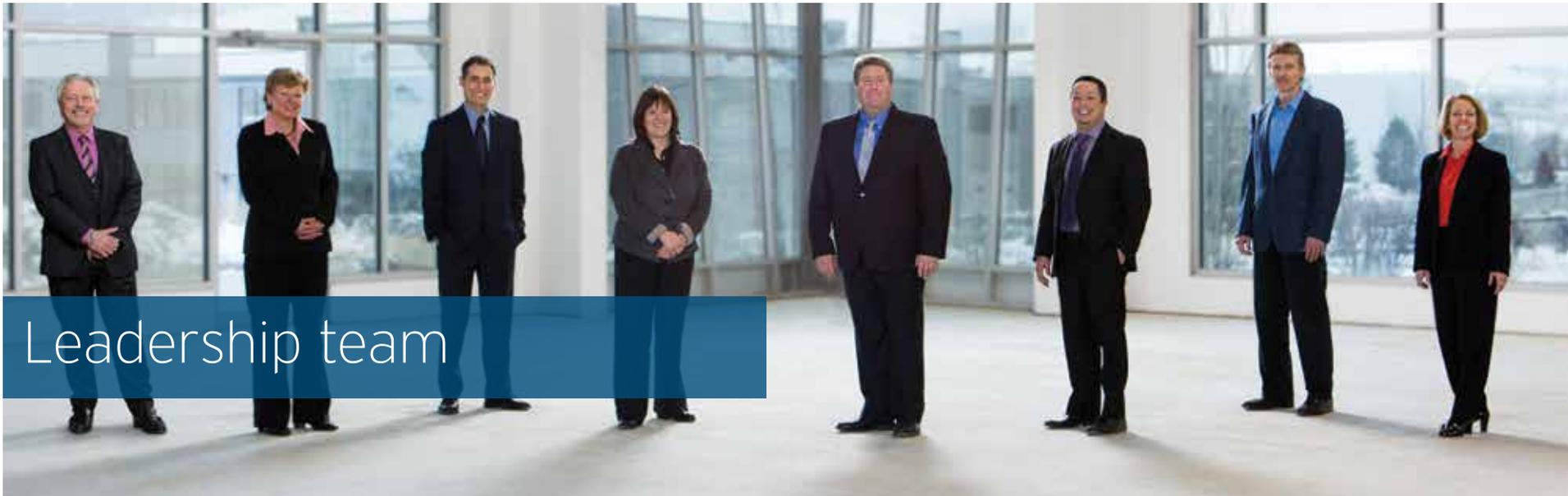


Ensuring reliability

We are planning improvements to five sections of the existing natural gas system that provides service to customers throughout the Lower Mainland and on Vancouver Island. We anticipate that construction will begin in early 2017. These upgrades will improve the reliability of the system and provide greater operational flexibility so we can best meet current and future demand from our customers.

No matter what our task or objective, we never take our attention away from safety. Working with energy sources means we are always focused on work site risk assessments and safety protocols and procedures, and that commitment continues. FortisBC made some significant steps in 2014, and we strive for continual improvement in service, safety and reliability for our customers in the years ahead.

Together, we are *Building Energy Solutions for B.C.*



Leadership team

Douglas Stout Vice President, Market Development & External Relations

Mr. Stout joined the company in 2001 as Vice President, Gas Supply and Transmission. He has held senior roles with Belkorp Industries Inc. and Husky Energy Inc., and has served as Director for Sultran Ltd., Pacific Coast Terminals and Hillsborough Resources. He is Chair of the Canadian Natural Gas Vehicle Alliance and a Director of the Northwest Gas Association.

Michele Leeners Vice President, Finance & CFO

Ms. Leeners is a chartered accountant with more than 20 years of experience. Prior to joining FortisBC in 2005, she held senior financial management roles in the oil and gas sector in Calgary, Alberta.

Roger Dall'Antonia Executive Vice President, Customer Service & Regulatory Affairs

Mr. Dall'Antonia has over 20 years of experience in the energy industry, specializing in corporate finance and development, treasury and regulatory affairs. Past senior financial roles include positions with Westcoast Energy and Versacold Income Fund.

Cynthia Des Brisay Vice President, Energy Supply & Resource Development

Ms. Des Brisay has spent her entire career in the energy industry. Prior to joining FortisBC in 1999, she held engineering and commercial roles in the oil and gas industry and in independent power generation development in Canada and New Zealand. She currently serves on the Executive Committee and on the Board of Directors of the Northwest Gas Association.

Michael Mulcahy President & CEO

Mr. Mulcahy is President and CEO of FortisBC Inc. and FortisBC Energy Inc. He began his career with the Fortis group of companies with Maritime Electric in 1993. Mr. Mulcahy sits on the board of the Canadian Electricity Association, the Executive Council of the Western Energy Institute and is Vice Chair of the Canadian Gas Association. He also sits on the Board of Directors for Fortis Alberta.

Dennis Swanson Vice President, Corporate Services

Mr. Swanson has more than 15 years of experience with FortisBC and its predecessor companies, holding multiple leadership roles including corporate reporting, budgeting and planning. Prior to his current role, Mr. Swanson was responsible for corporate regulatory strategy as the Director of Regulatory Affairs and managed the acquisition of the City of Kelowna's electrical distribution assets in 2013.

Doyle Sam Executive Vice President, Operations & Engineering

Mr. Sam has worked in the energy industry since 1989 and for FortisBC and its predecessors since 2003. He has operated in a variety of engineering, planning, operations and senior management roles in both electric and gas utilities.

Jody Drope Vice President, Human Resources and Environment, Health and Safety

Ms. Drope has spent her career working in Human Resources, including past management roles in municipal governments. She joined FortisBC in 2008. Prior to her current role as Vice President, Ms. Drope was responsible for all human resource management functions, labour relations operations and talent management initiatives as Chief Human Resources Officer at FortisBC.

Board of directors



Harold G. Calla - Mr. Calla (FCGA, CAFM) is Chair of the First Nations Financial Management Board. He is a member of the Squamish Nation and has served two terms on its Council. He is a past Director of Nicola Valley Institute of Technology, CMHC, and Partnerships BC.



Brenda Eaton - Ms. Eaton is a Corporate Director, chairing the Seaterra Commission and serving on the Boards of Transelec, TransLink, and the BC Safety Authority. Previously, she served as Deputy Minister to the Premier of B.C. She has been Deputy Minister of Finance and Treasury Board, Energy, and Social Services, and was CFO of a health authority.



Ida J. Goodreau - Ms. Goodreau is Adjunct Professor, Sauder School of Business, University of British Columbia. Previously, she was President and CEO of LifeLabs Medical Laboratory Services, and President and CEO of the Vancouver Coastal Health Authority. She is on the Board of Directors of Fortis Inc. and is a member of the Boards of Pharmasave Drugs International, the Vancouver Foundation, GenomeBC, the Streethome Foundation and the Canada West Foundation.



David G. Hutchens - Mr. Hutchens is President and CEO of Tucson Electric Power (TEP) and its parent company, UNS Energy Corporation. He has held continuously progressive positions within TEP, advancing to President in 2011, COO in 2013 and to his current role as TEP's top executive in 2014. Mr. Hutchens serves as a Director of Edison Electric Institute, Tucson Regional Economic Opportunities, Inc. and Southern Arizona Leadership Council. He is a Member of the State of Arizona Energy Advisory Board.



Michael Mulcahy - Mr. Mulcahy is President and CEO of FortisBC Inc. and FortisBC Energy Inc. He began his career with the Fortis group of companies with Maritime Electric in 1993. Mr. Mulcahy sits on the board of the Canadian Electricity Association, the Executive Council of the Western Energy Institute and is Vice Chair of the Canadian Gas Association. He also sits on the Board of Directors for Fortis Alberta.



Barry V. Perry - Mr. Perry is the President of Fortis Inc. Prior to this, he held the position of Vice President, Finance and Chief Financial Officer of Fortis Inc. since 2004 and preceding that, of Newfoundland Power Inc. He serves on the boards of several Fortis companies.



David R. Podmore - Mr. Podmore is the Chairman and CEO of Concert Properties Ltd., a national real estate enterprise he co-founded in 1989. He is the Chair of the FortisBC Energy Inc. and FortisBC Inc. Boards, the Chair of the BC Children's Hospital Foundation, and the past Chair of the B.C. Pavilion Corporation and of the British Columbia Institute of Technology Foundation. He also serves on the Board of Directors of LifeLabs Inc. and as a Director of the Canadian Council for Public-Private Partnerships. He is a recipient of the Order of British Columbia.



Christopher F. Scott - Mr. Scott is a corporate director, Consultant, and the past Chief Operating Officer of Osoyoos Indian Band Development Corporation. He also sits on their Board of Advisors. He has extensive business and community interests in the Okanagan Valley and is a past recipient of both the Exporter of the Year award in B.C. and the Entrepreneur of the Year award for Penticton. He currently serves as an advisor to several First Nations in B.C.



Karl W. Smith - Mr. Smith is Executive Vice President, Chief Financial Officer of Fortis Inc. He serves on the Boards of FortisOntario, FortisAlberta, Caribbean Utilities Company and CH Energy Group. He has held continuously progressive positions within the Fortis Inc. group of companies since 1999, most recently as President and CEO of FortisAlberta. He is a member of the Institute of Chartered Accountants of Newfoundland and Labrador. He is past Treasurer of Western Energy Institute, and past Chair of the Canadian Electricity Association and the Atlantic Provinces Economic Council.



John C. Walker - Mr. Walker is Executive Vice President, Western Canadian Operations, Fortis Inc. He serves on the Board of Directors of FortisAlberta and UNS Energy. He has held continuously progressive positions within the Fortis Inc. group of companies since 1983, most recently as President and CEO of FortisBC Energy Inc. and FortisBC Inc. He is the past Chair of the Board of Western Energy Institute, past Vice-Chair of Canadian Gas Association and past Board member of the Canadian Electricity Association.



Janet P. Woodruff - Ms. Woodruff (CPA, FCA) is a Corporate Director and Consultant and is the former President (Interim) of BC Transmission Corp. She has held executive positions in the North American energy, transportation and health sectors. Ms. Woodruff serves as Director of Capstone Infrastructure Corporation and is past Director of Nordion Inc. and the Mutual Fund Dealers Association of Canada. She is a member of CPA Canada's Directors Advisory Group.



Corporate office
Suite 1000
111 West Georgia Street
Vancouver, British Columbia
V6E 4M3

Business operations
16705 Fraser Highway
Surrey, British Columbia
V4N 0E8

Suite 100,
1975 Springfield Road
Kelowna, British Columbia
V1Y 7V7

fortisbc.com

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