FortisBC Energy Inc.

An indirect subsidiary of Fortis Inc.

Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2015 and 2014
(Unaudited)

Prepared in accordance with United States Generally Accepted Accounting Principles

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

ASSETS	September 30, 2015	December 31, 2014
Current assets		
Cash and cash equivalents	$ -	$ 10
Accounts receivable (note 11)	75	218
Inventories	104	111
Prepaid expenses	20	5
Income taxes receivable	-	13
Other taxes receivable	3	-
Deferred income taxes	-	1
Regulatory assets	11	47
	213	405
Property, plant and equipment	3,894	3,675
Intangible assets	132	139
Goodwill	913	913
Regulatory assets	781	751
Other assets	22	24
	$ 5,955	$ 5,907
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short-term notes (note 5)	$ 335	$ 301
Accounts payable and other current liabilities (note 11)	218	299
Other taxes payable	16	38
Income taxes payable	10	-
Current portion of long-term debt	205	105
Current portion of capital lease and finance obligations	6	6
Deferred income taxes	3	-
Regulatory liabilities	39	33
	832	782
Long-term debt	1,770	1,820
Capital lease and finance obligations	101	106
Regulatory liabilities	118	129
Deferred income taxes	408	407
Other liabilities	240	239
	3,469	3,483
Shareholder's equity		
Common shares [(a)]	1,141	1,056
Additional paid-in capital	1,245	1,245
Retained earnings	89	112
	2,475	2,413
Non-controlling interest	11	11
	2,486	2,424
	$ 5,955	$ 5,907

[(a)] no par value; 500 million authorized common shares; 323.9 million issued and outstanding at September 30, 2015 and 313.4 million issued and outstanding at December 31, 2014.

The accompanying notes are an integral part of these interim consolidated financial statements.

FORTIS BC

FortisBC Energy Inc.
Consolidated Statements of Earnings (US GAAP) (Unaudited)
For the three and nine months ended September 30
(in millions of Canadian dollars)

	Three months ended 2015	Three months ended 2014	Nine months ended 2015	Nine months ended 2014
Revenues		(note 1)		(note 1)
Natural gas transmission and distribution	**$ 168**	$ 209	**$ 884**	$ 1,003
Other income (note 11)	**9**	29	**13**	34
	177	238	**897**	1,037
Expenses				
Cost of natural gas	**47**	67	**337**	438
Operation and maintenance (note 11)	**54**	57	**159**	164
Depreciation and amortization	**48**	52	**146**	145
Property and other taxes	**15**	15	**46**	46
	164	191	**688**	793
Operating income	**13**	47	**209**	244
Finance charges (note 6)	**40**	63	**108**	136
(Loss) earnings before income taxes	**(27)**	(16)	**101**	108
Income taxes	**(9)**	(11)	**26**	23
Net (loss) earnings	**(18)**	(5)	**75**	85
Net earnings attributable to non-controlling interest	**1**	1	**1**	1
Net (loss) earnings attributable to controlling interest	**$ (19)**	$ (6)	**$ 74**	$ 84

FortisBC Energy Inc.
Consolidated Statements of Changes in Equity (US GAAP) (Unaudited)
For the nine months ended September 30
(in millions of Canadian dollars)

	Common Shares[1]	Additional Paid-in Capital[1]	Non-controlling Interest[1]	Retained Earnings[1]	Total[1]
As at December 31, 2013	$ 1,056	$ 1,245	$ 11	$ 66	$ 2,378
Net earnings	-	-	1	84	85
Net distribution to Mt. Hayes Storage LP partners	-	-	(1)	-	(1)
Dividend on common shares	-	-	-	(78)	(78)
As at September 30, 2014	1,056	1,245	11	72	2,384
As at December 31, 2014	**1,056**	**1,245**	**11**	**112**	**2,424**
Net earnings	**-**	**-**	**1**	**74**	**75**
Issuance of common shares	**85**	**-**	**-**	**-**	**85**
Net distribution to Mt. Hayes Storage LP partners	**-**	**-**	**(1)**	**-**	**(1)**
Dividend on common shares	**-**	**-**	**-**	**(97)**	**(97)**
As at September 30, 2015	**$ 1,141**	**$ 1,245**	**$ 11**	**$ 89**	**$ 2,486**

[1] See note 1 “Description of the Business”.

The accompanying notes are an integral part of these interim consolidated financial statements.

FORTIS BC

FortisBC Energy Inc.
Consolidated Statements of Cash Flows (US GAAP) (Unaudited)
For the three and nine months ended September 30
(in millions of Canadian dollars)

	Three months ended		Nine months ended	
	2015	2014	**2015**	2014
Cash flows provided by (used for)		(note 1)		(note 1)
Operating activities				
Net (loss) earnings	**$ (18)**	$ (5)	**$ 75**	$ 85
Adjustments for non-cash items				
Depreciation and amortization	**48**	52	**146**	145
Deferred income taxes	**(1)**	(1)	**(1)**	(1)
Equity component of allowance for funds used during construction	**(3)**	(1)	**(7)**	(2)
Change in long-term regulatory assets and liabilities	**(4)**	(53)	**(63)**	(69)
Change in non-cash working capital (note 8)	**(65)**	(44)	**129**	15
	(43)	(52)	**279**	173
Investing activities				
Property, plant and equipment	**(114)**	(67)	**(335)**	(175)
Intangible assets	**(3)**	(3)	**(7)**	(11)
Cost of removal	**(4)**	(4)	**(11)**	(12)
Contributions in aid of construction	**-**	1	**1**	3
Change in other assets and other long-term liabilities	**1**	1	**2**	3
	(120)	(72)	**(350)**	(192)
Financing activities				
Increase in short-term notes	**236**	142	**34**	87
(Reduction) increase of long-term debt and capital lease and finance obligations	**(76)**	(1)	**40**	(4)
(Repayments to) advances from Fortis Inc.	**-**	(19)	**-**	20
Net distribution to non-controlling interest	**-**	(1)	**(1)**	(1)
Issuance of common shares	**-**	-	**85**	-
Dividend on common shares	**-**	-	**(97)**	(78)
	160	121	**61**	24
Net (decrease) increase in cash and cash equivalents	**(3)**	(3)	**(10)**	5
Cash and cash equivalents at beginning of period	**3**	15	**10**	7
Cash and cash equivalents at end of period	**$ -**	$ 12	**$ -**	$ 12

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

The accompanying notes are an integral part of these interim consolidated 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"), a Canadian public company. The Corporation is the resulting corporation from the amalgamation on December 31, 2014 of FEI, FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEW") and Terasen Gas Holdings Inc. ("TGHI"). Prior to the amalgamation FEI, FEVI, FEW and TGHI were under common control and therefore the amalgamation has been presented on a pooling-of-interest basis, as if the historical financial position and operating results of these corporations had always been amalgamated. Prior period financial and operating information has been restated to present the results of the amalgamated Corporation (unless otherwise specified).

The Corporation is the largest distributor of natural gas in British Columbia ("BC"), serving approximately 970,000 residential, commercial and industrial and transportation customers in more than 125 communities. Major areas served by the Corporation are the Greater Vancouver, Fraser Valley, Thompson, Okanagan, Kootenay, North Central Interior, Vancouver Island, Sunshine Coast and Whistler regions of BC. The Corporation provides transmission and distribution services to its customers, and obtains natural 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 interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim financial statements. As a result, these interim consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Corporation's 2014 annual audited consolidated financial statements prepared in accordance with US GAAP. In management's opinion, the interim consolidated financial statements include all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly such information.

The accounting policies and methods of application used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in FEI's year-end audited consolidated financial statements as at December 31, 2014.

The interim consolidated financial statements include the accounts of the Corporation and its subsidiaries and its 85 per cent interest in the Mt. Hayes Limited Partnership ("MHLP"). The Corporation consolidates 100 per cent of its subsidiaries and recognizes 15 per cent of the MHLP as a non-controlling interest. All material inter-company transactions and balances have been eliminated upon consolidation.

An evaluation of subsequent events through October 29, 2015, the date these interim consolidated financial statements were available to be issued, was completed to determine whether any circumstances warranted recognition and disclosure of events or transactions in the interim consolidated financial statements as at September 30, 2015. Subsequent events have been appropriately disclosed in these interim consolidated financial statements.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. The amendments in this update create Accounting Standard Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the codification. This standard completes a joint effort by FASB and the International Accounting Standards Board to improve financial reporting by creating common revenue recognition guidance for US GAAP and International Financial Reporting Standards that clarifies the principles for recognizing revenue and that can be applied consistently across various transactions, industries and capital markets. This standard was originally effective for annual and interim periods beginning after December 15, 2016 and is to be applied on a full retrospective or modified retrospective basis. In August 2015, FASB issued ASU 2015-14, *Deferral of the Effective Date*. The amendments in this update defer the effective date of ASU No. 2014-09 by one year to annual and interim periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date. FEI is assessing the impact that the adoption of this standard will have on its consolidated financial statements.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this update are intended to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and provide related disclosures. This update is effective for annual and interim periods ending after December 15, 2016. Early adoption is permitted. FEI does not expect that the adoption of this update will have a material impact on its consolidated financial statements.

Amendments to the Consolidation Analysis

In February 2015, FASB issued ASU No. 2015-02, *Amendments to the Consolidation Analysis*. The amendments in this update change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This update is effective for annual and interim periods beginning after December 15, 2015 and may be applied using a modified retrospective approach or retrospectively. Early adoption is permitted. FEI is assessing the impact that the adoption of this update will have on its consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update would require that debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. This update is effective for annual and interim periods beginning after December 15, 2015 and should be applied on a retrospective basis. Early adoption is permitted. The adoption of this update will result in the reclassification of debt issuance costs from long-term other assets to long-term debt on FEI's consolidated balance sheet. As at September 30, 2015, debt issuance costs included in long-term other assets were approximately $14 million (December 31, 2014 - $12 million). Additionally, in August 2015 FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.* The guidance in ASU No. 2015-03 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. The amendments in ASU No. 2015-15 permit an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs rateably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. FEI does not expect that the adoption of this update will have a material impact on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Pronouncements (continued)

Simplifying the Measurement of Inventory

In July 2015, FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. The amendments in this update would change the subsequent measurement of inventory from the lower of cost or market to the lower of cost and net realizable value. This update is effective for annual and interim periods beginning after December 15, 2016 and should be applied on a prospective basis. Early adoption is permitted. FEI does not expect that the adoption of this update will have a material impact on its consolidated financial statements.

3. REGULATORY MATTERS

Multi-year Performance Based Ratemaking Plan for 2014 to 2019 ("2014 PBR Application")

In September 2014, the British Columbia Utilities Commission ("BCUC") issued its decision on FEI's 2014 PBR Application. The approved PBR Plan incorporates an incentive mechanism for improving operating and capital expenditure efficiencies. Operation and maintenance expenses and base capital expenditures during the PBR period are subject to an incentive formula reflecting incremental costs for inflation and half of customer growth, less a fixed productivity adjustment factor of 1.1 per cent each year. The PBR Plan also includes a 50/50 sharing of variances ("Earnings Sharing Mechanism") from the formula-driven operation and maintenance expenses and capital expenditures over the PBR period, and a number of service quality measures designed to ensure FEI maintains service levels. It also sets out the requirements for an annual review process which will provide a forum for discussion between FEI and interested parties regarding its current performance and future activities.

The BCUC's PBR Decision resulted in a 2014 average rate base for pre-amalgamation FEI of approximately $2,765 million and a 2014 delivery rate increase of approximately 1.8 per cent.

In May and June 2015, the BCUC issued its decisions on FEI's 2015 delivery rates and on the inclusion of the Vancouver Island and Whistler service areas under the PBR Plan. The decisions result in an amalgamated rate base of approximately $3,661 million (excluding the separately approved rate base of approximately $11 million for Fort Nelson) and a customer delivery rate increase of approximately 0.7 per cent over 2014 rates.

In September 2015, FEI filed its application for approval of 2016 delivery rates under the PBR Plan. The 2016 application includes a forecast average rate base of approximately $3,691 million (excluding Fort Nelson) and requests approval of a customer delivery rate increase of 2.22 per cent. In October 2015, FEI filed an evidentiary update to the application which updated the 2016 delivery rate increase to 2.74 per cent.

Allowed Return on Equity ("ROE") and Capital Structure

The 2015 ROE and common equity component of capital structure for the amalgamated FEI is 8.75 per cent and 38.5 per cent, respectively. The 2014 pre-amalgamation FEI, FEVI and FEW ROE were 8.75 per cent, 9.25 per cent and 9.5 per cent, respectively. The 2014 common equity component of capital structure for pre-amalgamation FEI was 38.5 per cent and for pre-amalgamation FEVI and FEW was 41.5 per cent.

In October 2015, FEI, who was designated as the benchmark utility, filed an application to review the 2016 benchmark utility ROE and common equity component of capital structure.

4. SEASONALITY OF OPERATIONS

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

5. CREDIT FACILITIES AND DEBENTURES

Credit Facilities

As at September 30, 2015, the Corporation had a $700 million syndicated credit facility available of which $311 million was unused. In August 2015, the principal amount of FEI's $500 million credit facility was increased to $700 million and the credit facility was extended by two years to mature in August 2018. The $200 million credit facility due to mature in December 2015 was cancelled in August 2015.

The following summary outlines the Corporation's credit facilities:

($ millions)	**September 30, 2015**	December 31, 2014
Total credit facilities	**700**	700
Short-term notes	**(335)**	(301)
Letters of credit outstanding	**(54)**	(50)
Credit facilities available	**311**	349

Debentures

On April 1, 2015, the Corporation filed a short form base shelf prospectus to establish a Medium Term Note Debenture ("MTN Debentures") Program and entered into a Dealers Agreement with certain affiliates of a group of Canadian Chartered Banks. Upon filing the shelf prospectus, the Corporation may from time to time during the 25 month life of the shelf prospectus, issue MTN Debentures in an aggregate principal amount of up to $1 billion. The establishment of the MTN Debenture Program has been approved by the BCUC.

On April 8, 2015, FEI entered into an agreement with the dealers listed in the Dealers Agreement to sell $150 million of unsecured MTN Debentures Series 26. The MTN Debentures Series 26 bear interest at a rate of 3.375 per cent to be paid semi-annually and mature on April 13, 2045. The closing of the issuance occurred on April 13, 2015, with net proceeds being used to repay existing short-term note indebtedness.

In September 2015, FEI's $75 million Series A Purchase Money Mortgage due September 30, 2015 was repaid with proceeds from short-term notes.

6. FINANCE CHARGES

Finance charges for the three and nine months ended September 30 were as follows:

	Three months ended September 30		**Nine months ended September 30**	
($ millions)	**2015**	2014	**2015**	2014
Interest on long-term debt, capital leases, and finance obligations	**35**	35	**104**	103
Interest on short-term debt	**7**	29	**9**	35
Allowance for funds used during construction - debt component	**(2)**	(1)	**(5)**	(2)
	40	63	**108**	136

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. The Corporation also provides post-employment benefits ("OPEB") other than pensions for retired employees.

The net benefit cost for the three months ended September 30 was as follows:

	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2015**	2014	**2015**	2014
Service costs	**5**	3	**1**	1
Interest costs	**6**	6	**1**	2
Expected return on plan assets	**(7)**	(6)	**-**	-
Amortization of actuarial losses	**2**	1	**2**	1
Amortization of past service costs	**-**	-	**(1)**	(1)
Actuarially determined net benefit cost	**6**	4	**3**	3
Regulatory adjustment	**(1)**	1	**-**	-
Net benefit cost	**5**	5	**3**	3

The net benefit cost for the nine months ended September 30, 2015 was as follows:

	Defined Benefit Pension Plans		OPEB Plans	
($ millions)	**2015**	2014	**2015**	2014
Service costs	**14**	10	**3**	3
Interest costs	**17**	17	**4**	4
Expected return on plan assets	**(20)**	(18)	**-**	-
Amortization of actuarial losses	**6**	5	**3**	2
Amortization of past service costs	**-**	-	**(2)**	(2)
Actuarially determined net benefit cost	**17**	14	**8**	7
Regulatory adjustment	**(1)**	3	**-**	1
Net benefit cost	**16**	17	**8**	8

8. SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The supplementary information to the consolidated statements of cash flows for the three and nine months ended September 30, 2015 was as follows:

Significant Non-Cash Transactions

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2015**	2014	**2015**	2014
Mark-to-market of natural gas commodity derivatives	**(10)**	(3)	**2**	(8)
Capital accruals	**1**	(64)	**35**	(53)
Regulatory assets and regulatory liabilities accruals	**-**	-	**2**	2
Contributions in aid of construction accruals	**-**	(2)	**-**	(6)
Pipeline contribution in aid of construction included in regulatory assets	**-**	-	**13**	-
Regulated asset for deferred income taxes	**-**	8	**11**	15

8. SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Change in Non-Cash Working Capital

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2015**	2014	**2015**	2014
Accounts receivable	**39**	87	**143**	154
Inventories	**(37)**	(67)	**7**	(53)
Prepaid expenses	**(19)**	(5)	**(15)**	(2)
Accounts payable and other current liabilities	**(19)**	(3)	**(42)**	(12)
Income and other taxes payable	**(43)**	(69)	**(2)**	(63)
Net regulatory assets and liabilities	**13**	24	**40**	(6)
Other	**1**	(11)	**(2)**	(3)
	(65)	(44)	**129**	15

The non-cash investing activities balances as at September 30 were as follows:

($ millions)	**2015**	2014
Additions to property, plant and equipment and intangible assets included in current liabilities	**26**	66
Contributions in aid of construction included in current assets	**-**	2

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Volume of Derivative Activity

As at September 30, 2015, the Corporation had the following notional volumes of outstanding natural gas commodity derivatives that are expected to be settled as outlined below:

	2015	2016	2017	2018	2019	Thereafter
Natural gas supply contracts (petajoules)	39	87	40	37	22	87

Presentation of Derivative Instruments in the Financial Statements

In the Corporation's consolidated balance sheets, derivative instruments are presented on a net basis by counterparty where the right of offset exists.

At September 30, 2015, the Corporation's outstanding derivative balances, which consisted of natural gas supply contract premiums were as follows:

($ millions)	Gross Derivatives Balance[1]	Netting[2]	Cash Collateral	Total Derivatives Balance
Natural gas supply contract premiums:				
Accounts payable and other current liabilities	**13**	**-**	**-**	**13**

[1] See note 10 for a discussion of the valuation techniques used to calculate the fair value of these instruments.
[2] Positions, by counterparty, are netted where the intent and legal right to offset exists.

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

Presentation of Derivative Instruments in the Financial Statements (continued)

At December 31, 2014, the Corporation's outstanding derivative balances, which consisted of natural gas supply contract premiums were as follows:

($ millions)	Gross Derivatives Balance[1]	Netting[2]	Cash Collateral	Total Derivatives Balance
Natural gas supply contract premiums:				
Accounts payable and other current liabilities	11	-	-	11

[1] See note 10 for a discussion of the valuation techniques used to calculate the fair value of these instruments.
[2] Positions, by counterparty, are netted where the intent and legal right to offset exists.

The following table shows the cumulative unrealized losses at September 30, 2015 and December 31, 2014, with respect to all natural gas derivative contracts:

($ millions)	**September 30, 2015**	December 31, 2014
Unrealized loss on natural gas supply contract premiums[1,2]	**13**	11

[1] Unrealized gains and losses on commodity risk-related derivative instruments are recorded in current regulatory assets or liabilities rather than being recorded to the consolidated statement of earnings.
[2] These amounts are fully passed through to customers in rates. Accordingly, net earnings were not impacted by realized amounts on these instruments.

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

10. FAIR VALUE MEASUREMENT

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value. The Corporation is required to record all derivative instruments at fair value except those which would qualify for the normal purchase and normal sales exception.

The three levels of the fair value hierarchy are defined as follows:

Level 1: Fair value determined using unadjusted quoted prices in active markets.
Level 2: Fair value determined using pricing inputs that are observable.
Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

The fair values of the Corporation's financial instruments, including derivatives, reflect a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Corporation's future net earnings or cash flows.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities and short-term notes on the consolidated balance sheets of the Corporation approximate their fair values.

10. FAIR VALUE MEASUREMENT (continued)

The fair values of the natural gas commodity derivatives are estimates of the amounts that the Corporation would receive or pay to terminate the outstanding contracts as at the balance sheet date. None of the natural gas commodity derivatives were designated as hedges of the natural gas supply contracts. However, any changes in the fair value of the natural gas commodity derivatives are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the BCUC.

The following table summarizes the fair value measurements of the Corporation's long-term debt and natural gas derivative contracts as of September 30, 2015 and December 31, 2014, all of which are Level 2 of the fair value hierarchy and recorded on the consolidated balance sheets at their carrying value:

($ millions)	**September 30, 2015** Carrying Value	**September 30, 2015** Estimated Fair Value	December 31, 2014 Carrying Value	December 31, 2014 Estimated Fair Value
Long-term debt, including current portion[1]	**1,975**	**2,388**	1,925	2,461
Natural gas supply contract premiums[2]	**13**	**13**	11	11

1. Includes unsecured debentures, purchase money mortgages, promissory notes and the current portion of the repayable government loan for which the carrying value is measured at cost and excludes short-term notes. For the purposes of this disclosure, carrying value is used to approximate fair value for the promissory note and the repayable government loan.
2. Included in accounts payable and other current liabilities as at September 30, 2015 and December 31, 2014.

The fair value of long-term debt is estimated using quoted market prices when available. When quoted market prices are not available, the fair value is determined by discounting the future cash flows of the specific debt instrument at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Corporation does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

11. RELATED PARTY TRANSACTIONS

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

Related Party Recoveries

The amounts charged to the Corporation's related parties under common control for the three and nine months ended September 30 were as follows:

($ millions)	**Three months ended September 30** 2015	Three months ended September 30 2014	**Nine months ended September 30** 2015	Nine months ended September 30 2014
Operation and maintenance expense charged to FortisBC Inc. ("FBC") (a)	**-**	1	**2**	3
Operation and maintenance expense charged to FHI (b)	**1**	1	**1**	1
Other income recovered from FHI (c)	**6**	28	**6**	32
	7	30	**9**	36

(a) The Corporation charged FBC for office rent and management services.

(b) The Corporation charged its parent, FHI for management services, labour and materials.

11. RELATED PARTY TRANSACTIONS (continued)

Related Party Recoveries (continued)

(c) As part of a tax loss utilization plan ("TLUP"), the Corporation received dividend income from FHI relating to a $2,100 million (2014 - $1,400 million) investment in preferred shares. A TLUP is a series of transactions, whereby the Corporation sets up an investment in an affiliate's preferred shares and issues subordinated debt to that affiliate; these two financial instruments are shown on a net basis. The Corporation receives non-taxable dividend income on the preferred shares and pays tax deductible interest on the debt. The effect of this transaction is to transfer tax losses between affiliated entities.

Related Party Costs

The amounts charged by the Corporation's parent and other related parties under common control for the three and nine months ended September 30 were as follows:

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2015**	2014	**2015**	2014
Operation and maintenance expense charged by FBC (a)	**1**	1	**4**	4
Operation and maintenance expense charged by FHI (b)	**4**	3	**10**	9
Finance charges paid to FHI (c)	**6**	29	**6**	33
	11	33	**20**	46

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

(b) FHI charged the Corporation for Board of Director costs, management services, labour and materials.

(c) As part of a TLUP, the Corporation paid FHI interest on $2,100 million (2014 - $1,400 million) of intercompany subordinated debt.

Balance Sheet Amounts

The amounts due from related parties, which are included in accounts receivable on the consolidated balance sheets, and the amounts due to related parties, which are included in accounts payable and other current liabilities and current portion of long-term debt on the consolidated balance sheets, are as follows:

	September 30, 2015		December 31, 2014	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
FHI	**-**	**1**	-	1
Debt due to FHI (a)	**-**	**-**	-	20
FBC	**-**	**1**	-	1
	-	**2**	-	22

(a) During 2014, FEW had a promissory note due to FHI bearing interest at 5.108 per cent. The note was repaid in January 2015.

12. GUARANTEES

The Corporation has letters of credit outstanding at September 30, 2015 totaling $54 million (December 31, 2014 - $50 million) primarily to support its unfunded supplemental pension benefit plans.

13. COMMON SHARES

On May 21, 2015, the Corporation issued 10,483,702 common shares to FHI for total proceeds of $85 million. The proceeds from the issuance were used to finance capital expenditures.