FortisBC Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

Prepared in accordance with accounting principles generally accepted in the United States of America

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

ASSETS	March 31, 2018	December 31, 2017
Current assets		
Accounts receivable (notes 10 and 13)	**$ 54**	$ 51
Prepaid expenses	**4**	2
Other assets	**1**	1
Regulatory assets	**6**	5
Total current assets	**65**	59
Property, plant and equipment, net	**1,508**	1,497
Intangible assets, net	**55**	57
Regulatory assets	**344**	335
Other assets	**6**	6
Goodwill	**235**	235
TOTAL ASSETS	**$ 2,213**	$ 2,189
LIABILITIES AND EQUITY		
Current liabilities		
Credit facilities (note 5)	**$ 56**	$ 54
Accounts payable and other current liabilities (note 10)	**69**	61
Income taxes payable	**-**	1
Current portion of capital lease obligations	**1**	1
Regulatory liabilities	**6**	7
Total current liabilities	**132**	124
Long-term debt	**729**	729
Capital lease obligations	**327**	319
Regulatory liabilities	**20**	15
Pension and other post-employment benefits (note 7)	**62**	62
Deferred income taxes	**168**	167
Other liabilities	**2**	2
Total liabilities	**1,440**	1,418
Contingencies (note 11)		
Equity		
Common shares	**219**	219
Additional paid-in capital	**322**	322
Retained earnings	**232**	230
Total equity	**773**	771
TOTAL LIABILITIES AND EQUITY	**$ 2,213**	$ 2,189

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	2018	2017
Revenues		
Revenue from contracts with customers	**$ 107**	$ 103
Alternative revenue	**(4)**	-
Other revenue	**5**	4
Total revenues (notes 2, 10 and 13)	**108**	107
Expenses		
Power purchase costs (note 10)	**44**	46
Operating costs (note 10)	**20**	16
Property and other taxes	**4**	4
Depreciation and amortization	**15**	16
Total expenses	**83**	82
Operating income	**25**	25
Other income	**1**	-
Finance charges (note 6)	**10**	9
Earnings before income taxes	**16**	16
Income tax expense	**3**	3
Net earnings	**$ 13**	$ 13

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

	Common Shares	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
As at December 31, 2016	$ 219	$ 322	$ 227	$ 768
Net earnings	-	-	13	13
Dividends on common shares	-	-	(11)	(11)
As at March 31, 2017	219	322	229	770
As at December 31, 2017	**219**	**322**	**230**	**771**
Net earnings	**-**	**-**	**13**	**13**
Dividends on common shares	**-**	**-**	**(11)**	**(11)**
As at March 31, 2018	**$ 219**	**$ 322**	**$ 232**	**$ 773**

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	2018	2017
Operating activities		
Net earnings	**$ 13**	$ 13
Adjustments for non-cash items		
Depreciation and amortization	**15**	16
Change in long-term regulatory assets and liabilities	**4**	(1)
Change in non-cash working capital (note 8)	**3**	12
Cash from operating activities	**35**	40
Investing activities		
Property, plant and equipment additions (note 8)	**(29)**	(20)
Intangible asset additions	**-**	(1)
Contributions in aid of construction	**3**	1
Cash used in investing activities	**(26)**	(20)
Financing activities		
Net proceeds from (repayments of) credit facilities	**2**	(9)
Dividend on common shares	**(11)**	(11)
Cash used in financing activities	**(9)**	(20)
Net change in cash	**-**	-
Cash at beginning of period	**-**	-
Cash at end of period	**$ -**	$ -

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

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

1. DESCRIPTION OF THE BUSINESS

FortisBC Inc. ("FBC" or the "Corporation") is a wholly-owned subsidiary of FortisBC Pacific Holdings Inc. ("FortisBC Pacific") which is an indirect wholly-owned subsidiary of Fortis Inc. ("Fortis"), a Canadian public company.

FBC is an integrated, regulated electric utility operating in the southern interior of British Columbia ("BC"), serving approximately 173,000 customers directly and indirectly. The Corporation's business includes four hydroelectric generating plants with an aggregate capacity of 225 megawatts ("MW"), approximately 7,260 kilometers of transmission and distribution power lines, and a peak demand of 746 MW.

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 the Annual Consolidated Financial Statements and should be read in conjunction with the Corporation's 2017 Annual Audited Consolidated Financial Statements prepared in accordance with US GAAP. In management's opinion, the Condensed Consolidated Interim Financial Statements include all adjustments that are necessary to present fairly the consolidated financial position of the Corporation.

With the exception of the new accounting policies listed below, 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 FBC's Annual Audited Consolidated Financial Statements as at December 31, 2017.

The Condensed Consolidated Interim Financial Statements include the historical accounts of the Corporation and its wholly-owned partnership and subsidiaries, 0395518 B.C. Ltd. (formerly ESI Power-Walden Corporation Ltd.) and West Kootenay Power Ltd. All intercompany transactions and balances have been eliminated upon consolidation.

An evaluation of subsequent events through April 30, 2018, the date these Condensed Consolidated Interim Financial Statements were issued, was completed to determine whether any circumstances warranted recognition and disclosure of events or transactions in the Condensed Consolidated Interim Financial Statements as at March 31, 2018. Subsequent events have been appropriately disclosed in these Condensed Consolidated Interim Financial Statements.

New Accounting Policies

Revenue from Contracts with Customers

Effective January 1, 2018, FBC adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the codification. This standard clarifies the principles for recognizing revenue and enables users of financial statements to better understand and consistently analyze an entity's revenues across industries and transactions. The Corporation adopted the new revenue recognition guidance using the modified retrospective transition method, under which comparative periods are not restated and the cumulative impact of applying the standard is recognized at the date of initial adoption supplemented by additional disclosures. Upon adoption, there were no adjustments to the opening balance of the Corporation's retained earnings as there were no changes to the timing of how revenue is recognized.

The adoption of this standard did not materially change the Corporation's accounting policy for recognizing revenue. The Corporation's revenue recognition policy, effective January 1, 2018, is as follows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The majority of the Corporation's revenue is derived from electricity sales to residential, commercial, wholesale, and industrial customers. Most of the Corporation's contracts have a single performance obligation, the delivery of electricity. Substantially all of the Corporation's performance obligations are satisfied over time as electricity is delivered because of the continuous transfer of control to the customer, generally using an output measure of progress, kilowatt hours ("kWh") delivered. The billing of electricity sales is based on the reading of customer meters, which occurs on a systematic basis throughout the month.

The Corporation disaggregates revenue by type of customer, as disclosed in note 13. This represents the level of disaggregation used by the Corporation to evaluate performance.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

Effective January 1, 2018, the Corporation adopted Accounting Standards Update ("ASU") No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The amendments in this update require that an employer disaggregate the current service cost component of net benefit cost and present it in the same statement of earnings line item(s) as other employee compensation costs arising from services rendered. The other components of net benefit cost are required to be presented separately from the service cost component and outside of operating income. Additionally, the amendments allow only the service cost component to be eligible for capitalization when applicable. On adoption, the Corporation applied retrospectively the presentation of the net periodic benefit costs, and prospectively the capitalization in assets of only the service cost component of net periodic benefit costs. The adoption of this ASU did not have a material impact on the Corporation's Condensed Consolidated Interim Financial Statements for the quarter ended March 31, 2018.

Recognition and Measurement of Financial Assets and Financial Liabilities

Effective January 1, 2018, the Corporation adopted ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* The amendments in this update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Most notably, the amendments require the following: (i) equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) to be measured at fair value through earnings; however, entities will elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes; and (ii) financial assets and financial liabilities to be presented separately in the notes to the Consolidated Financial Statements, grouped by measurement category and form of financial instrument. The adoption of this ASU did not impact the Corporation's Condensed Consolidated Interim Financial Statements for the quarter ended March 31, 2018.

Future Accounting Pronouncements

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

Leases

ASU No. 2016-02 was issued in February 2016 and the amendments in this update, along with an additional ASU issued in 2018 to provide additional optional practical expedients, create ASC Topic 842, *Leases*, and supersede lease requirements in ASC Topic 840, *Leases*. The main provision of ASC Topic 842 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. For operating leases, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and (iii) classify all cash payments within operating activities in the statement of cash flows. These amendments also require qualitative disclosures along with specific quantitative disclosures. This update is effective for annual and interim periods beginning after December 15, 2018 and is to be applied using a modified retrospective approach with practical expedient options. Early adoption is permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FBC expects to elect a number of practical expedients that allow the Corporation to not reassess whether any expired or existing contract is a lease or contains a lease, the lease classification of any expired or existing leases, and the initial direct costs for any existing leases. Any significant developments in its implementation efforts could change the Corporation's expected election of transition practical expedients.

FBC continues to assess the impact that the adoption of this ASU will have on its Consolidated Financial Statements and continues to monitor standard-setting activities that may affect the transition requirements of the new lease standard.

Measurement of Credit Losses on Financial Instruments

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, was issued in June 2016 and the amendments in this update require entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for annual and interim periods beginning after December 15, 2019 and is to be applied on a modified retrospective basis. FBC is assessing the impact that the adoption of this update will have 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 FBC’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, 2014 to 2019, are subject to an incentive formula reflecting incremental costs for inflation and half of customer growth, less a fixed productivity adjustment factor of 1.03 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 FBC maintains service levels. It also sets out the requirements for an annual review process which provides a forum for discussion between FBC and interested parties regarding its current performance and future activities.

In January 2017, the BCUC issued its decision on FBC’s 2017 rates. The decision results in a 2017 average rate base of approximately $1,285 million and a rate increase of 2.76 per cent over 2016 rates.

In October 2017, FBC filed its application for approval of 2018 rates under the PBR Plan. The 2018 application includes a forecast average rate base of approximately $1,322 million and requests approval of a customer rate increase of 0.17 per cent over 2017 rates. In December 2017, the BCUC approved 2018 rates at existing 2017 levels on an interim basis, pending a final determination.

4. SEASONALITY OF OPERATIONS

Interim results fluctuate due to the seasonal demands for electricity, the timing of incurring costs, the movements of electricity prices and the timing and recognition of regulatory decisions. FBC’s operations generally produce higher net earnings in the second quarter due to the timing of power purchases, lower net earnings in the third quarter and higher net earnings in the first and fourth quarters due to increased customer load as a result of cooler weather, while certain expenses such as depreciation, interest and operating expenses remain more evenly distributed throughout the fiscal year. As a result of the seasonality, interim net earnings are not indicative of net earnings on an annual basis.

5. CREDIT FACILITIES

As at March 31, 2018, the Corporation had bank credit facilities of $160 million, comprised of a $150 million operating credit facility and a $10 million demand overdraft facility. The $150 million operating credit facility matures in April 2023.

Borrowings under the Corporation's operating credit facilities bear interest at prime or the certificate of deposit offered rate for bankers' acceptances plus a margin. The margin applied is based on FBC's debt ratings provided by its credit rating agencies. The demand overdraft facility bears interest at prime, which at March 31, 2018, was 3.45 per cent (December 31, 2017 - 3.20 per cent).

The following summary outlines the Corporation's credit facilities:

($ millions)	**March 31, 2018**	December 31, 2017
Operating credit facility	**150**	150
Demand overdraft facility	**10**	10
Draws on operating credit facility	**(53)**	(50)
Draws on overdraft facility	**(3)**	(4)
Letters of credit outstanding	**(1)**	(1)
Credit facilities available	**103**	105

6. FINANCE CHARGES

Finance charges for the three months ended March 31 were as follows:

($ millions)	**2018**	2017
Interest on long-term debt [1]	**10**	9

[1] Includes amortization of debt issuance costs.

7. EMPLOYEE FUTURE BENEFITS

The Corporation is a sponsor of pension plans for eligible employees. The plans include registered defined benefit pension plans, supplemental unfunded arrangements, and defined contribution plans. The Corporation also provides post-employment benefits ("OPEB") other than pensions for certain of its retired employees.

The net benefit cost for the three months ended March 31 was as follows:

	Defined Benefit Pension and Supplemental Plans		**OPEB Plans**	
($ millions)	**2018**	2017	**2018**	2017
Service costs	**2**	1	**1**	1
Interest costs	**2**	2	**-**	-
Expected return on plan assets	**(3)**	(3)	**-**	-
Amortization:				
Actuarial losses	**-**	1	**-**	-
Net benefit cost	**1**	1	**1**	1

As a result of adopting ASU No. 2017-07, the components of net benefit cost, other than the service cost component, are included in other income in the Condensed Consolidated Statements of Earnings for both comparable periods.

The Corporation's cost related to the defined contribution arrangement is based upon a percentage of employee earnings. The Corporation's net benefit cost related to this arrangement for the three months ended March 31, 2018 was $1 million (March 31, 2017 - $1 million).

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

The supplementary information to the Condensed Consolidated Statements of Cash Flows for the three months ended March 31 was as follows:

Significant Non-Cash Transactions

($ millions)	**2018**	2017
Change in capital expenditures	**(4)**	(3)
Change in regulated asset for deferred income taxes	**(1)**	(3)
Change in regulated asset for Brilliant Power Purchase Agreement lease costs	**(9)**	(8)

Change in Non-Cash Working Capital

($ millions)	**2018**	2017
Accounts receivable	**(3)**	9
Prepaid expenses	**(2)**	(2)
Accounts payable and other current liabilities	**12**	13
Net income taxes receivable and payable	**(1)**	(9)
Net current regulatory assets and liabilities	**(3)**	1
Change in non-cash working capital per Statements of Cash Flows	**3**	12

The non-cash investing activities balances as at March 31 were as follows:

($ millions)	**2018**	2017
Accrued capital expenditures	**9**	10

9. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The Corporation categorizes financial instruments into the three level hierarchy based on inputs used to determine the fair value:

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

Financial Instruments Not Carried at Fair Value

The fair value of a financial instrument is the market price to sell an asset or transfer a liability at the measurement date. The Corporation uses the following methods and assumptions for estimating the fair value of financial instruments:

- The carrying values of cash, accounts receivable, accounts payable, other current assets and liabilities and borrowings under the credit facilities on the Condensed Consolidated Balance Sheets of the Corporation approximate their fair values due to the short-term nature of these financial instruments. These items have been excluded from the table below.

- For long-term debt, the Corporation uses 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 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.

9. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS (continued)

The use of different estimation methods and market assumptions may yield different estimated fair value amounts. The following table includes the carrying value and estimated fair value of the Corporation's long-term debt:

($ millions)	Fair Value Hierarchy	**March 31, 2018** Carrying Value	**March 31, 2018** Estimated Fair Value	December 31, 2017 Carrying Value	December 31, 2017 Estimated Fair Value
Liabilities					
Long-term debt [1]	Level 2	**735**	**892**	735	902

[1] Includes secured and unsecured debentures for which the carrying value is measured at cost. Carrying value excludes unamortized debt issuance costs.

10. RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with its parent, FortisBC Pacific, ultimate parent, Fortis, and other related companies under common control, including FortisBC Energy Inc. ("FEI"), FortisBC Holdings Inc. ("FHI") and the Waneta Expansion Limited Partnership ("WELP"), primarily under the Waneta Expansion Capacity Agreement ("WECA"), 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 parent and other related parties under common control for the three months ended March 31 were as follows:

($ millions)	**2018**	2017
Operating costs and other revenue charged to FortisBC Pacific (a)	**2**	2
Operating costs charged to FEI (b)	**2**	2
Total related party recoveries	**4**	4

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

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

Related Party Costs

The amounts charged by Fortis and other related parties under common control for the three months ended March 31 were as follows:

($ millions)	**2018**	2017
Power purchase costs charged by WELP (a)	**15**	16
Operating costs charged by Fortis (b)	**1**	1
Operating costs charged by FEI (c)	**1**	1
Total related party costs	**17**	18

(a) The Corporation was charged by WELP for purchasing capacity pursuant to the WECA.

(b) The Corporation was charged by Fortis for corporate management services and other compensation.

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

10. RELATED PARTY TRANSACTIONS (continued)

Balance Sheet Amounts

The amounts due from related parties, which are included in accounts receivable on the Condensed Consolidated Balance Sheets, and the amounts due to related parties, which are included in accounts payable and other current liabilities on the Condensed Consolidated Balance Sheets, were as follows:

	March 31, 2018		December 31, 2017	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
Fortis (a)	**1**	**-**	1	-
FortisBC Pacific	**1**	**-**	-	-
FEI	**1**	**-**	1	(1)
WELP	**-**	**(10)**	-	(11)
Total due from (due to) related parties	**3**	**(10)**	2	(12)

(a) Included in accounts receivable is an amount due from Fortis related to the allocation from Fortis to FBC of the Part VI.1 tax associated with preference share dividends.

11. CONTINGENCIES

The Province of BC filed a claim in the BC Supreme Court on June 8, 2012 claiming on its behalf, and on behalf of approximately 17 homeowners, damages suffered as a result of a landslide caused by a dam failure in Oliver, BC in 2010. The Province alleges in its claim that the dam failure was caused by the defendants, including FBC, through the use of a road on top of the dam. The Province estimates its damages, and the damages of the homeowners on whose behalf it is claiming, to be approximately $15 million. FBC has notified its insurers of this claim. In December 2017, FBC was advised by counsel for the Province that the Province is requesting that all defendants agree to a consent dismissal order which will dismiss the claim without costs to any party. FBC has agreed to the consent dismissal order as have the other defendants. A consent dismissal order is in the process of being filed in the Supreme Court Registry. Given that the claim will be dismissed, by consent, no amount has been accrued in the financial statements.

12. GUARANTEES

The Corporation had letters of credit outstanding at March 31, 2018 totaling $1 million (December 31, 2017 - $1 million) primarily to support the funding of one of the Corporation's pension plans and a wheeling agreement.

13. REVENUE RECOGNITION

The majority of the Corporation's revenue is derived from electricity sales to residential, commercial, wholesale, and industrial customers. Most of the Corporation's contracts have a single performance obligation, the delivery of electricity, as the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts and therefore not distinct. Substantially all of the Corporation's performance obligations are satisfied over time as electricity is delivered because of the continuous transfer of control to the customer, generally using an output measure of progress, kWh delivered. The billing of electricity sales is based on the reading of customer meters, which occurs on a systematic basis throughout the month. The BCUC approved tariff states the billing terms with the customer. The majority of contracts have payment terms of 30 days from the date the bill is rendered. Any payment not received by the due date is considered delinquent and incurs a late payment finance charge. No component of the transaction price is allocated to unsatisfied performance obligations.

Disaggregation of Revenues

Effective January 1, 2018, the Corporation adopted ASC Topic 606, *Revenue from Contracts with Customers* using the modified retrospective approach. Companies electing this approach recognize the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of retained earnings in the period of initial application without adjusting 2017 or prior periods. FBC did not identify any adjustments to the opening balance sheet or retained earnings.

13. REVENUE RECOGNITION (continued)

As a result of adopting ASC Topic 606 using the modified retrospective approach, 2017 comparative figures have not been restated in these Condensed Consolidated Statements of Earnings. The following table presents the disaggregation of the Corporation's revenues by type of customer for the three months ended March 31, 2018 and 2017. 2017 figures that are disclosed in this table in accordance with the new revenue guidance are provided for information purposes only.

($ millions)	**2018**	2017
Residential	**56**	56
Commercial	**24**	23
Wholesale	**14**	13
Industrial	**7**	7
Other	**6**	4
Revenue from contracts with customers	**107**	103
Alternative revenue	**(4)**	(2)
Other revenue	**5**	6
Total revenues	**108**	107

Revenue from contracts with customers

The Corporation's tariff-based sales to residential, commercial, wholesale, and industrial customers are regulated by the BCUC and recognized when electricity is delivered at the amount of consideration that the Corporation expects to receive in exchange. Revenue from contracts with customers include an estimate for unbilled revenues from service that has been provided but not yet billed by the end of an accounting period. At the end of the month, amounts of electricity delivered since the last meter reading are estimated and the corresponding unbilled revenue is calculated using customer tariff rates. Unbilled revenues are dependent upon a number of factors that require management's judgment including estimates of tariff sales and customer usage patterns. The Corporation then records revenue for each customer class based on the various tariff rates.

Other revenue from contracts with customers includes fees charged for tariff-based customer connections, as well as revenue from non-tariff sources for surplus capacity sales, third party contract work, and pole attachments.

Surplus power sales are made under agreement with non-utility customers and are recognized when the capacity or energy is delivered at the amount of consideration set out in the contracts.

Revenue for third party contract work relates to certain operations, maintenance and management services provided to third party owned hydroelectric generation facilities. Revenue from these services is recognized when services are provided at an amount of consideration equivalent to the value of services provided, plus the applicable management fees as set out in the contracts.

Revenue for pole attachments relates to fees charged for the connection of third party owned fibre optic cable for telecommunications services to utility owned infrastructure. Revenue from these attachments is recognized over time at an amount of consideration set out in the contracts.

Alternative revenue

Alternative revenue programs allow utilities to adjust future rates in response to past activities or completed events if certain criteria established by the BCUC are met. The Corporation has identified its Earnings Sharing Mechanism and Flow-through variances related to tariff-based revenue as alternative revenue.

The Earnings Sharing Mechanism allows for a 50/50 sharing of variances from the formula-driven operation and maintenance expenses and capital expenditures approved as part of the annual revenue requirements. This mechanism is in place until the expiry of the current performance based rate setting plan in 2019. In addition, FBC captures variances in the forecast versus actual customer revenue in a flow-through deferral account to be either refunded to or recovered from customers in rates within two years.

13. REVENUE RECOGNITION (continued)

Amounts collected from or refunded to customers for alternative revenue programs are presented in revenue from contracts from customers.

Other revenue

Other revenue is primarily comprised of regulatory deferral adjustments resulting primarily from cost recovery variances in regulated forecasts used to set rates for electricity revenue. As part of the PBR Decision received in September 2014 and effective through to the end of the PBR term, the Corporation has a flow-through deferral account that captures variances from regulated forecast items, excluding formulaic operation and maintenance costs, that do not have separately approved deferral mechanisms, and flows those variances through customer rates in the following year.

Accounts receivable

The timing of revenue recognition, billings, and cash collections results in billed and unbilled accounts receivable. The opening and closing balances of the Corporation's accounts receivable are as follows:

($ millions)	**March 31, 2018**	December 31, 2017
Billed accounts receivable from contracts with customers	**31**	18
Accrued unbilled revenue from contracts with customers	**15**	25
Trade accounts receivable	**7**	7
Amounts due from related parties (note 10)	**2**	2
Other [1]	**1**	1
Allowance for doubtful accounts	**(2)**	(2)
Total accounts receivable	**54**	51

[1] Other receivables include receivables not related to contracts with customers.

Practical expedients

The Corporation has elected three practical expedients in implementing ASC 606, *Revenue from Contracts with Customers*. The Corporation has applied a portfolio approach in evaluating consideration from residential and commercial customers. The Corporation has also applied a practical expedient to consideration received from certain customers on a tariff schedule and has not adjusted the promised amount of consideration for the effect of a significant financing component because FBC expects that the period between the transfer of electricity to the customer and the customer's payment for that service will be one year or less. Finally, FBC has elected to recognize revenue in the amount to which FBC has a right to invoice the customer.