

FORTISBC INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Three and Six Months Ended June 30, 2018

July 30, 2018

The following FortisBC Inc. ("FBC" or the "Corporation") Management Discussion & Analysis ("MD&A") has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information for 2018 and comparative periods contained in the following MD&A has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and is presented in Canadian dollars. The MD&A should be read in conjunction with the Corporation's Unaudited Condensed Consolidated Interim Financial Statements and notes thereto for the three and six months ended June 30, 2018, prepared in accordance with US GAAP and the Corporation's Annual Audited Consolidated Financial Statements and notes thereto together with the MD&A for the year ended December 31, 2017, with 2016 comparatives, prepared in accordance with US GAAP.

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

FORWARD-LOOKING STATEMENT

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

The forward-looking information in this MD&A includes, but is not limited to, statements regarding the Corporation's expectations to meet interest payments on outstanding indebtedness from operating cash flows; the Corporation's expected level of capital expenditures and its expectations to finance those capital expenditures through credit facilities, equity injections from its parent FortisBC Pacific, and debenture issuances; and the Corporation's estimated contractual obligations.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include but are not limited to: receipt of applicable regulatory approvals and requested rate orders; absence of administrative monetary penalties; the ability to continue to report under US GAAP beyond the Canadian securities regulators exemption to the end of 2023 or earlier; absence of asset breakdown; absence of environmental damage and health and safety issues; absence of adverse weather conditions and natural disasters; ability to maintain and obtain applicable permits; the adequacy of the Corporation's existing insurance arrangements; the First Nations' settlement process does not adversely affect the Corporation; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefit costs; the ability of the Corporation to attract and retain a skilled workforce; absence of information technology infrastructure failure; absence of cyber-security failure; continued electricity demand; the ability to arrange sufficient and cost effective financing; no material adverse ratings actions by credit rating agencies; that counterparties do not default on power supply contracts; and no weather related demand loss or significant and sustained loss of precipitation over the headwaters of the Kootenay River system.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory approval and rate orders risk (including the risk of imposition of administrative monetary penalties); continued reporting in accordance with US GAAP risk; asset breakdown, operation, maintenance and expansion risk; environment, health and safety matters risk; weather and natural disasters risk; permits risk; underinsured and uninsured losses; risks involving First Nations; labour relations risk; employee future benefits risk; human resources risk; information technology infrastructure risk; cyber-security risk; interest rates risk; impact of changes in economic conditions risk; capital resources and liquidity risk; competitiveness and commodity price risk; power purchase and capacity sale contracts risk; weather related risk; and, other risks described in the Corporation's most recent Annual Information Form ("AIF"). For additional information

with respect to these risk factors, reference should be made to the Corporation's MD&A and AIF for the year ended December 31, 2017.

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

CORPORATE OVERVIEW

FBC is an integrated, regulated electric utility operating in the southern interior of British Columbia ("BC"), serving approximately 174,000 customers directly and indirectly, focusing on the safe delivery of reliable and cost effective electricity.

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.

The Corporation is an indirect, wholly-owned subsidiary of Fortis, a leader in the North American electric and gas utility business, serving customers across Canada, the United States and the Caribbean.

REGULATION

Customer Rates and Deferral Mechanisms

Customer rates are based on estimates and forecasts. In order to manage the risk of forecast error associated with some of these estimates and to manage volatility in rates, a number of regulatory deferral accounts are in place.

Variances from regulated forecasts used to set rates for electricity revenue and power purchase costs are flowed back to customers in future rates through approved regulatory deferral mechanisms and therefore these variances do not have an impact on net earnings in either 2018 or 2017. As part of the Performance Based Ratemaking ("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.

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, which requested 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. In June 2018, the forecast average rate base of approximately \$1,321 million and the interim rates were approved as permanent, effective January 1, 2018.

CONSOLIDATED RESULTS OF OPERATIONS

Periods Ended June 30	Quarter			Year to Date		
	2018	2017	Variance	2018	2017	Variance
Electricity sales (GWh)	722	712	10	1,642	1,657	(15)
(\$ millions)						
Total revenues ¹	84	82	2	192	189	3
Power purchase costs	18	21	(3)	62	67	(5)
Operating costs ²	17	15	2	37	31	6
Property and other taxes	4	4	-	8	8	-
Depreciation and amortization	15	15	-	30	31	(1)
Total expenses	54	55	(1)	137	137	-
Operating income	30	27	3	55	52	3
Add: Other income ²	-	-	-	1	-	1
Less: Finance charges	10	9	1	20	18	2
Earnings before income taxes	20	18	2	36	34	2
Income tax expense	5	3	2	8	6	2
Net earnings	15	15	-	28	28	-

¹ 2018 total revenues have been presented pursuant to adopting Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective method which did not affect the net earnings comparison for the periods ended June 30.

² The components of 2018 and 2017 operating costs and other income have been presented pursuant to adopting Accounting Standards Update ("ASU") No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. There was no effect on the net earnings comparison for the periods ended June 30.

The following table outlines the significant variances in the Consolidated Results of Operations for the three months ended June 30, 2018 as compared to June 30, 2017:

Quarter		
Item	Increase (Decrease) (\$ millions)	Explanation
Net earnings	-	<p>Net earnings for the quarter ended June 30, 2018 were \$15 million, consistent with net earnings in the same period of 2017 as the higher investment in regulated assets during 2018 was offset by a one-time income tax gain recognized in the second quarter of 2017 for the previous disposition of non-regulated assets and for which there was no comparable tax savings in 2018.</p> <p>Both 2018 and 2017 net earnings are based on an allowed ROE of 9.15 per cent and a deemed equity component of capital structure of 40 per cent.</p>
Revenues	2	<p>Included in revenues are revenue from contracts with customers, which includes tariff revenues as well as fees charged for tariff-based customer connections, revenue from non-tariff sources for surplus capacity sales, revenue from third party contract work, and pole attachment revenue.</p> <p>Also included in revenues are alternative revenues, which include the Corporation's Earnings Sharing Mechanism and Flow-through variances related to tariff-based revenue, and other revenue, which is comprised of regulatory deferral adjustments that capture variances from regulated forecast items, excluding formulaic operation and maintenance costs. If such regulatory deferral adjustments recognized in the current period are owed to, or recoverable from, customers in future rates, they are recognized as either other expense or other revenue, respectively.</p> <p>The increase in total revenues was primarily a result of:</p> <ul style="list-style-type: none"> an increase in the revenue recognized from third party contract work, and

Quarter		
Item	Increase (Decrease) (\$ millions)	Explanation
		<ul style="list-style-type: none"> an increase in revenue recognized from tariff-based sales as a result of higher electricity sales, primarily due to higher usage by Commercial customers, partially offset by a decrease in other revenue resulting from an increase in regulatory deferral adjustments owing to customers in future rates.
Power purchase costs	(3)	The decrease in power purchase costs was primarily due to lower average power purchase prices, partially offset by higher purchase volumes, driven by an increase in electricity sales.
Operating costs	2	Operating costs include operating and maintenance expenses, water fees, and wheeling. The increase in operating costs was primarily a result of increased costs associated with third party contract work relating to revenue from contracts with customers.
Income taxes	2	The increase in income taxes was primarily due to an increase in earnings before tax, lower deductible temporary differences associated with regulatory deferral adjustments and the 1.0 per cent increase in the BC provincial statutory tax rate effective January 1, 2018, resulting from legislation enacted in November 2017.

The following table outlines the significant variances in the Consolidated Results of Operations for the six months ended June 30, 2018 as compared to June 30, 2017:

Year to Date		
Item	Increase (Decrease) (\$ millions)	Explanation
Net earnings	-	Net earnings for the six months ended June 30, 2018 were \$28 million, consistent with net earnings in the same period of 2017 for the same reasons identified in the quarter.
Revenues	3	The increase in revenues was primarily due to an increase in the revenue recognized from third party contract work, partially offset by a decrease in other revenue resulting from an increase in regulatory deferral adjustments owing to customers in future rates, and a decrease in revenue recognized from tariff-based sales as a result of lower electricity sales. While rates charged for tariff-based sales were consistent for both periods, the lower electricity sales were the result of colder weather in the first quarter of 2017.
Power purchase costs	(5)	The decrease in power purchase costs was primarily due to lower purchase volumes, driven by a decrease in electricity sales, and lower average power purchase prices.
Operating costs	6	The increase in operating costs was primarily a result of increased costs associated with third party contract work relating to revenue from contracts with customers, as well as higher wheeling costs and labour costs.
Finance charges	2	The increase in finance charges was primarily a result of the issuance of \$75 million of Medium Term Note Debentures ("MTN Debentures") in December 2017.
Income taxes	2	The increase in income taxes was primarily due to the same reasons identified in the quarter, whereby the increase was primarily due to an increase in earnings before tax, lower deductible temporary differences associated with regulatory deferral adjustments and the 1.0 per cent increase in the BC provincial statutory tax rate effective January 1, 2018.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended September 30, 2016 through June 30, 2018. The information has been obtained from the Corporation's Unaudited Condensed Consolidated Interim Financial Statements. Past operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarter Ended	Revenues	Net Earnings
(\$ millions)		
June 30, 2018	84	15
March 31, 2018	108	13
December 31, 2017	102	12
September 30, 2017	90	10
June 30, 2017	82	15
March 31, 2017	107	13
December 31, 2016	97	12
September 30, 2016	85	9

A summary of the past eight quarters reflects the seasonality associated with the Corporation's business. The operations generally produce higher net earnings in the second quarter due to the timing and average price 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, interim net earnings are not indicative of net earnings on an annual basis.

June 2018/2017 - Net earnings were consistent with net earnings in the same period of 2017 as higher investment in regulated assets was offset by a one-time income tax gain recognized in the second quarter of 2017 for the previous disposition of non-regulated assets and for which there was no comparable tax savings in 2018.

March 2018/2017 - Net earnings were consistent between periods.

December 2017/2016 - Net earnings included a decrease in the variance between the operating and maintenance expense incurred as compared to the operating costs forecasted in rates and recognized in revenues, offset by higher investment in regulated assets.

September 2017/2016 - The increase in net earnings was primarily due to higher operating and maintenance savings, net of the regulated Earnings Sharing Mechanism, and higher investment in regulated assets.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Financial Position between June 30, 2018 and December 31, 2017:

Balance Sheet Account	Increase (Decrease) (\$ millions)	Explanation
Accounts receivable	(10)	The decrease was primarily due to a decrease in unbilled revenue due to seasonality of sales.
Property, plant and equipment, net	20	The increase was primarily due to capital expenditures of \$50 million incurred during the year, which includes sustainment and growth capital expenditures, as well as the Corra Linn Dam Spillway Gates Replacement and Upper Bonnington Old Unit Refurbishment projects, less: <ul style="list-style-type: none"> • depreciation expense, excluding net salvage provision, of \$19 million, • changes in capital lease assets of \$3 million, the offset of which has been recognized in regulatory assets, • changes in non-cash working capital related to capital accruals of \$1 million, and • contributions in aid of construction of \$7 million received.

Balance Sheet Account	Increase (Decrease) (\$ millions)	Explanation
Regulatory liabilities (current and long-term)	10	The increase was primarily due to the collection of \$4 million in salvage provision, net of actual removal costs incurred, and an increase in regulatory flow-through deferral adjustments owing back to customers in future rates.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Cash Flows

Six Months Ended June 30 (\$ millions)	2018	2017	Variance
Cash flows provided by (used for)			
Operating activities	65	57	8
Investing activities	(46)	(42)	(4)
Financing activities	(19)	(15)	(4)
Net change in cash	-	-	-

Operating Activities

Cash provided by operating activities was \$8 million higher compared to the same period in 2017. The increase was primarily due to changes in non-cash working capital relating to regulatory assets and liabilities and income taxes payable.

Investing Activities

Cash used for investing activities was \$4 million higher compared to the same period in 2017 primarily due to higher property, plant and equipment expenditures, including those related to the Corra Linn Dam Spillway Gates Replacement and Upper Bonnington Old Unit Refurbishment projects, partially offset by higher contributions in aid of construction received.

Financing Activities

Cash used for financing activities was \$4 million higher compared to the same period in 2017 primarily due to lower net proceeds from credit facilities which were used to finance the debt portion of FBC's capital expenditure program and any shortfalls in working capital.

During the three and six months ended June 30, 2018, FBC paid a common share dividend of \$11 million (2017 - \$11 million) and \$22 million (2017 - \$22 million) respectively to its parent company, FortisBC Pacific.

Contractual Obligations

The Corporation's contractual obligations have not changed materially from those disclosed in the MD&A for the year ended December 31, 2017.

Capital Structure

The Corporation's principal business of regulated electricity generation, transmission and distribution requires ongoing access to capital in order to allow the Corporation to fund the maintenance, replacement and expansion of infrastructure. The Corporation maintains a capital structure in line with the deemed regulatory capital structure approved by the BCUC at 40 per cent equity and 60 per cent debt. This capital structure excludes the financing of goodwill and other non-regulated items that do not impact the deemed capital structure.

Credit Ratings

As at June 30, 2018, the Corporation's debentures were rated by DBRS Limited at A (low) and by Moody's Investors Service at Baa1. There have been no changes to the Corporation's credit ratings from those reported in the Corporation's 2017 annual MD&A.

Projected Capital Expenditures

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

operation of its business. The initial approval from the BCUC to proceed with capital projects can occur through a number of processes, including revenue requirement applications and Certificate of Public Convenience and Necessity ("CPCN") applications. Once the initial approval is received, the regulatory process allows for capital project costs to be reviewed by the BCUC subsequent to completion and in service to determine if any portion of the cost of the project should not be allowed for recovery in customer rates.

The 2018 projected capital expenditures are approximately \$100 million, which are necessary to provide service, public and employee safety, and reliability of supply of electricity to the Corporation's customer base. Included in these projected capital expenditures are more significant projects further described below.

Corra Linn Dam Spillway Gates Replacement

In 2016, the Corporation filed a CPCN application to the BCUC for the construction and operation of 14 replacement spillway gates and upgrades to the associated structures at the Corra Linn Dam in order to align with industry standards, meet current regulation and minimize the risks to public and employee safety. In 2017, the BCUC approved the CPCN which included estimated project costs of \$63 million. Construction commenced in 2017 with an estimated completion date of 2021.

Upper Bonnington Old Unit Refurbishment.

In 2016, the Corporation filed a special projects application to the BCUC for the refurbishment of Upper Bonnington generating units in order to extend their life and reduce safety and environmental risks associated with the potential failures of the aged equipment. In 2017, the BCUC approved the application which included estimated project costs of \$32 million. Construction commenced in 2017 with an estimated completion date of 2020.

Cash Flow Requirements

The Corporation's cash flow requirements fluctuate seasonally based on electricity consumption. The Corporation maintains adequate committed credit facilities.

It is expected that operating expenses and interest costs will generally be paid out of operating cash flows, with varying levels of residual cash flow available for capital expenditures and/or for dividend payments. Cash required to complete capital expenditure programs is also expected to be financed from a combination of borrowings under credit facilities, equity injections from FortisBC Pacific, and debenture issuances.

The Corporation's ability to service its debt obligations and pay dividends on its common shares is dependent on the financial results of the Corporation. Depending on the timing of cash payments, borrowings under the Corporation's credit facilities may be required from time to time to support the servicing of debt and payment of dividends. The Corporation may have to rely upon the proceeds of new debenture issuances to meet its principal debt obligations when they come due.

Credit Facilities

As at June 30, 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.

(\$ millions)	June 30, 2018	December 31, 2017
Operating credit facility	150	150
Demand overdraft facility	10	10
Draws on operating credit facility	(55)	(50)
Draws on overdraft facility	(2)	(4)
Letters of credit outstanding	(1)	(1)
Credit facilities available	102	105

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2018, the Corporation had no material off-balance sheet arrangements, with the exception of letters of credit outstanding of \$1 million (December 31, 2017 - \$1 million) primarily to support the funding of one of the Corporation's pension plans and a wheeling agreement.

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 FEI, FHI and 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 and six months ended June 30 were as follows:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Operating costs and other revenue charged to FortisBC Pacific (a)	2	2	4	4
Operating costs charged to FEI (b)	2	2	4	3
Total related party recoveries	4	4	8	7

(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 and six months ended June 30 were as follows:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Power purchase costs charged by WELP (a)	4	3	19	19
Operating costs charged by WELP (a)	1	-	1	-
Operating costs charged by Fortis (b)	-	1	1	1
Operating costs charged by FEI (c)	1	1	2	2
Total related party costs	6	5	23	22

(a) The Corporation was charged by WELP for purchasing capacity pursuant to the WECA and for a portion of water fees.

(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.

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 on the Consolidated Balance Sheets, are as follows:

(\$ millions)	June 30, 2018		December 31, 2017	
	Amount Due From	Amount Due To	Amount Due From	Amount Due To
Fortis (a)	1	-	1	-
FortisBC Pacific	-	-	-	-
FEI	1	(1)	1	(1)
WELP	-	(2)	-	(11)
Total due from (due to) related parties	2	(3)	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.

FINANCIAL INSTRUMENTS

Fair Value Estimates

The following table presents the Corporation's assets and liabilities accounted for at fair value on a recurring basis, all of which are Level 2 of the fair value hierarchy:

(\$ millions)	June 30, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current portion ^{1,2}	735	890	735	902

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

² 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. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment.

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

NEW ACCOUNTING POLICIES

Standard	Effective Date	Description	Application to FBC
Revenue from Contracts with Customers	January 1, 2018	ASC Topic 606, <i>Revenue from Contracts with Customers</i> , supersedes the revenue recognition requirements in ASC Topic 605, <i>Revenue Recognition</i> , 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.	<p>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.</p> <p>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:</p> <p>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.</p> <p>The Corporation disaggregates revenue by type of customer, as disclosed in note 10 of Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2018.</p>

Standard	Effective Date	Description	Application to FBC
Improving The Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	January 1, 2018	ASU No. 2017-07, <i>Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost</i> , requires current service costs to be disaggregated and grouped in the statement of earnings with other employee compensation costs arising from services rendered. The other components of net periodic benefit costs must be presented separately and outside of operating income. Additionally, only the service cost component is eligible for capitalization.	On adoption, the Corporation applied the presentation guidance retrospectively and the capitalization guidance prospectively. This resulted in no retrospective reclassification from operation and maintenance expense to other income for the three and six months ended June 30, 2017, respectively, in Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2018 and 2017 (note 5).

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.

ASU	Effective Date	Description	Application to FBC
Leases	January 1, 2019	ASU No. 2016-02, <i>Leases</i> (ASC Topic 842), was issued in February 2016, is effective January 1, 2019 with earlier adoption permitted, and is to be applied using a modified retrospective approach with practical expedient options. Principally, it requires balance sheet recognition of a right-of-use asset and a lease liability by lessees for those leases that are classified as operating leases along with additional disclosures.	FBC expects to elect a package of practical expedients that will allow it 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. FBC also expects to elect an additional practical expedient that permits entities to not evaluate existing land easements that were previously not accounted for as leases. FBC continues to assess the impact of adoption and monitor standard-setting activities that may affect the transition requirements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's Condensed Consolidated Interim Financial Statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates and judgments are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty in making estimates, actual results may differ significantly from current estimates. Estimates and judgments are reviewed periodically and, as adjustments become necessary, are recognized in the period in which they become known.

Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes in the nature of the Corporation's critical accounting estimates during the second quarter of 2018 from those disclosed in the Corporation's 2017 annual MD&A.

OTHER DEVELOPMENTS

Collective Agreements

There are two collective agreements between the Corporation and Local 378 of the Canadian Office and Professional Employees Union (“COPE”). The first collective agreement, representing employees in specified occupations in the areas of administration and operations support, expires December 31, 2018. The second collective agreement, representing customer service employees, expires on March 31, 2022.

The collective agreement between the Corporation and Local 213 of the International Brotherhood of Electrical Workers (“IBEW”) was ratified in December 2017, is effective February 1, 2018 and expires on January 31, 2021. IBEW represents employees in specified occupations in the areas of generation, transmission and distribution.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A, the Corporation had issued and outstanding 2,191,510 common shares, all of which are owned by FortisBC Pacific, an indirect wholly-owned subsidiary of Fortis.

ADDITIONAL INFORMATION

Additional information about FBC, including its Annual Information Form, can be accessed at www.fortisbc.com or www.sedar.com. The information contained on, or accessible through, either of these websites is not incorporated by reference into this document.

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