FortisBC Inc.
Management Discussion & Analysis
For the Three Months Ended March 31, 2013
Dated May 7, 2013

The following FortisBC Inc. ("FortisBC" or the "Corporation") Management Discussion & Analysis ("MD&A") has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information for 2013 and comparative periods contained in the following MD&A has been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and is presented in Canadian dollars unless otherwise specified. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three months ended March 31, 2013, with 2012 comparatives prepared in accordance with US GAAP and the annual audited consolidated financial statements and notes thereto together with the MD&A for the year ended December 31, 2012, with 2011 comparatives, prepared in accordance with US GAAP.

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 internally generated funds; the Corporation's expected level of capital expenditures and its expectations to finance those capital expenditures through lines of credit, debt issues, equity contributions and internally generated funds, and the Corporation's expectation for employee future benefit costs and the financial impact of the acquisition of the City of Kelowna's electricity utility assets.

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 report under US GAAP beyond the Canadian securities regulators exemption to the end of 2014; absence of equipment 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 skilled workforces; absence of information technology infrastructure failure; no significant decline in interest rates; 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; no weather related demand loss; and, climate change does not reduce water flows.

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); transition to new accounting standards risk; equipment breakdown, operating and maintenance 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; interest rate risk; impact of changes in economic conditions risk; capital resources and liquidity risk; competiveness and commodity price risk; power supply purchase and sale contracts risk; weather related demand loss risk; climate change risk; and, other risks described in the Corporation's most recent Annual Information Form. For additional information with respect to these risk factors, reference should be made to the section entitled "Business Risk Management" in this MD&A and the Corporation's MD&A for the year ended December 31, 2012.

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

FortisBC is an integrated, regulated electric utility operating in the southern interior of British Columbia ("BC"), serving approximately 163,000 customers directly and indirectly, focusing on the safe delivery of reliable and cost effective electricity.

The Corporation's regulated business includes four hydroelectric generating plants with an aggregate capacity of 223 megawatts ("MW"), approximately 7,000 kilometers of transmission and distribution power lines, and a peak demand of 746 MW. Included in FortisBC's non-regulated assets is a 16 MW run-of-river hydroelectric power plant near Lillooet, BC.

The Corporation is an indirect, wholly-owned subsidiary of Fortis Inc. ("Fortis"), a diversified, international distribution utility holding corporation having investments in distribution, transmission and generation utilities, as well as commercial real estate and hotel operations.

REGULATION

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

In February 2012, the British Columbia Utilities Commission ("BCUC") established a Generic Cost of Capital ("GCOC") Proceeding would occur and in April 2012, issued a final scoping document identifying specific items that would be reviewed as part of the GCOC Proceeding, including:

- the appropriate cost of capital for a benchmark low-risk utility effective January 1, 2013. Cost of capital includes capital structure, return on common equity and interest on debt;
- the establishment of a benchmark ROE based on a benchmark low-risk utility effective January 1, 2013 to December 31, 2013 for the initial transition year;
- if it is determined through the GCOC Proceeding that a return to an ROE Automatic Adjustment Mechanism ("AAM") is warranted it would be implemented January 1, 2014. If not, a future regulatory process would be set to review the ROE for a benchmark low-risk utility beyond December 31, 2013;
- a generic methodology on how to establish each utility's cost of capital in reference to the cost of capital for a benchmark low-risk utility;
- a methodology to establish a deemed capital structure and deemed cost of capital, particularly for those utilities without third-party debt; and
- for those utilities that require a deemed interest rate, if warranted, a methodology to establish a deemed interest rate AAM. If not warranted, setting a future regulatory process on how the deemed interest rate would be adjusted beyond December 31, 2013.

The BCUC has also determined that a second, subsequent phase be added to the GCOC Proceeding to determine an appropriate ROE and capital structure for all other regulated utilities in BC, once the benchmark has been established in the first phase of the GCOC Proceeding. FortisBC Energy Inc. ("FEI") has been designated as the benchmark. FortisBC will have its ROE and capital structure determined in phase two.

The public oral hearing for the first phase of the GCOC Proceeding occurred in December 2012. A decision on the benchmark, FEI, is expected mid-year 2013. Pursuant to a BCUC order released in December 2012, effective January 1, 2013, the current ROE and capital structure for FortisBC and all other regulated entities in BC that rely on the benchmark utility to establish rates are to be maintained and made interim. The results of the GCOC Proceeding could materially impact the Corporation's earnings.

In March 2013 the BCUC initiated the second phase of the GCOC Proceeding by establishing a procedural conference which took place on April 25, 2013.

Kettle Valley Distribution Source Project Capital Expenditure Prudency Review Decision

In March 2012, the BCUC ordered a written hearing to review the prudency of capital expenditures already incurred related to the approximately $29 million Kettle Valley Distribution Source Project which was substantially completed in 2009. The written hearing process was completed in 2012. In April 2013, the BCUC issued a decision reducing the amount to be included in rate base by approximately $0.1 million effective January 1, 2012. The $0.1 million excluded from rate base will continue to be recognized in Property, Plant and Equipment in the Corporation's consolidated balance sheet. The Corporation has

recognized an incremental $0.4 million of equity component of allowance for funds used during construction ("AFUDC") during the first quarter of 2013 as a result of this decision.

City of Kelowna Electrical Utility Business Acquisition

FortisBC purchased the City of Kelowna's (the "City") electrical utility assets on March 29, 2013 for approximately $55 million. The completion of this transaction allows FortisBC to directly serve the approximate 15,000 customers formerly served by the City. Prior to the acquisition FortisBC had provided the City with electricity under a wholesale tariff and operated and maintained their assets since 2000.

The BCUC approval of the acquisition in early March 2013 allowed for approximately $38 million of the $55 million purchase price to be included in FortisBC's rate base. The cash purchase price of approximately $55 million was financed through draws on the Corporation's operating credit facilities. The purchase price was allocated as approximately $38 million to property, plant and equipment, approximately $3 million to deferred income tax asset and approximately $14 million to goodwill. The acquisition, which qualifies as a business combination, has been accounted for using the acquisition method, whereby financial results of the business acquired have been consolidated in the financial statements of FortisBC beginning on the acquisition date of March 29, 2013.

Advanced Metering Infrastructure ("AMI")

In July 2012, the Corporation filed its AMI application with the BCUC and a regulatory review by the BCUC and various interveners concluded with an oral hearing in March 2013. A decision is pending and is expected in the latter half of 2013. The AMI project proposes to improve and modernize FortisBC's electrical grid by exchanging its manually read meters with advanced meters. The AMI project was originally expected to cost approximately $48 million; however, in contemplation of FortisBC's purchase of the City of Kelowna's electrical utility assets, the Corporation filed a condition amendment to the AMI application in early 2013 for approximately $4 million in incremental AMI capital expenditures, increasing the total cost to $52 million.

CONSOLIDATED RESULTS OF OPERATIONS

Quarter Ended March 31	**2013**	2012	Variance
Electricity Sales (GWh)	**893**	911	(18)
($ millions)			
Electricity revenue	**83.9**	81.9	2.0
Other revenue	**0.6**	1.2	(0.6)
Power purchase costs	**24.5**	25.4	(0.9)
Operating costs	**17.7**	18.2	(0.5)
Depreciation and amortization	**12.4**	12.2	0.2
Other income[1]	**0.5**	0.1	0.4
Finance charges[2]	**9.5**	10.0	(0.5)
Income taxes	**3.6**	2.3	1.3
Net Earnings	**17.3**	15.1	2.2

[1] Includes equity component of AFUDC.

[2] Net of debt component of AFUDC.

Net Earnings

Net earnings for the first quarter ended March 31, 2013 were $17.3 million, an increase of $2.2 million from the $15.1 million of net earnings in the first quarter of 2012. As approved by the BCUC in the 2012-2013 Revenue Requirements Application ("2012-2013 RRA") decision, electricity rates for both periods reflect an allowed ROE of 9.9 per cent and a deemed equity component of capital structure of 40 per cent. The 2013 allowed ROE and capital structure could change as a result of the GCOC Proceeding.

The 2012-2013 RRA is primarily cost of service with certain variances from the forecast used for rate setting purposes to be flowed back to/recovered from customers in future rates. Effective January 1, 2012, variances for electricity revenue and power purchase costs are recognized in deferral accounts to be flowed back to customers in future rates and therefore these variances do not have an impact on net earnings in either 2012 or 2013.

The increase in net earnings for the first quarter of 2013 as compared to the first quarter of 2012 was primarily due to the following:

- an increase in rate base driven by ongoing investment in electricity infrastructure,
- a decrease in operating costs due to the timing of expenditures,
- a decrease in interest expense and depreciation, as compared to the forecasted amounts used to set 2013 rates, and
- an increase in AFUDC recognized as directed by the BCUC,

partially offset by,

- an increase in tax expense driven by higher earnings before tax and lower tax timing differences.

Electricity Sales

The decrease in electricity sales was primarily due to warmer than normal weather in the first quarter of 2013.

Electricity Revenue

The increase in electricity revenue was primarily due to a 4.2 per cent rate increase effective January 1, 2013, partially offset by a decrease in electricity sales.

Other Revenue

Other revenue consists of management fees for third party contract work, pole attachment revenue, wheeling revenue and other miscellaneous rental revenues as well as certain flow-through adjustments for variances from the forecast used to set rates.

The decrease in other revenue was primarily due to the amortization of the 2011 flow-through adjustment, which was flowed back to customers as other revenue in the first quarter of 2012, was higher than the 2012 flow-through adjustment which was flowed back to customers as other revenue in the first quarter of 2013. This decrease in other revenue was partially offset by a lower amount of revenue and power purchase cost variances to be deferred as a regulatory liability for the first quarter of 2013 as compared to the same period of 2012.

Power Purchase Costs

The decrease in power purchase costs was primarily due to decreased electricity sales, partially offset by higher average power purchase prices.

Operating Costs

Operating costs include operating and maintenance expenses, property taxes, water fees and wheeling. The decrease in operating costs was primarily due to the timing of incurring operating and maintenance costs, partially offset by labour escalation and general inflationary increases.

Depreciation and Amortization

The increase in depreciation and amortization was primarily due to the increase in the depreciable asset base of the Corporation.

Other Income

Other income includes the equity component of AFUDC and interest income. The increase in other income was primarily due to an increase in the equity component of AFUDC recognized as directed by the BCUC.

Finance Charges

The decrease in finance charges was primarily due to the repayment of the higher interest bearing Series F $15 million debenture, which matured in the fourth quarter of 2012, and an increase in the debt component of AFUDC recognized as directed by the BCUC.

Income Taxes

The increase in income tax expense was primarily due to an increase in earnings before income taxes and lower income tax timing differences as compared to the first quarter of 2012.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets as at March 31, 2013 compared to December 31, 2012:

Balance Sheet Item	**Increase** ($ millions)	**Explanation**
Regulatory assets	**12.7**	The increase of $12.7 million was primarily due to the recognition of $8.0 million relating to the Brilliant Power Purchase Agreement ("BPPA") asset and obligation under capital lease and an increase of $2.3 million in regulated deferred income tax liabilities, both of which have been offset by a regulatory asset of the same amount. The balance of the increase primarily relates to changes in other costs recoverable from customers.
Property, plant and equipment	**37.1**	The increase of $37.1 million was primarily due to approximately $38 million in property, plant and equipment acquired in the purchase of the City of Kelowna electrical utility assets and capital expenditures of $16.2 million incurred during the period, less; • depreciation expense of $10.0 million, • contributions in aid of construction of $1.1 million received, and • other net adjustments primarily related to the Corporation's capital lease assets, the offsets of which have been recognized in regulatory assets.
Goodwill	**14.0**	The increase of approximately $14 million was due to the purchase of the City of Kelowna electrical utility assets.
Accounts payable and other current liabilities	**13.6**	The increase of $13.6 million was primarily due to timing of interest payments and an increase in outstanding accounts payable relating to power purchases.
Current and long-term debt	**33.2**	The increase of $33.2 million was primarily due to draws on credit facilities used to fund the purchase of the City of Kelowna electrical utility assets.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Cash Flows

Quarter Ended March 31	**2013**	2012[1]	Variance
($ millions)			
Cash flows from (used in)			
Operating activities	**42.6**	33.9	8.7
Investing activities	**(70.7)**	(16.2)	(54.5)
Financing activities	**26.7**	(17.6)	44.3
Net (decrease) increase in cash and cash equivalents	**(1.4)**	0.1	(1.5)

[1] Certain comparative figures have been reclassified to comply with the current period's classification.

Operating Activities

Cash from operating activities, which included the impact of changes in non-cash operating working capital, was $8.7 million higher in the first quarter of 2013 compared to the first quarter of 2012. The increase was primarily due to an increase in net earnings and changes in non-cash working capital.

Investing Activities

Cash used in investing activities, which included the impact of changes in investing working capital on net capital expenditures, was $54.5 million higher in the first quarter of 2013 compared to the first quarter of 2012. The increase in cash used was primarily due to the purchase of the City of Kelowna electrical utility assets in the first quarter of 2013.

Financing Activities

Cash from financing activities in the first quarter of 2013 was $26.7 million, an increase of $44.3 million compared to the $17.6 million of cash used in the first quarter of 2012. The increase in cash provided was primarily due to draws on credit facilities during the first quarter of 2013 to fund the purchase of the City of Kelowna electrical utility assets.

During the three months ended March 31, 2013, FortisBC paid dividends of $6.5 million (three months ended March 31, 2012 - $4.5 million) to its parent company, FortisBC Pacific Holdings Inc. ("FortisBC Pacific").

Contractual Obligations

The following table sets forth the Corporation's contractual obligations due in the years indicated:

As at March 31, 2013	**Total**	**Due Within 1 Year**	**Due in year 2**	**Due in year 3**	**Due in year 4**	**Due in year 5**	**Due after 5 years**
($ millions)							
Power purchases (a)	2,933.3	10.5	6.6	47.0	50.9	50.5	2,767.8
Capital lease obligations (b)	2,451.9	40.0	40.7	41.5	42.2	43.0	2,244.5
Interest on long-term debt	765.0	37.4	37.3	29.5	27.4	27.4	606.0
Debt retirement	694.1	2.1	140.0	92.0	-	-	460.0
Finance obligation	14.1	1.3	1.3	1.3	1.3	1.3	7.6
Defined benefit pension funding contributions	4.9	4.9	-	-	-	-	-
Other	7.6	2.2	1.0	0.4	0.4	0.3	3.3
Totals	6,870.9	98.4	226.9	211.7	122.2	122.5	6,089.2

(a) Power purchase obligations of FortisBC include the BC Hydro Power Purchase Agreement, the Powerex Capacity Agreement, the Waneta Expansion Capacity Agreement, and the Brilliant Expansion Capacity and Energy Purchase Agreement.

(b) Capital lease obligations include principal payments, imputed interest and executory costs related to the BPPA and Brilliant Terminal Station ("BTS") capital lease obligations.

Capital Structure

FortisBC's business requires the Corporation to have ongoing access to capital to allow it to build and maintain the electrical systems in its service territory. The Corporation maintains a capital structure in line with the deemed capital structure approved by the BCUC at 40 per cent equity and 60 per cent debt. As part of phase 2 of the GCOC Proceeding the capital structure of the Corporation will be reviewed.

Credit Ratings

There have been no changes to the Corporation's credit ratings from those reported in the Corporation's 2012 annual MD&A.

Projected Capital Expenditures

The projected capital expenditures estimates remain substantially unchanged from the description outlined in the Corporation's 2012 annual MD&A.

Cash Flow Requirements

FortisBC's primary sources of liquidity and capital resources include funds generated from operations, issuances of long-term debt, bank financing and operating lines of credit, and equity contributions from its ultimate parent Fortis. FortisBC expects to meet interest payments on outstanding indebtedness from internally generated funds, but may have to rely upon the proceeds of new financings to meet its principal debt obligations when due.

Credit Facilities

FortisBC has authorized bank credit facilities of $160 million, comprised of a $150 million operating credit facility and a $10 million demand overdraft facility. The operating credit facility is comprised of a $100 million three-year revolving facility maturing in May 2015 ("Facility A") and a $50 million, 364-day revolving facility maturing in May 2013 ("Facility B"). As of March 31, 2013, $91.5 million was available against the combined operating credit and demand overdraft facilities (December 31, 2012 - $125 million) and $nil (December 31, 2012 - $nil) was used to support outstanding letters of credit.

In April of 2013, a syndicate of Canadian Chartered banks consented to the Corporation's request to extend the Facility A maturity to May 2016 and the Facility B maturity to May 2014. The extensions are on substantially similar terms to the operating credit facilities they replaced. An amended agreement was finalized in late April 2013.

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 FortisBC's debt ratings provided by its credit rating agencies. Borrowings under the overdraft facility bear interest at prime.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2013, the Corporation had no material off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

(a) The Corporation received $0.2 million for the three months ended March 31, 2013 (2012 - $0.1 million) from FortisBC Holdings Inc., a related company under common control, for corporate management services. The amounts were included in operating costs on the consolidated statements of earnings.

(b) The Corporation received $0.1 million for the three months ended March 31, 2013 (2012 – $0.2 million) for electricity sold to FEI, a related company under common control. The amounts were included in electricity revenue on the consolidated statements of earnings.

(c) The Corporation received $0.7 million for the three months ended March 31, 2013 (2012 – $0.3 million) from FEI for labour charges. The amounts were included in operating costs on the consolidated statements of earnings.

(d) The Corporation charged its parent, FortisBC Pacific, for administrative services under a shared-services agreement totalling $2.5 million for the three months ended March 31, 2013 (2012 – $2.4 million). The amounts were included in other revenue and in operating costs on the consolidated statements of earnings.

(e) The Corporation's ultimate parent, Fortis, provides corporate management services and grants stock options to certain employees of the Corporation under its stock option plans. For the three months ended March 31, 2013, the Corporation was charged, and recorded an expense, of $0.6 million (2012 – $0.5 million) for the fair value of the stock compensation granted by Fortis and for corporate management services provided. These amounts were included in operating costs on the consolidated statements of earnings.

(f) The Corporation was charged $0.2 million for the three months ended March 31, 2013 (2012 – $0.4 million) by FEI for office rent, labour charges, and purchases of natural gas. These amounts were included in operating costs on the consolidated statements of earnings.

(g) Amounts due from the Corporation's parent, other related companies under common control and officers of the Corporation as at March 31, 2013 were $1.7 million (December 31, 2012 – $0.9 million). Amounts due to the Corporation's ultimate parent and other related companies under common control as at March 31, 2013 were $0.8 million (December 31, 2012 - $0.5 million).

BUSINESS RISK MANAGEMENT

The business risks of the Corporation remain substantially unchanged from those outlined in the Corporation's 2012 annual MD&A, including the following risk:

The Corporation has a power supply sale agreement with BC Hydro for the sale of electricity generated from its non-regulated hydroelectric power plant. Subject to notice of termination by BC Hydro, this agreement could expire in the fourth quarter of 2013. Accordingly, the Corporation is exposed to the risk that it will not be able to sell the power from this plant beyond 2013 on similar terms.

CHANGES IN ACCOUNTING POLICIES

The following new US GAAP accounting pronouncement that is applicable to, and was adopted by, the Corporation effective January 1, 2013 is described as follows:

Disclosures About Offsetting Assets and Liabilities

The Corporation adopted the amendments to Accounting Standards Codification ("ASC") Topic 210, *Balance Sheet - Disclosures About Offsetting Assets and Liabilities* as outlined in Accounting Standards Update ("ASU") Nos. 2011-11 and 2013-01. The amendments improve the transparency of the effect or potential effect of netting arrangements on a company's financial position by expanding the level of disclosures required by entities for such arrangements. The amended disclosures are intended to assist financial statement users in understanding significant quantitative differences between balance sheets prepared under US GAAP and International Financial Reporting Standards. ASU No. 2013-01 limits the scope of the new offsetting disclosure requirements previously issued in ASU No. 2011-11, to certain derivative instruments, repurchase and reverse repurchase agreements, and securities borrowing and lending arrangements that are either offset on the balance sheet or subject to an enforceable master netting or similar arrangement. The above-noted amendments were applied retrospectively and did not materially impact the Corporation's interim consolidated financial statements for the three months ended March 31, 2013 and 2012.

FINANCIAL INSTRUMENTS

Fair Value Estimates

The following table summarizes the fair value measurements of the Corporation's long-term debt as of March 31, 2013 and December 31, 2012, all of which is Level 2 of the Corporation's financial instruments and recorded on the consolidated balance sheet at its carrying value:

	March 31, 2013		December 31, 2012	
	Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
($ millions)				
Long-term debt, including current portion[1,2]	**625.6**	**781.2**	625.9	785.7

[1] Includes secured and unsecured debentures and mortgage obligations for which the carrying value is measured at amortized cost using the effective interest method and excludes operating credit facilities.

[2] Fair value is calculated by discounting the future cash flow of each debt issue at the estimated yield to maturity for the same or similar issues at the measurement date or by using quoted market sources. The estimates cannot be determined with precision as they involve uncertainties and matters of judgement.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's interim unaudited consolidated 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 recorded in the period 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 year-to-date 2013 from those disclosed in the Corporation's 2012 annual MD&A.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2011 through March 31, 2013. The information has been obtained from the Corporation's unaudited interim consolidated financial statements which, in the opinion of management, have been prepared in accordance with US GAAP. 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	**Electricity Revenue**	**Net Earnings**
($ millions)		
March 31, 2013	83.9	17.3
December 31, 2012	75.0	11.8
September 30, 2012	66.5	12.9
June 30, 2012	61.6	9.2
March 31, 2012	81.9	15.1
December 31, 2011	75.6	10.5
September 30, 2011	63.9	9.5
June 30, 2011	60.5	9.0

A summary of the past eight quarters reflects the seasonality associated with the Corporation's business. The operations generally produce higher earnings in the first quarter of the fiscal year 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 earnings statements are not indicative of earnings on an annual basis.

June 2011/2012 - The increase in electricity revenue was primarily due to a 1.5 per cent refundable interim rate increase effective January 1, 2012 and a 1.4 per cent rate increase effective June 1, 2011. The increase in earnings was primarily due to a 1.5 per cent refundable interim rate increase effective January 1, 2012, partially offset by the PBR agreement that existed throughout 2011 which allowed for positive power purchase costs from the forecast used to set rates to be shared equally between customers and the shareholder. Effective the first quarter of 2012 pursuant to the 2012-2013 RRA, all variances in power purchase costs are deferred and will be flowed back to customers in future rates.

September 2011/2012 - The increase in electricity revenue was primarily due to a 1.5 per cent rate increase effective January 1, 2012. The increase in earnings was primarily due to a 1.5 per cent rate increase effective January 1, 2012, partially offset by a flow-through back to customers for the refundable portion of the over collection of 2012 revenue requirements, as well as an increase in pole attachment revenue and a decrease in interest expense as compared to the forecasted amounts used to set rates.

December 2011/2012 - The decrease in electricity revenue was primarily due to lower electricity sales, partially offset by a 1.5 per cent rate increase effective January 1, 2012. The increase in earnings was primarily due to a 1.5 per cent rate increase effective January 1, 2012 partially offset by a flow-through back to customers for the refundable portion of the over collection of 2012 revenue requirements, an increase in pole attachment revenue, a decrease in interest expense as compared to the forecasted amounts used to set rates and the actual 2011 fourth quarter negative variances from the forecast used to set rates in 2011 that were shared equally between customers and FortisBC.

March 2012/2013 - The increase in electricity revenue was primarily due to a 4.2 per cent rate increase effective January 1, 2013. The increase in earnings was primarily due to an increase in rate base; a decrease in operating costs due to the timing of expenditures; a decrease in interest expense and depreciation, as compared to the forecasted amounts used to set 2013 rates; and an increase in AFUDC recognized as directed by the BCUC.

BUSINESS OUTLOOK

Collective Agreements

The organized employees of the Corporation are represented by the IBEW, Local 213, and COPE, Local 378.

The collective agreement between the Corporation and IBEW expired on January 31, 2013. IBEW represents employees in specified occupations in the areas of generation and transmission & distribution. The Corporation and the IBEW are currently engaged in collective bargaining. The IBEW is in a legal strike position, however prior to any job action, the IBEW must provide 72 hours notice to the Corporation. The Corporation has an essential services order in place.

There are two collective agreements between the Corporation and COPE. The first COPE collective agreement representing employees in specified occupations in the areas of administration and operations support expires on December 31, 2013. The second COPE collective agreement representing customer service employees expires on March 31, 2014.

Contingencies

The Province of BC has alleged breaches of the Forest Practices Code and negligence relating to a forest fire near Vaseux Lake and has filed and served a Writ and Statement of Claim against FortisBC dated August 2, 2005. The Province of BC has disclosed that its claim includes approximately $15 million in damages plus prejudgment interest but that it has not fully quantified its damages. In addition, private land owners filed separate Writs and Statements of Claim dated August 19, 2005 and August 22, 2005 in relation to the same matter which claims have now been settled. FortisBC and its insurers continue to defend the claim by the Province of BC. The outcome cannot be reasonably determined and estimated at this time, and accordingly no amount has been accrued in the financial statements.

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', who include FortisBC, 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. FortisBC has

not been served, however has retained counsel and has notified its insurers. The outcome cannot be reasonably determined or estimated at this time and, accordingly, no amount has been accrued in the financial statements.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A, FortisBC has issued and outstanding 2,018,510 common shares, all of which are owned by Fortis through its indirect wholly owned subsidiary, FortisBC Pacific.

ADDITIONAL INFORMATION

Additional information about FortisBC Inc., including its Annual Information Form, is available on SEDAR at www.sedar.com.

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