FortisBC Inc.
Management Discussion & Analysis
For the Three Months Ended March 31, 2015
Dated May 5, 2015

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 2015 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 Corporation's unaudited interim consolidated financial statements and notes thereto for the three months ended March 31, 2015, with 2014 comparatives, 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, 2014, with 2013 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 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 Holdings Inc. ("FortisBC Pacific"), and debenture issuances; the forecast average rate base for 2015; the expectation of increased power purchase costs beginning in the second quarter of 2015 and the expectation that the Residual Capacity Agreement and the Capacity and Energy Purchase and Sale Agreement will affect future interim quarterly earnings as compared to historical interim quarterly earnings.

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 2018 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 skilled workforces; absence of information technology infrastructure failure; absence of cyber-security 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; 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; competiveness 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. 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, 2014.

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 166,600 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 225 megawatts ("MW"), approximately 7,200 kilometers of transmission and distribution power lines, and a peak demand of 746 MW. Included in FBC'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 utility holding corporation having investments in distribution, transmission and generation utilities, as well as commercial real estate and hotel operations.

REGULATION

Application for Capacity and Energy Purchase and Sale Agreement ("CEPSA")

During February 2015, FBC entered into the CEPSA with Powerex Corp. ("Powerex") which provides for FBC to purchase all of its market energy requirements from Powerex and for FBC to sell any surplus capacity to Powerex that may be available after FBC meets its load requirements. The CEPSA was accepted by the British Columbia Utilities Commission ("BCUC") in April 2015 and is effective beginning May 2015.

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

In July 2013, FBC filed its 2014 PBR Application with the BCUC. Pursuant to an Evidentiary Update filed in October 2013, the application assumed a forecast average rate base of approximately $1,192 million for 2014. In September 2014, the BCUC issued its PBR Decision on FBC's 2014 PBR Application. As part of the PBR Decision the term of the PBR was extended to 2019. The approved PBR Plan incorporates an incentive mechanism for improving operating and capital expenditure efficiencies. Operation and maintenance expenses and base capital expenditures during the PBR period are subject to an incentive formula reflecting incremental costs for inflation and half of customer growth, less a fixed productivity adjustment factor of 1.03 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 will provide a forum for discussion between FBC and interested parties regarding its current performance and future activities.

The BCUC's PBR Decision resulted in a 2014 average rate base of approximately $1,204 million and a 2014 rate increase of approximately 3.3 per cent. Effective January 1, 2015, the BCUC has provided approval for an approximate 3.5 per cent interim refundable rate increase.

In February 2015, FBC filed for approval of its 2015 rates under the PBR Decision. This filing assumes a forecast average rate base of approximately $1,267 million and requests approval of a customer rate increase of approximately 4.6 per cent over 2014 rates as determined under the PBR Plan formula approach for operation and maintenance costs and capital costs. A decision on the final rate increase is expected in the second quarter of 2015.

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

A Generic Cost of Capital ("GCOC") Proceeding to establish the allowed ROE and capital structures for BC regulated utilities occurred from 2012 to 2014. FortisBC Energy Inc. ("FEI"), a related company under common control, was designated as the benchmark utility and a BCUC decision established that the ROE for the benchmark utility would be set at 8.75 per cent effective January 1, 2013. Additionally, the allowed ROE for FBC was confirmed at 9.15 per cent, recognizing a risk premium over the benchmark utility of 40 basis points, and the common equity component of capital structure of FBC was confirmed at 40 per cent, both effective January 1, 2013. The allowed ROE and common equity component of capital structure will remain in effect through December 31, 2015.

The BCUC decision on the first stage of the GCOC Proceeding, received in May 2013, directed FEI to file an application to review the 2016 benchmark utility ROE and common equity component of capital structure by no later than November 30, 2015. This review could have an impact on the FBC ROE and common equity component of capital structure.

CONSOLIDATED RESULTS OF OPERATIONS

Quarter Ended March 31	**2015**	2014	Variance
Electricity sales (GWh)	**843**	909	(66)
($ millions)			
Electricity revenue	**87.2**	91.5	(4.3)
Other revenue	**5.1**	-	5.1
	92.3	91.5	0.8
Power purchase costs	**24.9**	27.1	(2.2)
Operating costs	**19.0**	19.1	(0.1)
Depreciation and amortization	**14.4**	14.3	0.1
	58.3	60.5	(2.2)
Other income [1]	**0.1**	0.2	(0.1)
Finance charges [2]	**9.9**	9.7	0.2
Income taxes	**2.3**	4.2	(1.9)
Net earnings	**21.9**	17.3	4.6

[1] Includes equity component of allowance for funds used during construction ("AFUDC").

[2] Includes capitalized interest.

Net Earnings

Net earnings for the first quarter ended March 31, 2015 were $21.9 million, an increase of $4.6 million from the $17.3 million of net earnings in the first quarter of 2014.

Net earnings for the quarter ended March 31, 2014 were based on the Evidentiary Update to the 2014 PBR Application filed in October 2013 which assumed a forecast average rate base of approximately $1,192 million therefore net earnings in the first quarter of 2014 did not reflect the final effects of the PBR Decision which was received in September 2014. Net earnings for the quarter ended March 31, 2015 incorporate the PBR Decision and the application to determine 2015 rates mentioned above, which assumes a forecast average rate base of approximately $1,267 million.

2015 and 2014 net earnings are both based on an allowed ROE of 9.15 per cent and a deemed equity component of capital structure of 40 per cent.

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 2015 or 2014. As part of the PBR Decision received in September 2014 and effective January 1, 2014 through to the end of the PBR term, the Corporation has a new 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.

The increase in net earnings for the first quarter of 2015 as compared to the first quarter of 2014 was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates, an increase in rate base and the timing of incurring power purchase costs. The revenue recognized in the first quarter of 2015 is based on the annual electricity rates established to recover the full year regulated costs of service, including the increase in 2015 power purchase costs which are expected to begin the second quarter of 2015. The higher revenue recognized as compared to power purchase costs incurred in the first quarter of 2015 contributed to the increase in net earnings.

Electricity Sales

The decrease in electricity sales for the first quarter of 2015 was primarily due to warmer weather in the first quarter of 2015 as compared with the first quarter of 2014.

Electricity Revenue

The decrease in electricity revenue for the first quarter of 2015 was primarily due to a decrease in electricity sales, partially offset by a 3.5 per cent interim refundable rate increase effective January 1, 2015.

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 increase in other revenue for the first quarter of 2015 was primarily due to an increase in flow-through adjustment variances to be collected from customers in future rates partially offset by a reduction in the amortization of prior year flow-throughs.

Power Purchase Costs

The decrease in power purchase costs for the first quarter of 2015 was primarily due to a decrease in electricity sales and a higher proportion of generated power versus purchased power, partially offset by higher average power purchase prices.

Operating Costs

Operating costs include operating and maintenance expenses, property taxes, water fees and wheeling. Operating costs were comparable to the corresponding period in 2014 primarily due to the timing of incurring expenditures and a decrease in pension and other post-employment benefit costs, offset by an increase in certain information systems costs, which were previously capitalized, and a reduction in the allowed regulated rate of overhead capitalization, both as a result of the PBR Decision.

Depreciation and Amortization

Depreciation and amortization was comparable to the corresponding period in 2014.

Other Income

Other income includes the equity component of AFUDC and interest income. Other income was comparable to the corresponding period in 2014.

Finance Charges

Finance charges include capitalized interest which consists of the debt component of AFUDC and interest capitalized on certain regulatory assets and liabilities pursuant to the PBR Decision. The increase in finance charges for the first quarter of 2015 was primarily due to an increase in interest capitalized on certain regulatory assets and liabilities.

Income Taxes

The decrease in income tax expense for the first quarter of 2015 was primarily due to higher deductible temporary differences, partially offset by higher pre-tax earnings.

CONSOLIDATED FINANCIAL POSITION

There were no significant changes in the consolidated balance sheets as at March 31, 2015 compared to December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Cash Flows

Quarter Ended March 31	**2015**	2014	Variance
($ millions)			
Cash flows provided by (used for)			
Operating activities	**43.7**	40.6	3.1
Investing activities	**(30.3)**	(12.6)	(17.7)
Financing activities	**(13.2)**	(28.1)	14.9
Net increase (decrease) in cash and cash equivalents	**0.2**	(0.1)	0.3

Operating Activities

Cash flow provided by operating activities was $3.1 million higher compared to the same period in 2014. The increase was primarily due to higher net earnings and changes in working capital, partially offset by changes in long-term regulatory assets and liabilities.

Investing Activities

Cash used for investing activities was $17.7 million higher compared to the same period in 2014 primarily due to increased property, plant and equipment expenditures.

Financing Activities

Cash used for financing activities was $14.9 million lower compared to the same period in 2014 primarily due to lower repayment of credit facilities and demand notes and lower dividends.

During the quarter ended March 31, 2015, FBC paid a common share dividend of $4.5 million (2014 - $7.0 million) to its parent company, FortisBC Pacific.

Contractual Obligations

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

As at March 31, 2015	**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	3,168.1	87.9	81.5	73.0	69.4	68.2	2,788.1
Capital lease obligations	2,260.7	40.5	41.2	41.9	42.6	43.4	2,051.1
Interest on long-term debt	930.4	37.5	35.4	35.4	35.4	35.4	751.3
Debt retirement	685.0	25.0	-	-	-	-	660.0
Defined benefit pension plan funding contributions	9.4	5.9	3.5	-	-	-	-
Other	5.9	0.5	0.5	0.4	2.7	0.2	1.6
Totals	7,059.5	197.3	162.1	150.7	150.1	147.2	6,252.1

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.

Credit Ratings

There have been no changes to the Corporation's credit ratings from those reported in the Corporation's 2014 annual MD&A.

Projected Capital Expenditures

The projected capital expenditures for 2015 remain substantially unchanged from the description outlined in the Corporation's 2014 annual MD&A.

Cash Flow Requirements

The Corporation's working capital requirements fluctuate seasonally based on electricity consumption. Given the regulated nature of its business, the Corporation is able to maintain negative working capital balances. 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 its parent, 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 and Debentures

As at March 31, 2015, 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 operating credit facility was comprised of a $100 million three-year revolving facility and a $50 million, 364-day revolving facility. In April 2015 the operating credit facility was amended such that the entire $150 million now matures on May 2, 2018.

The following summary outlines the Corporation's bank credit facilities:

($ millions)	**March 31, 2015**	December 31, 2014
Operating credit facility	**150.0**	150.0
Demand overdraft facility	**10.0**	10.0
Draws on operating credit facility	**(16.0)**	(25.0)
Draws on overdraft facility	**(7.2)**	(6.9)
Credit facilities available	**136.8**	128.1

In July 2013, the Corporation filed a short form base shelf prospectus to establish a Medium Term Note Debenture ("MTN Debentures") Program and entered into a Dealers Agreement with certain affiliates of a group of Canadian Chartered Banks. Upon filing the shelf prospectus, the Corporation may from time to time during the 25 month life of the shelf prospectus, issue MTN Debentures in an aggregate principal amount of up to $300 million. The establishment of the MTN Debenture Program has been approved by the BCUC.

As of March 31, 2015, $100 million remains available under the MTN Debenture Program.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2015, 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 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)	**2015**	2014
Electricity revenue recovered from FEI (a)	**0.1**	0.2
Operating costs and other revenue charged to FortisBC Pacific (b)	**2.4**	1.7
Operating costs charged to FEI (c)	**1.0**	1.3
Operating costs charged to FortisBC Holdings Inc. ("FHI") (d)	**0.1**	0.2
	3.6	3.4

(a) The Corporation charged FEI for electricity sold.

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

(c) The Corporation charged FEI for management services.

(d) The Corporation charged FHI for management services.

Related Party Costs

The amounts charged by the Corporation's ultimate parent and other related parties under common control for the three months ended March 31 were as follows:

($ millions)	**2015**	2014
Operating costs charged by Fortis (a)	**0.6**	0.6
Operating costs charged by FEI (b)	**0.8**	0.8
Finance charges charged by Fortis (c)	**-**	0.2
	1.4	1.6

(a) The Corporation was charged by its ultimate parent, Fortis, for the fair value of stock-based compensation granted by Fortis and for corporate management services.

(b) The Corporation was charged by FEI for office rent and management services.

(c) The Corporation was charged by Fortis for interest on demand notes.

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:

	March 31, 2015		December 31, 2014	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
Fortis	**-**	**0.1**	-	-
FortisBC Pacific	**0.9**	**-**	0.5	-
FEI	**0.8**	**0.2**	1.1	0.2
FHI	**-**	**-**	0.1	0.1
	1.7	**0.3**	1.7	0.3

BUSINESS RISK MANAGEMENT

The business risks of the Corporation remain substantially unchanged from those outlined in the Corporation's 2014 annual MD&A.

FUTURE ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. The amendments in this update create Accounting Standard Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the codification. This standard completes a joint effort by FASB and the International Accounting Standards Board to improve financial reporting by creating common revenue recognition guidance for US GAAP and International Financial Reporting Standards that clarifies the principles for recognizing revenue and that can be applied consistently across various transactions, industries and capital markets. This standard is effective for annual and interim periods beginning on or after December 15, 2016 and is to be applied on a full retrospective or modified retrospective basis. Early adoption is not permitted. In April 2015, FASB issued an Exposure Draft of a proposed ASU that would delay by one year the effective date of the revenue recognition standard and allow early adoption as of the original effective date. The Corporation is in the process of identifying contracts with customers and performance obligations in the contracts and the effect this will have on its consolidated financial statements.

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

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

Simplifying the Presentation of Debt Issuance Costs

In April 2015, FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update will require that debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. This update is effective for annual and interim periods beginning on or after December 15, 2015 and should be applied on a retrospective basis. Early adoption is permitted. The adoption of this update is expected to result in the reclassification of debt issuance costs from long-term other assets to long-term debt on the Corporation's consolidated balance sheet. As at March 31, 2015, debt issuance costs included in long-term other assets were approximately $6.2 million (December 31, 2014 - $6.3 million).

FINANCIAL INSTRUMENTS

Fair Value Estimates

The following table summarizes the fair value measurements of the Corporation's long-term debt as of March 31, 2015 and December 31, 2014, all of which is Level 2 of the fair value hierarchy and recorded on the consolidated balance sheets at its carrying value:

	March 31, 2015		December 31, 2014	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt, including current portion [1,2]	**685.0**	**880.5**	685.0	834.2

1 Includes secured and unsecured debentures for which the carrying value is measured at cost.

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 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.

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 2015 from those disclosed in the Corporation's 2014 annual MD&A.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2013 through March 31, 2015. 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.

In the second quarter of 2015, the Corporation will begin purchasing capacity under the Waneta Expansion Capacity Agreement ("WECA") and selling residual capacity under the Residual Capacity Agreement ("RCA") and the CEPSA which could result in future quarterly interim net earnings that differ from historical quarterly net earnings. However, future interim quarterly net earnings affected by the WECA, RCA and CEPSA are not indicative of net earnings on an annual basis as both power purchase and capacity sale contracts are recognized in customer rates.

Quarter Ended	**Electricity Revenue**	**Net Earnings**
($ millions)		
March 31, 2015	87.2	21.9
December 31, 2014	85.9	11.3
September 30, 2014	72.8	9.6
June 30, 2014	69.3	6.9
March 31, 2014	91.5	17.3
December 31, 2013	86.8	13.0
September 30, 2013	72.9	11.3
June 30, 2013	66.8	8.0

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 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 net earnings are not indicative of net earnings on an annual basis.

June 2014/2013 - The increase in electricity revenue was primarily due to a 3.3 per cent interim refundable rate increase effective January 1, 2014 and higher electricity sales. The decrease in net earnings was primarily due to the timing of incurring operating and maintenance expenditures, a decrease in 2013 interest expense as compared to forecast, higher equity component of AFUDC during 2013 and higher income tax expense in 2014, partially offset by the negative retroactive impact of the GCOC decision reflected in the second quarter of 2013 relating to the first quarter of 2013; and the favourable impact relating to the timing of recognizing regulatory deferral adjustments for setting customer rates, which was higher in the first quarter of 2014 as compared to the same period of 2013.

September 2014/2013 - The decrease in electricity revenue was primarily due to a decrease in electricity sales, partially offset by a 3.3 per cent interim refundable rate increase effective January 1, 2014. The decrease in net earnings was primarily due to the timing of incurring operating and maintenance costs and a decrease in 2013 interest expense as compared to the forecasted amounts used to set 2013 rates.

December 2014/2013 - The decrease in electricity revenue was primarily due to a decrease in electricity sales, partially offset by a 3.3 per cent rate increase effective January 1, 2014. The decrease in net earnings was primarily due to a decrease in 2013 interest as compared to the forecasted amounts used to set 2013 rates and the unfavourable impact relating to the timing of recognizing regulatory deferral adjustments for setting customer rates, which was higher in the fourth quarter of 2014 as compared to the same quarter of 2013; partially offset by the timing of incurring operating and maintenance costs.

March 2015/2014 - The decrease in electricity revenue was primarily due to a decrease in electricity sales, partially offset by a 3.5 per cent interim refundable rate increase effective January 1, 2015. The increase in net earnings was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates, an increase in rate base and the timing of incurring power purchase costs.

BUSINESS OUTLOOK

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 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, 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, is available on SEDAR at www.sedar.com.

For further information, please contact:

Michele Leeners
Vice President, Finance and Chief Financial Officer
Tel: (250) 469-8013
Email: michele.leeners@fortisbc.com

FortisBC Inc.
Suite 100, 1975 Springfield Road
Kelowna, BC
V1Y 7V7

Website: www.fortisbc.com