FortisBC Inc.
Management Discussion & Analysis
For the Three Months Ended March 31, 2017
Dated May 2, 2017

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 2017 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, 2017, with 2016 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, 2016, with 2015 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 Corporation's expectation for employee future benefit costs; the Corporation's estimated contractual obligations; and the expectation that the purchases under the Waneta Expansion Capacity Agreement ("WECA") and the timing of recognizing regulatory deferral adjustments 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 continue 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; 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. 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, 2016.

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 169,600 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.

In February 2016, FBC and its subsidiaries completed the sale of the 0395518 Power Partnership (formerly Walden Power Partnership) ("WPP") non-regulated hydroelectric power plant assets and subsequently dissolved the partnership.

The Corporation is an indirect, wholly-owned subsidiary of Fortis Inc. ("Fortis"). Fortis is 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

The Corporation's customer rates are based on estimates and forecasts. In order to manage the risk of forecast error associated with some of these estimates, to manage volatility in rates, and to match costs with benefits, 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 2017 or 2016. As part of the PBR Decision received in September 2014 and effective through to the end of the PBR term, the Corporation has a flow-through deferral account that captures variances from regulated forecast items, excluding formulaic operation and maintenance costs, that do not have separately approved deferral mechanisms, and flows those variances through customer rates in the following year.

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 December 2015, the BCUC issued its decision on FBC's 2016 rates. The decision results in a 2016 average rate base of approximately $1,286 million and a rate increase of 2.96 per cent over 2015 rates.

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.

CONSOLIDATED RESULTS OF OPERATIONS

Quarter Ended March 31	**2017**	2016	Variance
Electricity sales (GWh)	**945**	853	**92**
($ millions)			
Electricity revenue	**103.0**	91.3	**11.7**
Other revenue	**4.4**	8.0	**(3.6)**
	107.4	99.3	**8.1**
Power purchase costs	**46.1**	39.9	**6.2**
Operating costs	**16.1**	15.9	**0.2**
Property and other taxes	**4.0**	3.9	**0.1**
Depreciation and amortization	**15.5**	14.2	**1.3**
	81.7	73.9	**7.8**
Operating income	**25.7**	25.4	**0.3**
Other income	**0.1**	0.6	**(0.5)**
Finance charges	**9.2**	9.5	**(0.3)**
Earnings before income taxes	**16.6**	16.5	**0.1**
Income taxes	**3.0**	2.4	**0.6**
Net earnings	**13.6**	14.1	**(0.5)**

Net Earnings

Net earnings for the first quarter ended March 31, 2017 were $13.6 million, a decrease of $0.5 million from the $14.1 million of net earnings in the first quarter of 2016.

The $0.5 million decrease in net earnings for the first quarter ended March 31, 2017 as compared to the first quarter ended March 31, 2016 was primarily due to a $0.5 million gain, net of tax and transaction costs, on the sale of the non-regulated WPP assets in February 2016.

2017 and 2016 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.

Electricity Sales

The increase in electricity sales for the first quarter of 2017 was primarily due to colder weather in the first quarter of 2017 as compared with the first quarter of 2016.

Electricity Revenue

The increase in electricity revenue for the first quarter of 2017 was primarily due to an increase in electricity sales as well as a 2.76 per cent rate increase effective January 1, 2017.

Other Revenue

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

The decrease in other revenue for the first quarter of 2017 was primarily due to an increase in regulatory deferral adjustments owing to customers in future rates as compared to the recognition of regulatory deferral adjustments owing from customers during the first quarter of 2016, partially offset by higher surplus capacity sales.

Power Purchase Costs

The increase in power purchase costs for the first quarter of 2017 was primarily due to an increase in electricity sales, partially offset by lower average power purchase prices.

Operating Costs

Operating costs include operating and maintenance expenses, property taxes, water fees and wheeling. Operating costs were comparable between periods.

Property and Other Taxes

Property and other taxes were comparable between periods.

Depreciation and Amortization

The increase in depreciation and amortization was primarily due to an increase in amortization of certain regulatory deferrals, as well as an increase in the prior year's depreciable asset base.

Other Income

The decrease in other income for the first quarter of 2017 was primarily due to recognizing a $0.5 million gain, net of tax and transaction costs, on the sale of the Corporation's non-regulated WPP assets in February 2016.

Finance Charges

Finance charges are recorded net of capitalized interest which consists primarily of the debt component of AFUDC. The decrease in finance charges for the first quarter of 2017 was primarily due to the repayment of the Series H debenture of $25 million due February 1, 2016, as well as an increase in the debt component of AFUDC.

Income Taxes

The increase in income tax expense for the first quarter of 2017 was primarily due to lower deductible temporary differences.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between March 31, 2017 and December 31, 2016:

Balance Sheet Account	**Increase (Decrease)** ($ millions)	**Explanation**
Accounts receivable	**(8.8)**	The decrease was primarily due to a decrease in unbilled revenue due to seasonality of sales.
Credit facilities	**(8.6)**	The decrease was primarily a result of net repayment of credit facilities with seasonal cash flows provided by operations.
Accounts payable and other current liabilities	**9.8**	The increase was primarily due to an increase in accrued interest related to the timing of interest payments on debentures, as well as higher power purchase accruals.
Income taxes receivable and payable	**9.4**	The change from income taxes payable to receivable was primarily due to an increase in tax installments paid during the quarter which relate to the allocation from Fortis to FBC for the payment of Part VI.1 tax associated with preference share dividends and will be subsequently recovered from the Canada Revenue Agency during 2017.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Cash Flows

Quarter Ended March 31	**2017**	2016	Variance
($ millions)			
Cash flows provided by (used for)			
Operating activities	**39.4**	30.6	8.8
Investing activities	**(19.7)**	(6.7)	(13.0)
Financing activities	**(19.7)**	(23.1)	3.4
Net increase (decrease) in cash and cash equivalents	**-**	0.8	(0.8)

Operating Activities

Cash flows provided by operating activities were $8.8 million higher compared to the same period in 2016. The increase was primarily due to changes in long-term regulatory assets and liabilities and changes in working capital.

Investing Activities

Cash used for investing activities was $13.0 million higher compared to the same period in 2016 primarily due to higher property, plant and equipment expenditures incurred during the first quarter of 2017 and the proceeds from the sale of the Corporation's non-regulated WPP assets which reduced cash used for investing activities during the first quarter of 2016.

Financing Activities

Cash used for financing activities was $3.4 million lower compared to the same period in 2016 primarily due to the repayment of the Series H debenture of $25 million due February 1, 2016, partially offset by increased net repayment of credit facilities.

During the quarter ended March 31, 2017, FBC paid a common share dividend of $11.0 million (2016 - $11.0 million) to its parent company, FortisBC Pacific.

Contractual Obligations

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

As at March 31, 2017	**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 purchase obligations	3,019.9	91.7	86.5	80.5	78.2	76.1	2,606.9
Capital lease obligations	2,244.4	43.2	43.9	44.7	45.4	46.1	2,021.1
Interest obligations on long-term debt	857.7	35.4	35.4	35.4	35.4	35.4	680.7
Long-term debt [1]	660.0	-	-	-	-	25.0	635.0
Other	8.3	3.6	2.8	0.3	0.2	0.3	1.1
Totals	6,790.3	173.9	168.6	160.9	159.2	182.9	5,944.8

[1] Excludes unamortized debt issuance costs of $5.8 million.

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 effects of goodwill and other items that do not impact the deemed capital structure.

Credit Ratings

There have been no changes to the Corporation's credit ratings from those reported in the Corporation's 2016 annual MD&A.

Projected Capital Expenditures

The 2017 projected capital expenditures in excess of approximately $100 million remain substantially unchanged from the description outlined in the Corporation's 2016 annual MD&A.

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 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

As at March 31, 2017, 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 May 2022.

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

($ millions)	**March 31, 2016**	December 31, 2016
Operating credit facility	**150.0**	150.0
Demand overdraft facility	**10.0**	10.0
Draws on operating credit facility	**(80.9)**	(90.8)
Draws on overdraft facility	**(4.1)**	(2.8)
Letters of credit outstanding	**(0.9)**	(0.6)
Credit facilities available	**74.1**	65.8

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2017, the Corporation had no material off-balance sheet arrangements, with the exception of letters of credit outstanding of $0.9 million (December 31, 2016 - $0.6) which were primarily used 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 FortisBC Energy Inc. ("FEI"), FortisBC Holdings Inc. ("FHI") and the Waneta Expansion Limited Partnership ("WELP"), 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)	**2017**	2016
Electricity revenue recovered from FEI	**0.1**	0.1
Operating costs and other revenue charged to FortisBC Pacific (a)	**1.9**	2.0
Operating costs charged to FEI (b)	**1.4**	1.3
Operating costs charged to FHI (b)	**0.1**	0.1
	3.5	3.5

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

(b) The Corporation charged FEI and FHI for management services and other labour.

Related Party Costs

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

($ millions)	**2017**	2016
Power purchase costs charged by WELP (a)	**15.7**	14.6
Operating costs charged by Fortis (b)	**0.6**	0.6
Operating costs charged by FEI (c)	**0.9**	0.7
Operating costs charged by FHI (d)	**0.1**	0.2
	17.3	16.1

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

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

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

(d) The Corporation was charged by FHI for management services and board of director costs.

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, 2017		December 31, 2016	
($ millions)	**Amount Due From**	**Amount Due To**	Amount Due From	Amount Due To
Fortis (a)	**1.3**	**-**	1.1	-
FortisBC Pacific	**0.8**	**-**	0.5	-
FEI	**0.7**	**0.3**	0.9	0.3
FHI	**0.1**	**0.2**	-	0.2
WELP	**-**	**10.6**	-	10.5
	2.9	**11.1**	2.5	11.0

(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.

BUSINESS RISK MANAGEMENT

The business risks of the Corporation remain substantially unchanged from those outlined in the Corporation's 2016 annual MD&A.

NEW ACCOUNTING POLICIES

Simplifying the Test for Goodwill Impairment

Effective January 1, 2017, the Corporation adopted Accounting Standards Update ("ASU") No. 2017-04, *Simplifying the Test for Goodwill Impairment*. The amendments in this update simplify the subsequent measurement of goodwill by eliminating step two in the current two-step goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The above-noted ASU was applied prospectively and did not impact the Corporation's interim unaudited consolidated financial statements for the three months ended March 31, 2017.

FUTURE ACCOUNTING PRONOUNCEMENTS

FBC considers the applicability and impact of all ASU's 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.

Revenue from Contracts with Customers

ASU No. 2014-09 was issued in May 2014 and the amendments in this update create Accounting Standards 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 clarifies the principles for recognizing revenue and can be applied consistently across various transactions, industries and capital markets. In 2016, a number of additional ASUs were issued that clarify implementation guidance in ASC Topic 606. This standard, and all related ASUs, is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for annual and interim periods beginning after December 15, 2016. The Corporation has elected not to early adopt.

The new guidance permits two methods of adoption: (i) the full retrospective method, under which comparative periods would be restated, and the cumulative impact of applying the standard would be recognized as at January 1, 2017, the earliest period presented; and (ii) the modified retrospective method, under which comparative periods would not be restated and the cumulative impact of applying the standard would be recognized at the date of initial adoption, January 1, 2018. The Corporation expects to use the modified retrospective approach, however, it continues to monitor industry developments. Any significant industry developments could change the Corporation's expected method of adoption.

The majority of the Corporation's revenue is generated from electricity sales to customers based on published tariff rates, as approved by the BCUC, and is considered to be in scope of ASU No. 2014-09. FBC does not expect that the adoption of this standard, and all related ASUs, will have a material impact on the recognition of revenue generated from electricity sales to customers, or on its remaining material revenue streams; however, the Corporation does expect it will impact its required disclosures. Certain industry specific interpretative issues remain outstanding and the conclusions reached, if different than current practice, could have a material impact on the Corporation's consolidated financial statements and related disclosures. FBC continues to closely monitor industry developments related to the new standard.

Recognition and Measurement of Financial Assets and Financial Liabilities

ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, was issued in January 2016 and the amendments in this update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Most notably, the amendments require the following: (i) equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) to be measured at fair value through earnings; however, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes; and (ii) financial assets and financial liabilities to be presented separately in the notes to the consolidated financial statements, grouped by measurement category and form of financial asset. This update is effective for annual and interim periods beginning after

December 15, 2017. FBC is assessing the impact that the adoption of this update will have on its consolidated financial statements and related disclosures.

Leases

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

Measurement of Credit Losses on Financial Instruments

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, was issued in June 2016 and the amendments in this update require entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for annual and interim periods beginning after December 15, 2019 and is to be applied on a modified retrospective basis. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. FBC is assessing the impact that the adoption of this update will have on its consolidated financial statements and related disclosures.

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

ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, was issued in March 2017 and the amendments in this update require that an employer disaggregate the current service costs component of net benefit cost and present it in the same statement of earnings line item as other employee compensation costs arising from services rendered. The other components of net benefit cost are required to be presented separately from the service cost component and outside of operating income. Additionally, the amendments allow only the service cost component to be eligible for capitalization when applicable. This update is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted, however, early adoption must be within the first interim period of a reporting year. The amendments in this update should be applied retrospectively for the presentation of the net periodic benefit costs and prospectively, on and after the effective date, for the capitalization in assets of only the service cost component of net periodic benefit costs. FBC is assessing the impact that the adoption of this update will have on its consolidated financial statements and related disclosures.

FINANCIAL INSTRUMENTS

Fair Value Estimates

The following table summarizes the fair value measurements of the Corporation's long-term debt as of March 31, 2017 and December 31, 2016, all of which is Level 2 of the fair value hierarchy and recorded on the consolidated balance sheets at its carrying value:

	March 31, 2017		December 31, 2016	
($ millions)	**Carrying Value**	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long-term debt, including current portion [1,2]	**660.0**	**805.6**	660.0	790.5

[1] Includes secured and unsecured debentures for which the carrying value is measured at cost. Carrying value excludes unamortized debt issuance costs of $5.8 million (2016 - $5.9 million).

[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 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 2017 from those disclosed in the Corporation's 2016 annual MD&A.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2015 through March 31, 2017. The information has been obtained from the Corporation's unaudited interim consolidated financial statements, which 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.

During the second quarter of 2015, the Corporation began purchasing capacity under the WECA which, in combination with the timing of recognizing regulatory deferral adjustments for setting customer rates, could result in future quarterly net earnings that differ from historical quarterly net earnings. However, quarterly net earnings affected by the WECA and the timing of recognizing regulatory deferral adjustments are not indicative of net earnings on an annual basis as both power purchase and regulatory deferral adjustments are recognized in customer rates.

Quarter Ended	**Revenues**	**Net Earnings**
($ millions)		
March 31, 2017	107.4	13.6
December 31, 2016	96.7	11.1
September 30, 2016	84.8	9.5
June 30, 2016	79.7	14.0
March 31, 2016	99.3	14.1
December 31, 2015	94.0	6.3
September 30, 2015	81.9	6.1
June 30, 2015	77.7	11.3

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 2016/2015 - The increase in net earnings was primarily due to the timing of recognizing regulatory deferral adjustments and an increase in rate base, partially offset by a decrease of $0.6 million in earnings derived from WPP operations in the second quarter of 2015 compared to no earnings in the second quarter of 2016 following the sale of the WPP non-regulated assets in February 2016.

September 2016/2015 - The increase in net earnings was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates and lower operating and maintenance expenses.

December 2016/2015 - The increase in net earnings for the fourth quarter of 2016 was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates and the sale of the non-regulated WPP assets, which closed during the first quarter of 2016 and resulted in lower earnings in the fourth quarter of 2015 due to a one-time $1.0 million impairment charge recognized in other expenses and a $0.4 million increase in deferred income tax expense, both of which were recognized in December 2015.

March 2017/2016 – The decrease in net earnings was primarily due to a $0.5 million gain, net of tax and transaction costs, on the sale of the non-regulated WPP assets in February 2016.

BUSINESS OUTLOOK

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, was ratified during the quarter and expires on March 31, 2022.

Contingencies

The Province of BC filed a claim in the BC Supreme Court on June 8, 2012 claiming on its behalf, and on behalf of approximately 17 homeowners, damages suffered as a result of a landslide caused by a dam failure in Oliver, BC in 2010. The Province alleges in its claim that the dam failure was caused by the defendants, including FBC, through the use of a road on top of the dam. The Province estimates its damages, and the damages of the homeowners on whose behalf it is claiming, to be approximately $15 million. FBC has notified its insurers; however, FBC has been advised by counsel for the Province that a response to the claim is not required at this time. 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.

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