FortisBC Inc.
Management Discussion & Analysis
For the Three and Nine Months Ended September 30, 2015
Dated November 6, 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 and nine months ended September 30, 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 Corporation's estimated contractual obligations; and the expectation that the purchases under the Waneta Expansion Capacity Agreement 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 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; 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, 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 167,000 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 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"). Fortis is a leader in the North American electric and gas utility business, serving customers across Canada, the United States and the Caribbean.

REGULATION

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

In 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 became effective beginning May 2015.

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

In September 2014, the 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 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 approved an approximate 3.5 per cent interim refundable rate increase.

In June 2015, the BCUC issued its decision on FBC's 2015 rates under the PBR Plan. The decision results in a 2015 average rate base of approximately $1,249 million and on an annualized basis, an approved rate increase for 2015 of 4.2 per cent over 2014 rates. This decision results in FBC applying a 3.5 per cent rate increase from January 1, 2015 to July 31, 2015 and a 5.1 per cent rate increase effective August 1, 2015, both as compared to 2014 rates.

In September 2015, FBC filed its application for approval of 2016 rates under the PBR Plan. The 2016 application includes a forecast average rate base of approximately $1,287 million and requests approval of a rate increase of 1.98 per cent. In October 2015, FBC filed an evidentiary update to the application which updated the 2016 rate increase to 3.12 per cent.

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. In October 2015, FEI filed its application to review the 2016 benchmark utility ROE and common equity component of capital structure. This review could have an impact on the FBC ROE.

Stepped and Stand-by Rate Decision

In September 2015, the BCUC issued a decision that approved both a stand-by rate and the specific service parameters for the one customer to which the rate applies. In October 2015, the BCUC issued a letter encouraging the Company to come to an agreement with the customer on the appropriate rate of billing to apply during the period in which the regulatory process that led to the stand-by rate was progressing. It is expected that further process will be initiated by the BCUC in order to approve the appropriate billing and the recovery methodology in customer rates for any refund that must be made to the customer should that billing be less than the revenues already collected from the customer.

CONSOLIDATED RESULTS OF OPERATIONS

	Quarter			Year to date		
Periods Ended September 30	**2015**	2014	Variance	**2015**	2014	Variance
Electricity sales (GWh)	**752**	742	10	**2,311**	2,358	(47)
($ millions)						
Electricity revenue	**77.1**	72.8	4.3	**237.0**	233.6	3.4
Other revenue	**4.8**	3.6	1.2	**14.9**	3.6	11.3
	81.9	76.4	5.5	**251.9**	237.2	14.7
Power purchase costs	**30.9**	17.8	13.1	**76.8**	61.4	15.4
Operating costs	**19.2**	20.7	(1.5)	**57.8**	59.5	(1.7)
Depreciation and amortization	**14.0**	16.0	(2.0)	**42.9**	44.6	(1.7)
	64.1	54.5	9.6	**177.5**	165.5	12.0
Other income	**0.1**	0.3	(0.2)	**0.3**	0.6	(0.3)
Finance charges	**9.8**	10.2	(0.4)	**29.0**	29.6	(0.6)
Earnings before income taxes	**8.1**	12.0	(3.9)	**45.7**	42.7	3.0
Income taxes	**2.0**	2.4	(0.4)	**6.4**	8.9	(2.5)
Net earnings	**6.1**	9.6	(3.5)	**39.3**	33.8	5.5

Net Earnings

Net earnings for the third quarter ended September 30, 2015 were $6.1 million, a decrease of $3.5 million from the $9.6 million of net earnings in the third quarter of 2014. On a year-to-date basis, net earnings were $39.3 million, an increase of $5.5 million from the $33.8 million for the same period in 2014.

Net earnings for the three and nine months ended September 30, 2014 were based on the PBR Decision which provided a forecast average rate base of approximately $1,204 million. Net earnings for the three and nine months ended September 30, 2015 incorporate the effect of the BCUC's decision received in June 2015 on FBC's 2015 rates mentioned above, based on a forecast average rate base of approximately $1,249 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 timing of recognizing regulatory deferral adjustments for setting customer rates has had an effect on both the quarter and year-to-date net earnings comparison. While FBC's annual revenue is set to fully recover approved forecasted costs of service, including the recognition of regulatory deferral adjustments to be recovered from, or refunded to, customers on an annualized basis, both the revenue and regulatory deferral adjustments will be recognized differently each quarter. Therefore the comparable net earnings will vary on a quarterly basis due to the timing of recognizing regulatory deferral adjustments.

The decrease in net earnings for the third quarter of 2015 as compared to the third quarter of 2014 was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates and the timing of power purchase costs. The revenue recognized in the first quarter of 2015 was 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 was not effective until the second quarter of 2015. This resulted in an increase in net earnings during the first quarter of 2015 which partially reversed in the third quarter of 2015.

The increase in net earnings for the nine months ended September 30, 2015, as compared to the same period of 2014, was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates and the timing of power purchase costs, which had the opposite effect on quarterly net earnings as described above, and an increase in rate base.

Electricity Sales

The increase in electricity sales for the third quarter of 2015 was primarily due to higher average consumption during the period. On a year-to-date basis, the decrease in electricity sales was primarily due to lower average consumption as a result of unfavourable weather conditions in the first quarter of 2015, partially offset by the higher average consumption in the second and third quarters of 2015.

Electricity Revenue

The increase in electricity revenue for the third quarter of 2015 was primarily due to a 3.5 per cent increase effective January 1, 2015 and a 5.1 per cent rate increase effective August 1, 2015, both as compared to 2014 rates, and an increase in electricity sales. On a year-to-date basis, the increase in electricity revenue was primarily due to the previously mentioned rate increases, 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, surplus capacity sales, 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 third quarter of 2015 was primarily due to surplus capacity sales beginning in May 2015 to Powerex, under the CEPSA, and to BC Hydro, under the Residual Capacity Agreement ("RCA"), as well as a decrease in flow-through adjustment variances to be refunded to customers in future rates, partially offset by a reduction in the amortization of prior year flow-throughs. On a year-to-date basis, the increase in other revenue was primarily due to the previously mentioned factors for the quarter, including a $14 million flow-through adjustment for the refundable portion of the over collected 2014 revenue requirements which reduced other revenue in 2014.

Power Purchase Costs

The increase in power purchase costs for the third quarter of 2015 was a result of higher average power purchase costs and the Corporation purchasing capacity under the Waneta Expansion Capacity Agreement ("WECA") effective April 2015, as well as an increase in electricity sales. On a year-to-date basis, the increase in power purchase costs was primarily due to the same previously mentioned factors for the quarter, partially offset by a decrease in electricity sales.

Operating Costs

Operating costs include operation and maintenance expenses, property taxes, water fees, and wheeling. The decrease in operating costs for the third quarter of 2015 was primarily due to the retroactive impact in the third quarter of 2014 for the reduction in the allowed regulated rate of overhead capitalized, which decreased as a result of the PBR Decision from 20 per cent to 15 per cent of approved operation and maintenance expenses. On a year-to-date basis, the decrease in operating costs was primarily due to a decrease in pension and other post-employment benefit costs.

Depreciation and Amortization

Depreciation and amortization was lower compared to both corresponding periods in 2014 primarily due to a decrease in amortization on certain regulatory deferrals, partially offset by an increase in the prior year's depreciable asset base of the Corporation.

Other Income

Other income includes the equity component of Allowance for Funds Used During Construction ("AFUDC") and interest income and was generally consistent for both comparable periods.

Finance Charges

Finance charges are recorded net of 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 decrease in finance charges for both comparable periods was primarily due to lower interest capitalized on certain regulatory liabilities as a result of the June 2015 decision on FBC's 2015 rates under the PBR Plan. Finance charges also decreased as credit facilities were repaid with the proceeds from an October 2014 long-term debt issuance. The proceeds of this debt issuance were also used to repay a higher interest-bearing long-term debenture which matured in November 2014.

Income Taxes

The decrease in income tax expense for the third quarter of 2015 was primarily due to lower pre-tax earnings, partially offset by lower deductible temporary differences. On a year-to-date basis, the decrease in income tax expense was primarily due to higher deductible temporary differences, partially offset by higher pre-tax earnings.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets as at September 30, 2015 compared to December 31, 2014:

Balance Sheet Item	**Increase** ($ millions)	**Explanation**
Regulatory assets	**20.0**	The increase was primarily due to the recognition of $11.8 million relating to the Brilliant Power Purchase Agreement ("BPPA") asset and obligation under capital lease and an increase of $6.9 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	**21.1**	The increase was primarily due to capital expenditures of $77.1 million incurred during the period, less: • depreciation expense of $35.1 million, • changes in capital accruals of $8.2 million, • depreciation on capital lease assets of $4.3 million, the offset of which has been recognized in regulatory assets, • certain asset retirements of $2.7 million, the offset which has been recognized in regulatory assets, and • contributions in aid of construction of $5.7 million received.
Accounts payable and other current liabilities	**14.6**	The increase was primarily due to timing of interest payments and increases in outstanding accounts payable relating to power purchases.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Cash Flows

Nine Months Ended September 30	**2015**	2014	Variance
($ millions)			
Cash flows provided by (used for)			
Operating activities	**91.8**	94.8	(3.0)
Investing activities	**(77.0)**	(50.9)	(26.1)
Financing activities	**(14.5)**	(43.4)	28.9
Net increase in cash and cash equivalents	**0.3**	0.5	(0.2)

Operating Activities

Cash flows provided by operating activities were $3.0 million lower compared to the same period in 2014. The decrease was primarily due to changes in long-term regulatory assets and liabilities, partially offset by changes in working capital.

Investing Activities

Cash used for investing activities was $26.1 million higher compared to the same period in 2014 primarily due to increased property, plant and equipment expenditures during 2015, in part due to the deferral of certain expenditures in 2014 in response to the uncertainty that existed until the PBR Decision was received in September 2014.

Financing Activities

Cash used for financing activities was $28.9 million lower compared to the same period in 2014. This change was primarily due to increased property, plant and equipment expenditures incurred during 2015 which resulted in a lower net repayment of credit facilities and demand notes, as well as lower dividends.

During the nine months ended September 30, 2015, FBC paid common share dividends of $13.5 million (2014 - $21.0 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 September 30, 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 (a)	3,069.6	82.9	85.4	74.4	71.4	69.9	2,685.6
Capital lease obligations	2,240.4	40.8	41.5	42.3	43.0	43.8	2,029.0
Interest on long-term debt	911.7	36.4	35.4	35.4	35.4	35.3	733.8
Debt retirement	685.0	25.0	-	-	-	-	660.0
Defined benefit pension plan funding contributions	6.6	5.4	1.2	-	-	-	-
Other	5.8	0.6	0.5	0.3	2.7	0.3	1.4
Totals	6,919.1	191.1	164.0	152.4	152.5	149.3	6,109.8

(a) Included in power purchase obligations are obligations under the CEPSA, which provides for FBC to purchase all of its market energy requirements from Powerex, and which became effective during the second quarter of 2015. As at September 30, 2015, the total power purchase obligations outstanding under the CEPSA were approximately $14 million through to mid-2017. The energy purchases under the CEPSA do not relate to specific plants and the output being purchased does not constitute a significant portion of the output of a specific plant.

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 2014 annual MD&A.

In July 2015, Moody's affirmed the long-term credit rating of the Corporation of Baa1 for unsecured long-term debt and affirmed the rating outlook of stable.

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

As at September 30, 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. Prior to April 2015, 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 in May 2018.

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

($ millions)	**September 30, 2015**	December 31, 2014
Operating credit facility	**150.0**	150.0
Demand overdraft facility	**10.0**	10.0
Draws on operating credit facility	**(28.0)**	(25.0)
Draws on overdraft facility	**(2.7)**	(6.9)
Credit facilities available	**129.3**	128.1

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 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 and nine months ended September 30 were as follows:

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2015**	2014	**2015**	2014
Electricity revenue recovered from FEI (a)	**0.2**	0.2	**0.5**	0.5
Operating costs and other revenue charged to FortisBC Pacific (b)	**1.3**	1.2	**6.3**	4.9
Operating costs charged to FEI (c)	**0.9**	1.0	**3.7**	3.3
Operating costs charged to FortisBC Holdings Inc. (“FHI”) (d)	**0.2**	0.1	**0.4**	0.4
	2.6	2.5	**10.9**	9.1

(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 and nine months ended September 30 were as follows:

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2015**	2014	**2015**	2014
Power purchase costs charged by Waneta Expansion Limited Partnership (“WELP”) (a)	**12.9**	-	**15.2**	-
Operating costs charged by Fortis (b)	**0.5**	0.6	**1.6**	1.8
Operating costs charged by FEI (c)	**0.8**	1.1	**2.4**	2.7
Operating costs charged by FHI (d)	**0.2**	0.1	**0.4**	0.4
Finance charges charged by Fortis (e)	**-**	0.1	**-**	0.6
	14.4	1.9	**19.6**	5.5

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

(b) 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.

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

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

(e) 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:

($ millions)	**September 30, 2015** Amount Due From	**September 30, 2015** Amount Due To	December 31, 2014 Amount Due From	December 31, 2014 Amount Due To
Fortis	**-**	**0.1**	-	-
FortisBC Pacific	**0.3**	**-**	0.5	-
FEI	**0.5**	**0.4**	1.1	0.2
FHI	**0.1**	**0.2**	0.1	0.1
WELP	**-**	**11.1**	-	-
	0.9	**11.8**	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 was originally effective for annual and interim periods beginning after December 15, 2016 and is to be applied on a full retrospective or modified retrospective basis. In August 2015, FASB issued ASU 2015-14, *Deferral of the Effective Date*. The amendments in this update defer the effective date of ASU No. 2014-09 by one year to annual and interim periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date. The Corporation is assessing the impact that the adoption of this standard 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 ending 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.

Amendments to the Consolidation Analysis

In February 2015, FASB issued ASU No. 2015-02, *Amendments to the Consolidation Analysis*. The amendments in this update change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This update is effective for annual and interim periods beginning after December 15, 2015 and may be applied using a modified retrospective approach or retrospectively. Early adoption is permitted. FBC is assessing the impact that the adoption of this update will have 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 would 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 after December 15, 2015 and should be applied on a retrospective basis. Early adoption is permitted. The adoption of this update will 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 September 30, 2015, debt issuance costs included in long-term other assets were approximately $6.0 million (December 31, 2014 - $6.3 million). Additionally, in August 2015 FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. The guidance in ASU No. 2015-03 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. The amendments in ASU No. 2015-15 permit an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Corporation does not expect that the adoption of this update will have a material impact on its consolidated financial statements.

Simplifying the Measurement of Inventory

In July 2015, FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. The amendments in this update would change the subsequent measurement of inventory from the lower of cost or market to the lower of cost and net realizable value. This update is effective for annual and interim periods beginning after December 15, 2016 and should be applied on a prospective basis. Early adoption is permitted. FBC does not expect that the adoption of this update will have a material impact on its consolidated financial statements.

FINANCIAL INSTRUMENTS

Fair Value Estimates

The following table summarizes the fair value measurements of the Corporation's long-term debt as of September 30, 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:

	September 30, 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**	**792.8**	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 during 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 December 31, 2013 through September 30, 2015. 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	**Electricity Revenue**	**Net Earnings**
($ millions)		
September 30, 2015	77.1	6.1
June 30, 2015	72.7	11.3
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

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.

December 2014/2013 - 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 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.

June 2015/2014 - The increase in net earnings was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates, higher 2014 income tax expense and operating and maintenance costs as compared to the forecasted amounts used to set 2014 rates, and a decrease in interest expense associated with certain regulatory liability accounts as a result of the June 2015 regulatory decision on FBC's 2015 rates.

September 2015/2014 - The decrease in net earnings for the third quarter of 2015 as compared to the third quarter of 2014 was primarily due to the timing of recognizing regulatory deferral adjustments for setting customer rates.

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 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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