



FortisBC Energy Inc.

An indirect subsidiary of Fortis Inc.

Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited)

Prepared in accordance with United States Generally Accepted Accounting Principles

FortisBC Energy Inc.
Consolidated Balance Sheets (US GAAP) (Unaudited)
As at
(in millions of Canadian dollars)

ASSETS	June 30, 2014	December 31, 2013
Current assets		
Cash and cash equivalents	\$ 7	\$ -
Accounts receivable (note 11)	177	228
Prepaid expenses	1	4
Inventories	67	81
Regulatory assets	36	18
Deferred income taxes	-	9
	288	340
Property, plant and equipment	2,675	2,651
Intangible assets	122	122
Regulatory assets	579	560
Other assets	22	22
Goodwill	769	769
	\$ 4,455	\$ 4,464
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term notes (note 5)	\$ 72	\$ 87
Accounts payable and other current liabilities (note 11)	222	221
Income and other taxes payable	46	40
Current portion of capital lease and finance obligations	7	7
Regulatory liabilities	17	39
	364	394
Long-term debt	1,545	1,545
Capital lease and finance obligations	109	112
Regulatory liabilities	57	55
Other liabilities	169	167
Deferred income taxes	331	327
	2,575	2,600
Shareholders' equity		
Common shares ^(a)	784	784
Additional paid-in capital	1,019	1,019
Retained earnings	77	61
	1,880	1,864
	\$ 4,455	\$ 4,464

^(a) no par value; 500 million authorized common shares; 64.9 million issued and outstanding at June 30, 2014 and December 31, 2013.

Contingencies (note 12).

The accompanying notes are an integral part of these interim consolidated financial statements.

FortisBC Energy Inc.
Consolidated Statements of Earnings (Loss) (US GAAP) (Unaudited)
For the three and six months ended June 30
(in millions of Canadian dollars)

	Three months ended		Six months ended	
	2014	2013	2014	2013
Revenues (note 11)				
Natural gas transmission and distribution	\$ 235	\$ 200	\$ 685	\$ 628
Other income	4	-	5	-
	239	200	690	628
Expenses				
Cost of natural gas	108	79	333	285
Operation and maintenance (note 11)	44	43	92	91
Depreciation and amortization	38	36	76	73
Property and other taxes	12	13	24	26
	202	171	525	475
Operating Income	37	29	165	153
Finance charges (notes 6 and 11)	33	29	62	58
Earnings before income taxes	4	-	103	95
Income taxes	-	1	30	21
Net earnings (loss)	\$ 4	\$ (1)	\$ 73	\$ 74

FortisBC Energy Inc.
Consolidated Statements of Changes in Equity (US GAAP) (Unaudited)
For the six months ended June 30
(in millions of Canadian dollars)

	Common Shares	Additional Paid-in Capital	Retained Earnings	Total
As at December 31, 2012	\$ 784	\$ 1,019	\$ 88	\$ 1,891
Net earnings	-	-	74	74
Dividends on common shares	-	-	(84)	(84)
As at June 30, 2013	784	1,019	78	1,881
As at December 31, 2013	784	1,019	61	1,864
Net earnings	-	-	73	73
Dividends on common shares	-	-	(57)	(57)
As at June 30, 2014	\$ 784	\$ 1,019	\$ 77	\$ 1,880

The accompanying notes are an integral part of these interim consolidated financial statements.

FortisBC Energy Inc.
Consolidated Statements of Cash Flows (US GAAP) (Unaudited)
For the three and six months ended June 30
(in millions of Canadian dollars)

	Three months ended		Six months ended	
	2014	2013	2014	2013
Cash flows provided by (used for)				
Operating activities				
Net (loss) earnings	\$ 4	\$ (1)	\$ 73	\$ 74
Adjustments for non-cash items				
Depreciation and amortization	38	36	76	73
Equity component of allowance for funds used during construction	-	1	(1)	(1)
Change in long-term regulatory assets and liabilities	(11)	(10)	(20)	(20)
Change in non-cash working capital (note 8)	44	67	49	74
	75	93	177	200
Investing activities				
Property, plant and equipment	(49)	(36)	(83)	(59)
Intangible assets	(5)	(5)	(7)	(7)
Cost of removal	(4)	(4)	(8)	(7)
Contributions in aid of construction	-	3	1	4
Change in other assets and other liabilities	-	1	2	2
	(58)	(41)	(95)	(67)
Financing activities				
Increase (decrease) in short-term notes	27	-	(15)	(33)
Reduction of capital lease and finance obligations	(2)	(1)	(3)	(3)
Dividends on common shares	(37)	(69)	(57)	(84)
	(12)	(70)	(75)	(120)
Net increase (decrease) in cash and cash equivalents				
	5	(18)	7	13
Cash and cash equivalents at beginning of period	2	53	-	22
Cash and cash equivalents at end of period	\$ 7	\$ 35	\$ 7	\$ 35

Supplementary Information to Consolidated Statements of Cash Flows (note 8).

The accompanying notes are an integral part of these interim consolidated financial statements.

FortisBC Energy Inc.
Notes to the Interim Consolidated Financial Statements (US GAAP) (Unaudited)
For the three and six months ended June 30, 2014 and 2013

1. DESCRIPTION OF THE BUSINESS

FortisBC Energy Inc. (“FEI” or the “Corporation”) is a subsidiary of FortisBC Holdings Inc. (“FHI”), which is a wholly owned subsidiary of Fortis Inc. (“Fortis”), a Canadian public company.

FEI is the largest distributor of natural gas in British Columbia (“BC”), serving approximately 853,000 residential, commercial, industrial and transportation customers in more than 100 communities. Major areas served by the Corporation are Greater Vancouver, the Fraser Valley and the Thompson, Okanagan, Kootenay and North Central Interior regions of the province. The Corporation provides transmission and distribution services to its customers, and obtains natural gas supplies on behalf of most residential, commercial and industrial customers. Gas supplies are sourced primarily from northeastern BC and, through the Corporation’s Southern Crossing Pipeline, from Alberta.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States (“US GAAP”) for interim financial statements. As a result, these interim consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with FEI’s 2013 annual audited consolidated financial statements prepared in accordance with US GAAP. In management’s opinion, the interim consolidated financial statements include all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly such information.

The interim consolidated financial statements include the accounts of the Corporation and its subsidiary. All material inter-company transactions have been eliminated upon consolidation except for those inter-company transactions recovered in rates from customers.

An evaluation of subsequent events through July 23, 2014, the date these interim consolidated financial statements were available to be issued, was completed to determine whether any circumstances warranted recognition and disclosure of events or transactions in the interim consolidated financial statements as at June 30, 2014. Subsequent events have been appropriately disclosed in these interim consolidated financial statements.

Certain comparative figures have been reclassified to conform to the current year’s presentation.

Changes in Accounting Policies

In June 2013, FEI filed an application with the British Columbia Utilities Commission (“BCUC”) for a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 (“2014 PBR Application”). As applied for in the 2014 PBR Application and effective January 1, 2014, depreciation of property, plant and equipment and amortization of intangible assets commences the year after the asset is available for use. Prior to January 1, 2014, depreciation and amortization commenced in the month after the asset was available for use.

Future Accounting Pronouncement

Revenue from Contracts with Customers

In May 2014 the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update 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 update completes a joint effort by FASB and the International Accounting Standards Board (“IASB”) to improve financial reporting by creating common revenue recognition guidance for US GAAP and International Financial Reporting Standards (“IFRS”) that clarifies the principles for recognizing revenue and that can be applied consistently across various transactions, industries and capital markets. This update 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. FEI is assessing the impact that the adoption of this standard will have on its consolidated financial statements.

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3. REGULATORY MATTERS

Amalgamation

In February 2014, the BCUC approved the amalgamation of FEI, FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEW") and Terasen Gas Holdings Inc. subject to the consent of the Lieutenant Governor in Council. The BCUC approved the adoption of common rates for natural gas delivery to all customers except those in the Fort Nelson service area and approved the phase-in to common rates over a three year period. The amalgamation received the consent of the Lieutenant Governor in Council in May 2014 and is expected to be effective on December 31, 2014.

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

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

Pursuant to a BCUC order released in December 2012, effective January 1, 2013, the approved 2012 ROE and capital structure for the Corporation and all other regulated entities in BC that rely on the benchmark utility, which was determined to be FEI, to establish rates were to be maintained and made interim. In May 2013, the BCUC issued its decision on the first stage of the GCOC Proceeding. The decision determined that the ROE of the benchmark utility would be set at 8.75 per cent with a 38.5 per cent common equity component, both effective January 1, 2013. The common equity component of capital structure will remain in effect through December 31, 2015. Effective January 1, 2014, the BCUC has also introduced an Automatic Adjustment Mechanism ("AAM") to set the ROE on an annual basis for the Corporation. The AAM will take effect when the actual long-term Government of Canada bond yield exceeds 3.8 per cent. The AAM will be in effect until December 31, 2015. In January 2014, the BCUC confirmed that the necessary conditions for the AAM to be triggered for the 2014 ROE have not been met, therefore the benchmark ROE remains at 8.75 per cent for 2014.

Once amalgamation of the gas utilities has been affected, the ROE and capital structure for the amalgamated entity will be set to equal the benchmark utility, FEI.

US GAAP

In January 2014, the Ontario Securities Commission ("OSC") issued a relief order which permits the Corporation to continue to prepare its financial statements in accordance with US GAAP, until the earliest of: (i) January 1, 2019; (ii) the first day of the financial year that commences after the Corporation ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the IASB for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation. The OSC relief order effectively replaces and extends the OSC's previous relief order, which was due to expire January 1, 2015.

The BCUC had previously approved the Corporation's request to adopt US GAAP for regulatory purposes until December 31, 2014. In May 2014, FEI applied for approval to continue the use of US GAAP for regulatory purposes effective January 1, 2015. In July 2014, the BCUC granted the requested approval, until such time as FEI no longer has an OSC exemption to use US GAAP or is no longer reporting under US GAAP for financial reporting purposes, whichever is earlier.

4. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the Corporation's natural gas transmission and distribution operations and its impact on, natural gas consumption patterns, the natural gas transmission and distribution operations of FEI normally generate higher earnings in the first and fourth quarters and lower earnings in the second quarter, which are partially offset by losses in the third quarter. As a result of the seasonality, interim earnings are not indicative of earnings on an annual basis.

5. CREDIT FACILITIES

The Corporation has a \$500 million syndicated credit facility available of which \$378 million was unused at June 30, 2014 (December 31, 2013 - \$363 million).

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5. CREDIT FACILITIES (continued)

In July 2014, the Corporation extended its credit facility to mature in August 2016 on substantially similar terms to the facility it replaced.

(\$ millions)	June 30, 2014	December 31, 2013
Total credit facility	500	500
Short-term notes	(72)	(87)
Letters of credit outstanding	(50)	(50)
Credit facility available	378	363

6. FINANCE CHARGES

Finance charges for the three and six months ended June 30 were as follows:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Interest on long-term debt, capital leases, and finance obligations	29	29	58	58
Interest on short-term debt	4	1	5	1
Allowance for funds used during construction - debt component	-	(1)	(1)	(1)
	33	29	62	58

7. EMPLOYEE FUTURE BENEFITS

The Corporation is a sponsor of pension plans for eligible employees. The plans include registered defined benefit pension plans and supplemental unfunded arrangements. The Corporation also provides various other post-retirement benefits ("OPEB") other than pensions for retired employees.

The net benefit cost for the three months ended June 30 were as follows:

(\$ millions)	Defined Benefit Pension Plans		OPEB Plans	
	2014	2013	2014	2013
Service costs	4	4	1	1
Interest costs	5	4	1	1
Expected return on plan assets	(5)	(5)	-	-
Amortization of actuarial losses	1	3	1	1
Amortization of past service costs	-	-	(1)	(1)
Actuarially determined net benefit cost	5	6	2	2
Regulatory adjustment	-	(3)	-	(1)
Net benefit cost	5	3	2	1

The net benefit cost for the six months ended June 30 were as follows:

(\$ millions)	Defined Benefit Pension Plans		OPEB Plans	
	2014	2013	2014	2013
Service costs	7	8	2	2
Interest costs	10	8	2	2
Expected return on plan assets	(11)	(10)	-	-
Amortization of actuarial losses	3	5	2	2
Amortization of past service costs	-	-	(2)	(2)
Actuarially determined net benefit cost	9	11	4	4
Regulatory adjustment	1	(5)	-	(2)
Net benefit cost	10	6	4	2

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8. SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The supplementary information to the consolidated statements of cash flows for the three and six months ended June 30 were as follows:

Significant Non-Cash Transactions

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Mark-to-market of natural gas commodity derivatives	(1)	4	(6)	(11)
Capital accruals	(1)	-	(8)	3
Regulatory assets and regulatory liabilities accruals	(1)	-	(2)	6
Contributions in aid of construction accruals	1	(4)	4	(7)
Regulated asset for deferred income taxes	2	2	5	9

Changes in Non-Cash Working Capital

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Accounts receivable	103	115	51	64
Prepaid expenses	1	1	3	2
Inventory	(48)	(36)	14	18
Current regulatory assets and liabilities	6	(7)	(40)	(5)
Accounts payable and other current liabilities	(3)	12	1	(33)
Income and other taxes payable	(15)	(18)	6	21
Other	-	-	14	7
	44	67	49	74

The non-cash investing activities balances as at June 30 were as follows:

(\$ millions)	2014	2013
Additions to property, plant and equipment and intangible assets included in current liabilities	3	2
Contributions in aid of construction included in current assets	4	4

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Corporation hedges its exposure to fluctuations in natural gas prices through the use of derivative instruments. The Corporation's price risk management strategy aims to (i) improve the likelihood that natural gas prices remain competitive, (ii) dampen price volatility on customer rates and (iii) reduce the risk of regional price disconnects. As a result of regulatory proceedings in 2011, the Corporation suspended all commodity hedging activity with the exception of certain elements to address the risk of regional price disconnects. The remaining forward purchase contracts matured during the first quarter of 2014. The Corporation's ability to fully recover the commodity cost of gas in customer rates remains unchanged.

Volume of Derivative Activity

As at June 30, 2014, the Corporation had the following notional volumes of outstanding natural gas commodity derivatives that are expected to be settled as outlined below:

	2014	2015
Natural gas derivatives		
Gas purchase contract premiums (petajoules)	51	37

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9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

Presentation of Derivative Instruments in the Financial Statements

In the Corporation's consolidated balance sheets, derivative instruments are presented on a net basis by counterparty where the right of offset exists.

At June 30, 2014, the Corporation's outstanding derivative balances were as follows:

(\$ millions)	Gross Derivatives Balance ¹	Netting ²	Cash Collateral	Total Derivatives Balance
Natural gas commodity derivatives:				
Accounts payable and other current liabilities	6	-	-	6

¹ See note 10 for a discussion of the valuation techniques used to calculate the fair value of these instruments.

² Positions, by counterparty, are netted where the intent and legal right to offset exists.

At December 31, 2013, the Corporation's outstanding derivative balances were as follows:

(\$ millions)	Gross Derivatives Balance ¹	Netting ²	Cash Collateral	Total Derivatives Balance
Natural gas commodity derivatives:				
Accounts payable and other current liabilities	3	-	-	3

¹ See note 10 for a discussion of the valuation techniques used to calculate the fair value of these instruments.

² Positions, by counterparty, are netted where the intent and legal right to offset exists.

The following table shows the cumulative unrealized losses at June 30, 2014 and December 31, 2013, with respect to the derivative instruments:

(\$ millions)	June 30, 2014	December 31, 2013
Unrealized loss on natural gas commodity derivatives ^{1,2}	6	3

¹ Unrealized gains and losses on commodity risk-related derivative instruments are recorded to current regulatory assets or liabilities rather than being recorded to the consolidated statement of earnings.

² These amounts are fully passed through to customers in rates. Accordingly, net earnings were not impacted by realized amounts on these instruments.

Cash inflows and outflows associated with the settlement of all derivative instruments are included in operating cash flows on the Corporation's consolidated statements of cash flows.

10. FAIR VALUE MEASUREMENT

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value. The Corporation is required to record all derivative instruments at fair value except those which would qualify for the normal purchase and normal sale exception.

The three levels of the fair value hierarchy are defined as follows:

- Level 1: Fair value determined using unadjusted quoted prices in active markets.
- Level 2: Fair value determined using pricing inputs that are observable.
- Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

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10. FAIR VALUE MEASUREMENT (continued)

The fair values of the Corporation's financial instruments, including derivatives, reflect a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Corporation's future consolidated earnings or cash flows.

The carrying values of cash and cash equivalents, account receivable, accounts payable and short-term notes on the consolidated balance sheets of the Corporation approximate their fair values.

The natural gas commodity derivatives are used to fix the effective purchase price of natural gas, as the majority of the natural gas supply contracts have floating, rather than fixed, prices. Any resulting gains or losses are recorded in regulatory liabilities or assets in the consolidated balance sheet. The fair value of the natural gas commodity derivatives is calculated using the present value of cash flows based on market prices and forward curves for the commodity cost of natural gas.

The fair values of the natural gas commodity derivatives are estimates of the amounts that the Corporation would receive or pay to terminate the outstanding contracts as at the balance sheet date. As at June 30, 2014 and December 31, 2013, none of the natural gas commodity derivatives were designated as hedges of the natural gas supply contracts. However, any changes in the fair value of the natural gas commodity derivatives are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the BCUC.

The following table summarizes the fair value measurements of the Corporation's long-term debt and natural gas commodity derivative contracts as of June 30, 2014 and December 31, 2013, all of which are Level 2 of the fair value hierarchy and recorded on the consolidated balance sheets at their carrying value:

(\$ millions)	June 30, 2014		December 31, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	1,545	1,930	1,545	1,842
Natural gas commodity swaps and options and gas purchase contract premium ¹	6	6	3	3

¹ Included in accounts payable as at June 30, 2014 and December 31, 2013.

The fair value of long-term debt is estimated using quoted market prices where available. When quoted market prices are not available, the fair value is determined by discounting the future cash flows of the specific debt instrument at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Corporation does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

11. RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with its 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.

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11. RELATED PARTY TRANSACTIONS (continued)
Related Party Recoveries

The amounts charged to the Corporation's parent and other related parties under common control for the three and six months ended June 30 were as follows:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Natural gas transmission and distribution revenue recovered from FEVI (a)	1	1	2	2
Operation and maintenance expense charged to FEVI (b)	3	2	6	5
Operation and maintenance expense charged to FortisBC Inc. ("FBC") (c)	1	1	2	1
Other income recovered from FHI (d)	4	-	4	-
	9	4	14	8

(a) The Corporation charged FEVI, a subsidiary of FHI, for transporting natural gas through the Corporation's pipeline system.

(b) The Corporation charged FEVI for management services, labour and materials.

(c) The Corporation charged FBC, a related company under common control, for office rent and management services.

(d) As part of a tax loss utilization plan ("TLUP"), the Corporation received dividend income from FHI relating to a \$1,400 million investment in preferred shares. A TLUP is a series of transactions, whereby the Corporation sets up an investment in an affiliate's preferred shares and issues subordinated debt to that affiliate; these two financial instruments are shown on a net basis. The Corporation receives non-taxable dividend income on the preferred shares and pays tax deductible interest on the debt. The effect of this transaction is to transfer tax losses between affiliated entities.

Related Party Costs

The amounts charged by the Corporation's parent and other related parties under common control for the three and six months ended June 30 were as follows:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Natural gas storage costs charged by FEVI (a)	4	4	8	8
Operation and maintenance expense charged by FBC (b)	1	1	3	2
Operation and maintenance expense charged by FHI (c)	3	3	6	6
Finance charges paid to FHI (d)	4	-	4	-
	12	8	21	16

(a) FEVI charged the Corporation for storing natural gas at the Mt. Hayes LNG storage facility. These charges were included in regulatory liabilities on the consolidated balance sheets.

(b) FBC charged the Corporation for electricity purchases and management services.

(c) FHI charged the Corporation for Board of Director costs, management services, labour and materials.

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11. RELATED PARTY TRANSACTIONS (continued)
Related Party Costs (continued)

(d) As part of a TLUP, the Corporation paid FHI interest on \$1,400 million of inter-company subordinated debt.

Balance Sheet Amounts

As a result of the transactions noted above, the amounts due from related parties, which are included in accounts receivable on the consolidated balance sheets, and the amounts due to related parties which are included in accounts payable and other current liabilities on the consolidated balance sheets, are as follows:

(\$ millions)	June 30, 2014		December 31, 2013	
	Amount Due From	Amount Due To	Amount Due From	Amount Due To
FEVI	2	-	2	-
FEW	1	-	1	-
FHI	-	-	2	-
FBC	-	-	-	1
	3	-	5	1

12. CONTINGENCIES

The Corporation was the plaintiff in a BC Supreme Court action against the City of Surrey ("Surrey") in which the Corporation sought the court's determination on the manner in which costs related to the relocation of a natural gas transmission pipeline would be shared between itself and Surrey. The relocation was required due to the development and expansion of Surrey's transportation infrastructure. The Corporation claimed that the parties had an agreement that dealt with the allocation of costs. In turn, Surrey advanced counterclaims including an allegation that the Corporation breached the agreement and that Surrey suffered damage as a result. In December 2013, the Court issued a decision which ordered the Corporation and Surrey to share equally the cost of the pipeline relocation. The Court also decided that Surrey was successful in its counterclaim that the Corporation breached the agreement. The amount of damages which may be awarded to Surrey at a subsequent hearing cannot be reasonably determined or estimated at this time and, accordingly, no amount has been accrued in the financial statements.

13. GUARANTEES

The Corporation has letters of credit outstanding at June 30, 2014 totaling \$50 million (December 31, 2013 - \$50 million) primarily to support its unfunded supplemental pension benefit plans.