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

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

In this MD&A, FEVI refers to FortisBC Energy (Vancouver Island) Inc., FEW refers to FortisBC Energy (Whistler) Inc., FAES refers to FortisBC Alternative Energy Services Inc., FHI refers to the Corporation's parent, FortisBC Holdings Inc., FBC refers to FortisBC Inc., and Fortis refers to the Corporation's ultimate parent, Fortis Inc.

FORWARD LOOKING STATEMENT

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes, but is not limited to, statements regarding the Corporation's expectations to meet interest payments on outstanding indebtedness from internally generated funds; the Corporation's expected level of capital expenditures and its expectations to finance those capital expenditures through credit lines, debt issues, equity contributions and internally generated funds; the Corporation's expectations for employee future benefit costs; and the Corporation's belief that changes in consumption levels and changes in the commodity cost of natural gas do not materially impact earnings as a result of regulatory deferral accounts.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include but are not limited to: receipt of applicable regulatory approvals and requested rate orders; absence of administrative monetary penalties; the ability to report under US GAAP beyond the Canadian securities regulators exemption to the end of 2014; absence of equipment breakdown; absence of environmental damage and health and safety issues; absence of adverse weather conditions and natural disasters; ability to maintain and obtain applicable permits; the adequacy of the Corporation's existing insurance arrangements; the First Nations' settlement process does not adversely affect the Corporation; the ability to maintain and renew collective bargaining agreements on acceptable terms; no material change in employee future benefits costs; the ability of the Corporation to attract and retain skilled workforces; absence of information technology infrastructure failure; continued energy demand; the ability to arrange sufficient and cost effective financing; no material adverse ratings actions by credit ratings agencies; the competitiveness of natural gas pricing when compared with alternate sources of energy; continued population growth and new housing starts; the availability of natural gas supply; and the ability to hedge certain risks including no counterparties to derivative instruments failing to meet obligations.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulatory approval and rate orders risk (including the risk of imposition of administrative monetary penalties); transition to new accounting standards risk; equipment breakdown, operating and maintenance risk; environment, health and safety matters risk; weather and natural disasters risk; permits risk; underinsured and uninsured losses; First Nations risk; labour relations risk; employee future benefits risk; human resources risk; information technology infrastructure risk; interest rate risk; impact of changes in economic conditions risk; capital resources and liquidity risk; competiveness and commodity price risk; counterparty credit risk; natural gas supply risk; and, other risks described in the Corporation's most recent Annual Information Form. For additional information with respect to these risk factors, reference should be made to the section entitled "Business Risk Management" in this MD&A and the Corporation's MD&A for the year ended December 31, 2012.

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

CORPORATE OVERVIEW

The Corporation is the largest distributor of natural gas in British Columbia ("BC"), serving approximately 843,000 residential, commercial and industrial 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 and commercial customers. Gas supplies are sourced primarily from northeastern BC and, through the Corporation's Southern Crossing Pipeline, from Alberta.

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

REGULATION

Customer Rates, Quarterly Gas Cost Changes and Regulatory Applications

Customer rates include both the delivery charge, and the commodity and midstream charges. The commodity cost of natural gas and midstream costs are flowed through to customers without mark-up.

In addition to annual delivery rate changes, the Corporation reviews natural gas and propane commodity and midstream charges every three months with the British Columbia Utilities Commission ("BCUC") in order to ensure the rates charged to customers are sufficient to cover the cost of purchasing natural gas and contracting for midstream resources such as third-party pipeline or storage capacity.

Overall, residential rates decreased in the first quarter of 2013 as compared to the first quarter of 2012. The table below shows the rate changes since January 1, 2012 for a typical Lower Mainland residential customer:

	2012					**2013**
	Jan 1	April 1	June 1	July 1	Oct 1	**Jan 1**
Effective rate per gigajoule	$10.39	$9.36	$9.21	$9.21	$9.21	**$9.36**
Percentage change in rate	3.3%	(9.9%)	(1.6%)	-	-	**1.6%**

When comparing March 31, 2013 to March 31, 2012, an average bill for a FEI residential customer decreased by approximately 9.9 per cent, as decreases in the cost of natural gas more than offset increases in delivery rates.

In February 2012, the BCUC approved a general tariff for the Corporation to provide compressed natural gas ("CNG") and liquefied natural gas ("LNG") refueling services for transportation vehicles. The Corporation has received either permanent or interim rate approval for three refueling projects. In addition, the Corporation has received BCUC approval for rate treatment of expenditures under the Greenhouse Gas Reductions (Clean Energy) Regulation ("GGRR") under the *Clean Energy Act* ("CEA") that was promulgated in May 2012. The Corporation's application for changing its LNG sales and dispensing service rate schedule from a pilot program to a permanent program is pending before the BCUC. A decision is expected in the second quarter of 2013.

In August 2011, the Corporation received a decision from the BCUC on the use of Energy Efficiency and Conservation ("EEC") funds as incentives for Natural Gas Vehicles ("NGV"). FEI had made these funds available to assist large customers to purchase NGV in lieu of vehicles fueled by diesel. The decision determined that it was not appropriate to use EEC funds for this purpose and the BCUC requested that FEI provide further submissions to determine the prudency of the EEC incentives at a future time. An application was filed with the BCUC to review the prudency of the EEC incentives and a decision was received on April 30, 2013 in which the BCUC determined the EEC incentives for NGV were prudently incurred and can be recovered from natural gas ratepayers, as part of the incentive program funding under the GGRR.

In April 2012, the Corporation, together with FEVI and FEW, applied to the BCUC for the necessary approvals to amalgamate and implement postage stamp rates across the service territories served by the amalgamated entity for 2014. The evidentiary portion of the proceeding was closed in October 2012 and a decision was received in February 2013. In its decision, the BCUC denied the request to implement postage stamp rates. On March 27, 2013, the Corporation filed a Notice of Application for Leave to Appeal the decision with the BC Court of Appeal, and on April 26, 2013, the Corporation filed an Application for Reconsideration with the BCUC.

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

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

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

The BCUC has also determined that a second, subsequent phase be added to the GCOC Proceeding to determine an appropriate ROE and capital structure for all other regulated utilities in BC, once the benchmark has been established in the first phase of the GCOC Proceeding. The Corporation has been designated as the benchmark.

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

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

CONSOLIDATED RESULTS OF OPERATIONS

Quarter Ended March 31	**2013**	2012	Variance
($ millions)			
Revenue	**429**	485	(56)
Operating expenses			
Cost of natural gas	**206**	273	(67)
Operation and maintenance	**49**	49	-
Depreciation and amortization	**37**	32	5
Property and other taxes	**13**	12	1
	305	366	(61)
Operating income	**124**	119	5
Finance charges	**29**	30	(1)
Earnings before income taxes	**95**	89	6
Income taxes	**20**	17	3
Net earnings	**75**	72	3

Quarter Ended March 31	**2013**	2012	Variance
Gas sales (Petajoules (PJs))	**65**	65	-

For the three months ended March 31, 2013, gas sales volumes were comparable to the corresponding period in 2012. There was slightly lower consumption by residential and commercial customers as a result of warmer weather offset by higher gas sales volumes for transportation customers in the industrial sectors.

Net Earnings

The Corporation reported earnings of $75 million for the three months ended March 31, 2013 compared to earnings of $72 million in the corresponding period of 2012.

For the three months ended March 31, 2013, earnings were higher primarily due to higher rate base and higher margin from industrial customers partially offset by lower margin associated with lower than forecast customer additions and higher income taxes.

Revenue and Cost of Natural Gas

For the three months ended March 31, 2013, revenues decreased by $56 million compared to the corresponding period in 2012. For the three months ended March 31, 2013, cost of natural gas decreased by $67 million compared to the corresponding period in 2012. Lower revenues and cost of natural gas for the three months reflect warmer weather and lower commodity costs compared to the same period in 2012.

Margin for the three months ended March 31, 2013 was higher compared to the same period in 2012 due to higher rate base and higher revenues from industrial customers in 2013 as compared to 2012 partially offset by lower margin associated with lower than forecast customer additions.

Changes in consumption levels of sales customers and changes in the commodity cost of natural gas do not materially impact earnings as a result of regulatory deferral accounts.

The allowed ROE for 2013 and 2012 for the Corporation has been set at 9.5 per cent. The deemed equity component for the Corporation has been set at 40 per cent. The 2013 allowed ROE and capital structure could change as a result of the GCOC Proceeding.

Operation and Maintenance Expense

For the three months ended March 31, 2013, operation and maintenance expense was comparable to the corresponding period in 2012.

Depreciation and Amortization

As part of the 2012/2013 Revenue Requirements Application (“2012/2013 RRA”) decision, the BCUC ordered the Corporation to capture differences between actual depreciation and forecast depreciation in a deferral account.

For the three months ended March 31, 2013, depreciation and amortization expense increased by $5 million as compared with the corresponding period in 2012. The increase was primarily due to higher amortization of regulatory deferral accounts in the first quarter of 2013 compared to the corresponding period in 2012 and higher depreciation expense due to forecast depreciation being higher in 2013 compared to the same period in 2012.

Finance Charges

For the three months ended March 31, 2013, finance charges decreased by $1 million as compared with the corresponding period in 2012. The decrease was primarily a result of lower short term borrowings compared to the same period in 2012.

Income Taxes

For the three months ended March 31, 2013, income tax expense increased by $3 million compared with the corresponding period in 2012. Income tax expense was higher mainly due to higher pre-tax earnings and higher taxable permanent differences, offset by lower taxable timing differences.

CONSOLIDATED FINANCIAL POSITION

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

Balance Sheet Item	Increase (Decrease) ($ millions)	Explanation
Accounts receivable	51	The increase in accounts receivable was mainly due to the buildup of the equal payment plan and an increase in trade accounts receivable due to an increase in delivery rates.
Income and other taxes payable	39	The increase was primarily due to current tax expense for the period and an increase in other taxes including HST, franchise taxes and property taxes.
Cash and cash equivalents	31	The increase in cash and cash equivalents was due to the seasonality of borrowing.
Short-term notes	(33)	The decrease was due to a decline in the borrowings due to seasonality of sales.
Accounts payable and accrued liabilities	(45)	The decrease was mainly due to a decrease in the mark to market of the Corporation's natural gas derivatives, decrease in trade payables, decrease in interest payable and a decrease in natural gas costs payable due to lower volumes purchased.
Inventories	(54)	The decrease was mainly due to a decrease in natural gas in storage partially offset by a higher average commodity cost of natural gas.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Cash Flows

Quarter Ended March 31	**2013**	2012	Variance
($ millions)			
Cash flows provided by (used for):			
Operating activities	**107**	136	(29)
Investing activities	**(26)**	(30)	4
Financing activities	**(50)**	(92)	42
Net increase in cash and cash equivalents	**31**	14	17

Operating Activities

Cash flow provided by operating activities for the three months ended March 31, 2013, which included the impact of changes in non-cash working capital, was $107 million compared to $136 million in the corresponding period of 2012. The decrease in cash provided by operating activities was primarily due to changes in non-cash working capital partially offset by higher earnings and higher depreciation and amortization.

Investing Activities

Cash used for investing activities for the period ended March 31, 2013, was $26 million, a decrease of $4 million compared to $30 million used in the same period in 2012. The decrease was primarily due to a decrease in intangible asset expenditures.

Financing Activities

Cash used for financing activities for the first quarter of 2013 was $50 million, a decrease of $42 million compared to the $92 million used in the first quarter of 2012. The decrease in cash used was primarily due to a decrease in short term note repayments and a decrease in dividends paid in the first quarter of 2013 compared to the comparable period in 2012.

During the first quarter of 2013, the Corporation paid a common share dividend of $15 million (2012 - $35 million) to its parent companies.

Contractual Obligations

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

As at March 31, 2013	**Total**	**Due Within 1 Year**	**Due in year 2**	**Due in year 3**	**Due in year 4**	**Due in year 5**	**Due after 5 years**
($ millions)							
Interest on long-term debt	1,865	105	105	101	86	76	1,392
Debt retirement	1,666	7	6	82	207	7	1,357
Operating leases	18	3	3	2	3	2	5
Gas purchase obligations	210	210	-	-	-	-	-
Employee defined benefit pension plans	9	9	-	-	-	-	-
Totals	3,768	334	114	185	296	85	2,754

Gas purchase contract commitments are based on gas commodity indices that vary with market prices. The amounts disclosed reflect index prices that were in effect at March 31, 2013.

Capital Structure

The Corporation's principal business of regulated gas transmission and distribution requires ongoing access to capital in order to allow the Corporation to fund the maintenance and expansion of infrastructure. The Corporation maintains a capital structure in line with the deemed capital structure approved by the BCUC at 40 per cent equity and 60 per cent debt. As part of the GCOC Proceeding the capital structure of the Corporation will be reviewed.

Credit Ratings

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

Projected Capital Expenditures

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

Cash Flow Requirements

The Corporation's working capital requirements fluctuate seasonally based on natural gas consumption. The Corporation maintains adequate committed credit facilities and on an annual basis, generates sufficient cash flow to meet its working capital requirements.

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 FHI and long-term debt issues.

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 facility may be required from time to time to support the servicing of debt and payment of dividends.

Credit Facilities

As at March 31, 2013, the Corporation had a $500 million syndicated credit facility available of which $449 million was unused. The facility matures in August 2014.

The following summary outlines the Corporation's credit facility:

($ millions)	**March 31, 2013**	December 31, 2012
Total credit facility	**$ 500**	$ 500
Short-term notes	**-**	(33)
Letters of credit outstanding	**(51)**	(51)
Credit facility available	**$ 449**	$ 416

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2013, the Corporation had no material off-balance sheet arrangements, with the exception of letters of credit outstanding of $51 million (2012 - $51 million).

RELATED PARTY TRANSACTIONS

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

(a) The Corporation received $1 million (2012 – $1 million) for the three months ended March 31, 2013, from FEVI, a subsidiary of FHI, for transporting gas through the Corporation's pipeline system. This revenue was included in natural gas transmission and distribution revenues on the consolidated statements of earnings.

(b) The Corporation reimbursed its parent, FHI, for management services under a shared-services agreement totaling $3 million (2012 – $3 million) for the three months ended March 31, 2013. The management services fee was included in operation and maintenance expenses on the consolidated statements of earnings.

(c) The Corporation charged $3 million (2012 – $3 million) to affiliated companies for management services under a shared-services agreement during the three months ended March 31, 2013. The management services fee was included in operation and maintenance expenses on the consolidated statements of earnings.

(d) The Corporation was charged $4 million (2012 - $4 million) for the three months ended March 31, 2013 by FEVI for storing gas at the Mt. Hayes LNG storage facility. These charges were included in regulatory liabilities on the consolidated balance sheets.

(e) For the three months ended March 31, 2013, the Corporation was charged $1 million (2012 - $1 million) by FBC (an indirect subsidiary of Fortis) for electricity purchases and corporate management services. These charges were included in operation and maintenance expenses on the consolidated statements of earnings.

(f) Included in accounts receivable at March 31, 2013, was $4 million (2012 - $3 million) owed to the Corporation by affiliated companies. The amounts were unsecured and non-interest bearing.

BUSINESS RISK MANAGEMENT

The business risks of the Corporation remain substantially unchanged from those outlined in the Corporation's 2012 annual MD&A.

CHANGES IN ACCOUNTING POLICIES

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

Disclosures About Offsetting Assets and Liabilities

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

FINANCIAL INSTRUMENTS

Fair Value Estimates

The following table summarizes the fair value measurements of the Corporation's long-term debt and natural gas derivative contracts as of March 31, 2013 and December 31, 2012, all of which are Level 2 of the fair value hierarchy and recorded on the consolidated balance sheets at their carrying value:

	March 31, 2013		December 31, 2012	
($ millions)	**Carrying value**	**Estimated fair value**	Carrying value	Estimated fair value
Long-term debt	**1,545**	**2,011**	1,545	2,039
Natural gas commodity swaps and options and gas purchase contract premium[1]	**11**	**11**	26	26

[1] Included in accounts payable as at March 31, 2013 and December 31, 2012.

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.

At March 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 accrued liabilities	**11**	**-**	**-**	**11**

[1] See the March 31, 2013 unaudited interim consolidated financial statements 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, 2012, 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 accrued liabilities	26	-	-	26

[1] See the December 31, 2012 consolidated financial statements 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 March 31, 2013 and December 31, 2012, with respect to the derivative instruments:

($ millions)	**March 31, 2013**	December 31, 2012
Unrealized loss on natural gas commodity derivatives – Current portion of regulatory assets[1,2]	**11**	26

[1] Unrealized gains and losses on commodity risk-related derivative instruments are recorded to 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's interim unaudited consolidated financial statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates and judgments are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty in making estimates, actual results may differ significantly from current estimates. Estimates and judgments are reviewed periodically and, as adjustments become necessary, are recorded in the period they become known.

Interim financial statements may also employ a greater use of estimates than the annual financial statements. There were no material changes in the nature of the Corporation's critical accounting estimates year-to-date 2013 from those disclosed in the Corporation's 2012 annual MD&A.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2011 through March 31, 2013. The information has been obtained from the Corporation's unaudited interim consolidated financial statements which, in the opinion of management, have been prepared in accordance with US GAAP. Past operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarter Ended	**Revenue**	**Net Earnings (Loss)**
($ millions)		
March 31, 2013	429	75
December 31, 2012	391	46
September 30, 2012	169	(10)
June 30, 2012	222	4
March 31, 2012	485	72
December 31, 2011	438	47
September 30, 2011	170	(8)
June 30, 2011	272	5

Due to natural gas consumption patterns, the Corporation normally generates higher net earnings in the first and fourth quarters and lower net earnings in the second quarter, which are offset partially by net losses in the third quarter. As a result, interim earnings statements are not indicative of earnings on an annual basis.

June 2012/2011 - Earnings have decreased primarily due to lower margin due to lower than forecast customer additions and lower allowance for funds used during construction compared to the same period in 2011 offset by higher than forecast margin from industrial customers.

September 2012/2011 - The higher loss is primarily due to the curving of revenue versus the incurrence of the related expenses which is more pronounced in the third quarter of 2012 versus the same period in 2011. Also contributing to the higher loss was lower capitalized allowance for funds used during construction compared to the same period in 2011 and lower margin as a result of lower than forecast customer additions partially offset by higher margin from industrial customers, higher contribution from the current year tax loss utilization plan and the timing of incurring operation and maintenance expenditures.

December 2012/2011 – Earnings were lower primarily due to lower margin associated with lower than forecast customer additions in 2012, lower capitalized allowance for funds used during construction compared to the same period in 2011 and timing of operations and maintenance expenditures partially offset by increased rate base, higher margin from industrial customers and higher contribution from the current year tax loss utilization plan.

March 2013/2012 - Earnings have increased quarter over quarter primarily due to higher rate base and higher margin from industrial customers partially offset by lower margin associated with lower than forecast customer additions and higher income taxes.

BUSINESS OUTLOOK

Collective Agreements

The collective agreement between the Corporation and Local 213 of the International Brotherhood of Electrical Workers ("IBEW") expires on March 31, 2015. IBEW represents employees in specified occupations in the areas of transmission and distribution.

The collective agreement between the Corporation and Local 378 of the Canadian Office and Professional Employees Union ("COPE") expired on March 31, 2012. In March 2013, the Corporation and COPE reached an agreement on a new collective bargaining agreement. The new agreement expires on March 31, 2015 and has been ratified by the COPE membership. COPE represents employees in specified occupations in the areas of administration and operations support.

The collective agreement between the Corporation's customer service employees and Local 378 of the COPE expires on March 31, 2014.

Contingencies

The Corporation is subject to various legal proceedings and claims associated with the ordinary course of business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's consolidated financial position or results of operations.

OUTSTANDING SHARE DATA

As at the filing date of this MD&A the Corporation had issued and outstanding 64,910,782 common shares.

The Corporation is an indirect wholly-owned subsidiary of Fortis.

ADDITIONAL INFORMATION

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

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